Thorco Shipping A/S

Tuborg Parkvej 10, DK-2900 Hellerup

Annual Report for 1. januar - 31. december 2016

CVR No 10 13 44 63

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 10/7 2017

Thor Stadil
Chairman

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Thorco Shipping A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hellerup, 10 July 2017

Executive Board

Thomas Nørballe Mikkelsen

Board of Directors

Thor Stadil Chairman	Thomas Nørballe Mikkelsen	Christian Nicholas Stadil

Independent Auditor's Report

To the Shareholders of Thorco Shipping A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Thorco Shipping A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
It should be noted that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern. We refer to note 1 to the Financial Statements describing the assumptions and uncertainties related to the Company's cash position, including uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion has not been modified in respect of this matter.

Emphasis of Matter
Without modifying our opinion, we draw attention to note 2, "Uncertainty relating to guarantee commitments", in which Management describes the considerable uncertainty relating to guarantee commitments.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 10 July 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Line Hedam
statsautoriseret revisor

Mark P. Beer
statsautoriseret revisor

Company Information

The Company	Thorco Shipping A/S Tuborg Parkvej 10 DK-2900 Hellerup Telephone: 63203000 CVR No: 10 13 44 63 Financial period: 1 January - 31 December Financial year: 14th financial year Municipality of reg. office: Gentofte
Board of directors	Thor Stadil, Chairman Thomas Nørballe Mikkelsen Christian Nicholas Stadil
Executive Board	Thomas Nørballe Mikkelsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016	2015	2014	2013	2012
	USD 1.000	USD 1.000	USD 1.000	USD 1.000	USD 1.000
Key figures					
Profit/loss					
Revenue	63.529	105.317	151.250	150.631	154.262
Gross profit/loss	-16.631	10.635	-7.132	1.833	4.661
Profit/loss before financial income and expenses	-18.734	4.393	-15.251	-4.083	926
Net financials	-6.571	472	-844	5.554	-745
Net profit/loss for the year	-10.801	4.826	-16.096	723	321
Balance sheet					
Balance sheet total	22.319	30.899	52.075	73.679	56.338
Equity	-9.586	1.215	-4.182	17.835	17.112
Ratios					
Gross margin	-26,2%	10,1%	-4,7%	1,2%	3,0%
Profit margin	-29,5%	4,2%	-10,1%	-2,7%	0,6%
Return on assets	-83,9%	14,2%	-29,3%	-5,5%	1,6%
Solvency ratio	-42,9%	3,9%	-8,0%	24,2%	30,4%
Return on equity	258,1%	-325,3%	-235,8%	4,1%	1,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

The Company was demerged in 2015. The financial highlights have not been restated according to the demerger for the period 2012-2013

Management's Review

Key activities

The object of the Company is to carry on shipping, chartering and other shipping activities as well as any activity deemed by the Board of Directors to be related hereto, including but not limited to the Company being able to enter into agreements on sale and purchase of securities, foreign exchange and derivatives of any kind and any combinations of these.

Capital resources

We refer to note 1 to the Financial Statements concerning the Company's capital resources and continued operations.

Development in the year

The income statement of the Company for 2016 shows a loss for the year of USD 10,801,183 and at 31 December 2016 the balance sheet of the Company shows equity of USD -9,585,881.

In general 2016 was a difficult year for international shipping – and the Multi-purpose and Project (MPP) segment was no exemption. MPP continues to suffer from mainly lower off shore activity and competition from handy-size bulkers.

Outlook for 2017

The MPP segment is expected to continue being under pressure, and Thorco Shipping A/S will adjust strategy and activity level accordingly.

Statutory statements on corporate social responsibility and the underrepresented gender, cf sections 99 a and 99 b of the Danish Financial Statements Act

Reference is made to Parent Company Thornico AIS CSR report including policy on gender equality. The report can be found on the following website: http://www.thornico.com/Company-Karma/CompanyKarma-Report

Uncertainty relating to recognition and measurement

We refer to note 2 to the Financial Statements concerning the uncertainty pertaining to the recognition and measurement of the guarantee commitments.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2016 USD	2015 USD
Revenue	3	**63.529.287**	**105.316.535**
Other operating income		5.965.887	25.981.866
Other external expenses		-86.126.000	-120.663.378
Gross profit/loss		**-16.630.826**	**10.635.023**
Staff expenses	4	-2.103.520	-6.241.790
Profit/loss before financial income and expenses		**-18.734.346**	**4.393.233**
Income from investments in subsidiaries		0	-77.983
Income from investments in associates		-59.872	-774.964
Financial income	5	37.215	3.756.399
Financial expenses	6	-6.548.677	-2.431.401
Profit/loss before tax		**-25.305.680**	**4.865.284**
Tax on profit/loss for the year	7	14.504.497	-39.656
Net profit/loss for the year		**-10.801.183**	**4.825.628**

Distribution of profit

Proposed distribution of profit

Reserve for net revaluation under the equity method	-59.872	-10.116
Retained earnings	-10.741.311	4.835.744
	-10.801.183	**4.825.628**

Balance Sheet 31 December

Assets

	Note	2016	2015
		USD	USD
Investments in subsidiaries	8	3.919.191	4.142.539
Investments in associates	9	1.836.787	1.896.658
Fixed asset investments		**5.755.978**	**6.039.197**
Fixed assets		**5.755.978**	**6.039.197**
Inventories		**109.081**	**903.460**
Trade receivables		3.128.136	7.966.059
Receivables from group enterprises		3.788.862	11.719.861
Receivables from associates		117.564	0
Other receivables		81.942	2.567.647
Deferred tax asset	10	7.716.426	0
Prepayments		877.310	1.659.638
Receivables		**15.710.240**	**23.913.205**
Cash at bank and in hand		**743.407**	**43.431**
Currents assets		**16.562.728**	**24.860.096**
Assets		**22.318.706**	**30.899.293**

Balance Sheet 31 December

Liabilities and equity

	Note	2016	2015
		USD	USD
Share capital		11.006.479	11.006.479
Reserve for net revaluation under the equity method		1.636.835	1.696.706
Retained earnings		-22.229.195	-11.487.884
Equity		**-9.585.881**	**1.215.301**
Credit institutions		5.563.084	7.705.600
Trade payables		3.473.257	6.018.026
Payables to group enterprises		14.919.046	4.118.914
Payables to associates		1.581	3.842.127
Other payables		6.653.181	5.662.716
Deferred income		1.294.438	2.336.609
Short-term debt		**31.904.587**	**29.683.992**
Debt		**31.904.587**	**29.683.992**
Liabilities and equity		**22.318.706**	**30.899.293**
Going concern	1		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	USD	USD	USD	USD
Equity at 1 January	11.006.479	1.696.706	-11.487.884	1.215.301
Net profit/loss for the year	0	-59.871	-10.741.311	-10.801.182
Equity at 31 December	**11.006.479**	**1.636.835**	**-22.229.195**	**-9.585.881**

Notes to the Financial Statements

1 Going concern

The Company is financed by bottomry and group loans. In order for the Company to continue as a going concern, it must be possible to extend the existing loan agreements and to procure liquidity for continued operations. At this time, no agreements securing continued operations have been made. Consequently the Company's ability to continue as a going concern, and thus its ability to meet its commitments as they fall due, is subject to uncertainty. Management expects financing to be procured to continue the planned activities. Furthermore we draw attention to note 2.

2 Uncertainty relating to guarantee commitments

The Company has provided guarantees in respect of bank debt concerning bottomry in group enterprises. Moreover, the Company is jointly and severally liable for any claims from creditors existing at the time of the demerger of the Company which have not subsequently been settled. In order for the group enterprises to continue on a going concern basis, it must be possible to extend the existing loan agreements to procure liquidity for the group enterprises' continued operations. At this time, no agreements securing the continued operations of the group enterprises have been made. Consequently, there is a risk that a claim may be made against the Company which may lead to considerable doubt about the Company's ability to continue as a going concern, and thus its ability to meet its commitments as they fall due. Management expects financing to be procured in the group enterprises to continue the planned activities.

3 Revenue

The company carries on acitivity within dry cargo and considers the world market one coherent entity. The company's sales are consequently not divided into segments.

	2016	2015
	USD	USD
4 Staff expenses		
Wages and salaries	1.901.397	5.872.998
Other staff expenses	202.123	368.792
	2.103.520	**6.241.790**
Including remuneration to the Executive Board	**66.667**	**315.573**
Average number of employees	**15**	**54**

Notes to the Financial Statements

		2016	2015
		USD	USD
5	**Financial income**		
	Interest received from group enterprises	0	1.636.837
	Other financial income	37.215	47.246
	Exchange adjustments	0	2.072.316
		37.215	**3.756.399**
6	**Financial expenses**		
	Interest paid to group enterprises	100.806	10.369
	Other financial expenses	5.398.446	2.421.032
	Exchange adjustments	1.049.425	0
		6.548.677	**2.431.401**
7	**Tax on profit/loss for the year**		
	Current tax for the year	-2.284.068	39.656
	Deferred tax for the year	-7.716.426	0
	Adjustment of tax concerning previous years	-4.504.003	0
		-14.504.497	**39.656**

Notes to the Financial Statements

8 Investments in subsidiaries

	2016	2015
	USD	USD
Cost at 1 January	4.055.503	4.055.503
Disposals for the year	-223.348	0
Cost at 31 December	3.832.155	4.055.503
Value adjustments at 1 January	87.036	203.850
Exchange adjustment	0	-38.831
Net profit/loss for the year	0	-77.983
Value adjustments at 31 December	87.036	87.036
Carrying amount at 31 December	**3.919.191**	**4.142.539**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Sunrise PartnerShips A/S	Svendborg	DKK 25 mio.	100%

Notes to the Financial Statements

	2016	2015
	USD	USD

9 Investments in associates

	2016 USD	2015 USD
Cost at 1 January	286.988	286.988
Cost at 31 December	286.988	286.988
Value adjustments at 1 January	1.609.670	1.502.972
Correction to opening balance	0	881.662
Net profit/loss for the year	-59.871	-774.964
Value adjustments at 31 December	1.549.799	1.609.670
Carrying amount at 31 December	**1.836.787**	**1.896.658**

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Thorco Shipping Pte Ltd	Singapore		50%
MCSM GmbH	Haren		50%
Marship Management GmbH	Haren		40%

10 Deferred tax asset

	2016 USD	2015 USD
Deferred tax asset at 1 January	0	0
Amounts recognised in the income statement for the year	7.716.426	0
Deferred tax asset at 31 December	**7.716.426**	**0**

The recognised tax asset comprises tax loss carry-forwards expected to be utilised within the next year by the group.

Notes to the Financial Statements

11 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The danish group enterprises are jointly and severally liable for tax on the Group's jointly taxed income.

The Company participates as joint owner in limited partnerships and the total liablity to the companies by the way of unpaid equity to approx. USD 0 (2015: USD 10,2 million)

Purchase and guarantee comittments to banks, financial institutions and shipping companies amount for the Company to USD 112.8 million (2015: USD 150.2 million)

The Company has provided earnings gurantess of 2 vessels a 8,000 USD per day (2015: 8,000 USD per day).

The Company is jointly and severally liable for debt and security provided in connection with the demerger with Sofia Shipping A/S. The maximum liability amounts to USD 42.7 million (2015 : USD 43.3 million)

Pursuant to section 6 of the Danish Financial Statements Act the subsidiary Sunrise PartnerShips A/S have not preprared any Annual Report for 2016. The company guarantess all obligations of the companies.

The Company has entered into an agreement on lease of vessels on a time charter basis for expiry in the financial year 2024. The total obligation amounts to USD 68.0 million(2015: USD 174.3 million).

The Company have also entered into an agreement on lease of vessels on a bareboat basis. The total obligation amounts to USD 60.2 million (2015: USD 16.1 million).

The company will support continued operations in affiliates and provide financial support until at least December 31, 2017.

Notes to the Financial Statements

12 Related parties

	Basis
Controlling interest	
Thornico A/S, Odense, Denmark	Shareholder
Other related parties	
Executive and Supervisory Boards	Management control

Consolidated Financial Statements

The company is included in the Group annual report of the Parent Company Thornico A/S. The Group Annual Report of Thornico A/S may be obtained at the following adress:

Name	Place of registered office
Thornico A/S	Odense

Notes to the Financial Statements

13 Accounting Policies

The Annual Report of Thorco Shipping A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2016 are presented in TUSD. Applied US Dollar exchange rate on the 31st of December 2016 : 705,280 (2015 : 683,000).

With reference to section 96(3) of the Danish Financial Statements Act the fee to the auditors appointed at the general meeting has not been disclosed.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Thornico A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Thornico A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement..

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

13 Accounting Policies (continued)

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

13 Accounting Policies (continued)

Income Statement

Revenue

Revenue from sales (chartering income) is recognised in the income statement when the charter is finalised based on the following criteria:

- finalisation of the charter before year end
- the charter income has been determined and payment has been recieved or may with reasonable certainty to be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses incurred to achieve the revenue for the year as well as expenses for premises and office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

13 Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enter pri ses calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries and associates.

Sub si di a ries and as so ci a tes with a negative net asset value are recognised at USD 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Notes to the Financial Statements

13 Accounting Policies (continued)

Chartering in progress

Chartering is progress is measured at the sales value of the part og the chartering relating to the financial period. The individual chartering contracts are classified as receivables when the values is positive and as payables when the values is negativ.

Prepayments

Prepayments comprise prepaid expenses concerning charter, insurance premiums, etc.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

13 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$