

Annual Report 2017

Subcontinent Ammonia Investment Company ApS
CVR-no. 26 79 13 16

The Annual Report has been presented and adopted at the Annual General Meeting on March 20, 2018



Chair of the meeting,
Louise Jessen Høyer

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Directors' report

The company's objectives are trade, financing, investment in shares in other companies and other financial activities, activities related to granting licenses, especially for catalysts and chemical process technology, and other activities deemed relevant by the Management.

The company's main asset is a 15.01% share in ammonia and urea producer Karnaphuli Fertilizer Company Ltd. (KAFCO) in Bangladesh.

KAFCO generated for the financial year 2016/17 (1 August 2016 – 30 June 2017) a profit after tax amounting to USD 15 million (2015/16: USD 23 million). KAFCO distributes the majority of the profit as dividends to the shareholders.

The decrease in the result of KAFCO was caused by a decrease in production due to decreased supply of natural gas compared to previous years.

The estimated value of Subcontinent Ammonia Investment Company ApS's shares in KAFCO have been value adjusted by DKK 42 million, from DKK 313 million to DKK 271 million. The estimated value is established upon a discounted cash flow calculation.

The company expects a positive result in 2018, as KAFCO forecasts a positive operation for 2018 and – as in the past – KAFCO plans to distribute the major part of its profit as dividend during the coming year.

Statement by the Management on the Annual Report

The Management have today considered and adopted the Annual Report 2017 of Subcontinent Ammonia Investment Company ApS.

The financial statements have been 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 of the company at December 31, 2017 and of the results


of the company operations for 2017 in accordance with the applied accounting policies.

In our opinion, the Managements' review includes a true and fair account of the development in the operations and financial circumstances of the company, and the results for the year and of the financial position of the company.

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

Lyngby, March 20, 2018

Management



Per Bakkerud



Bjerne S. Clausen



Lene Ramm

Independent auditor's report

To the shareholder of Subcontinent Ammonia Investment Company ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017, and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Subcontinent Ammonia Investment Company ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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.

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.

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 Financial 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 judgment and maintain professional skepticism 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.
- 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.

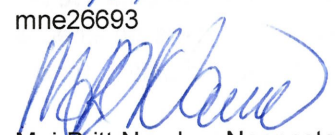
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, March 20, 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31


Mikkel Sthyr
State Authorized Public Accountant
mne26693


Maj-Britt Nørskov Nannestad
State Authorized Public Accountant
mne32198

Accounting policies

The financial statements of Subcontinent Ammonia Investment Company ApS have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from previous years.

The Annual Report has been denominated in DKK 1,000.

General

The financial statements have been prepared in accordance with the historical cost convention, except for other investments that are stated at market value or at estimated value.

Translation policies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Foreign currency monetary items are translated into the functional currency at the exchange rates prevailing at the balance sheet date.

Income Statement

Other external expenses

Other external expenses comprise of administration fee, audit etc.

Financial income and expenses

Financial income and expenses comprise of interest, dividends, fair value adjustment and realized and unrealized foreign currency translation adjustments.

Tax, P&L

The company is jointly taxed with the ultimate parent company. Tax for the individual companies is allocated fully on the basis of expected taxable income.

Tax consist of current tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity entries is recognized directly in equity.

Other investments

Other investments are measured at market value or at estimated value at the balance sheet date. Unrealized value adjustments are recognized in the income statement.

Receivables

Receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to nominal value less provisions for bad debts.

Debt

Debts are measured at amortized cost, mainly corresponding to nominal value.

Balance sheet

Tax

Current tax liabilities and current tax receivables are recognized in receivables in the balance sheet in the event of overpayment of tax on account, in debt in the event of underpayment of tax on account.

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising 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 expected to be in force on elimination of temporary differences. Any changes in deferred tax due to changes in tax rates are recognized in the income statement with the share attributable to the results for the year and directly on equity with the share attributable to equity transactions.

Income Statement January 1 - December 31

	Note	2017 DKK 1,000	2016 DKK 1,000
Other external expenses		-264	-266
EBIT		-264	-266
Financial income	1	23.418	26.102
Financial expenses		-42.645	-51.339
Profit before tax		-19.491	-25.503
Tax		-2.154	-2.285
Net profit		-21.645	-27.788
Proposed distribution of profit			
Proposed dividend		20.100	0
Interim dividend paid during the year		21.354	0
Retained earnings		-63.099	-27.788
		-21.645	-27.788

Balance sheet at December 31

Assets

	Note	2017 DKK 1,000	2016 DKK 1,000
Other investments		271.000	313.000
Investments	2	271.000	313.000
Non-current assets		271.000	313.000
Receivables from group enterprises		20.481	21.355
Tax receivables		168	301
Receivables		20.649	21.656
Cash		18	10
Current assets		20.667	21.666
Assets		291.667	334.666

Equity and liabilities

	Note	2017 DKK 1,000	2016 DKK 1,000
Share capital		1.000	1.000
Retained earnings		270.555	333.654
Proposed dividend		20.100	0
Equity		291.655	334.654
Other payables		12	12
Current liabilities		12	12
Liabilities		12	12
Equity and liabilities		291.667	334.666
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Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend	Total
	<u>DKK 1,000</u>	<u>DKK 1,000</u>	<u>DKK 1,000</u>	<u>DKK 1,000</u>
Equity at January 1, 2017	1.000	333.654	0	334.654
Interim dividend	0	-21.354	0	-21.354
Net profit	0	-41.745	20.100	-21.645
Equity at December 31, 2017	<u>1.000</u>	<u>270.555</u>	<u>20.100</u>	<u>291.655</u>

Notes

1 Financial income

	2017	2016
	DKK 1,000	DKK 1,000
Income from other investments	23.272	25.869
Interest received from group enterprises	146	233
	23.418	26.102

2 Investments

	Other investments
Cost at January 1, 2017	29.857
Additions for the year	0
Cost at December 31, 2017	29.857
Value adjustment at January 1, 2017	283.143
Value adjustment for the year	-42.000
Value adjustment at december 31, 2017	241.143
Carrying amount at December 31, 2017	271.000

Karnaphuli Fertilizer Limited, Bangladesh (KAFCO)

Subcontinent Ammonia Investment Company ApS has a shareholding in KAFCO of nominally BDT 692 million, which equals 15.01% of the shares in KAFCO. The shares are measured at an estimated market value based on a discounted cash flow calculation on the basis of the present budgets and forecasts of KAFCO. The calculation is moreover based on material assumptions in terms of growth rate and discount rate. The discount rate is determined based on Management's estimate of general capital market conditions and the specific risk profile and has been determined at 12% after tax. The growth rate in the terminal period has by Management been estimated at 0%. Both the discount rate and the growth rate corresponds to the 2016 rates. Based on these criteria, the KAFCO shares have been written down by DKK 42 million (2016: DKK 50 million).

Other investments are specified as follows:

<u>Name</u>	<u>Ownership</u>
KAFCO	15,01%
Haldor Topsoe India Pvt. Ltd. *)	0,01%

*) Other shares are owned by the affiliated company, Haldor Topsøe International A/S.

Notes

3 Contractual liabilities

Through participation in joint taxation scheme with Haldor Topsøe Holding A/S, the Company is jointly and severally liable for taxes payable, etc. in Denmark.

4 Consolidated accounts

Haldor Topsoe A/S prepares consolidated financial statements which includes the Company.

5 Subsequent events

No events materially affecting the Company's financial position at December 31, 2017 have occurred after the balance sheet date.