

Bayerngas Danmark ApS

Rådhuspladsen 16
1550 København V
Central Business Registration No
31627117

Annual report 2016

The Annual General Meeting adopted the annual report on 07.03.2017

Chairman of the General Meeting


Name: DAVID A. MUNCH

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2016	10
Balance sheet at 31.12.2016	11
Statement of changes in equity for 2016	13
Notes	14
Accounting policies	17

Entity details

Entity

Bayerngas Danmark ApS
Rådhuspladsen 16
1550 København V

Central Business Registration No: 31627117

Registered in: København

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Arne Westeng, Chairman
Trond Bjerkan
Line Røysund

Executive Board

Trond Bjerkan, director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Bayerngas Danmark ApS for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.


We recommend the annual report for adoption at the Annual General Meeting.


Oslo, 28.02.2017

Executive Board

Trond Bjerkan
director

Board of Directors


Arne Westeng
Chairman


Trond Bjerkan


Line Røysund

Independent auditor's report

To the shareholders of Bayerngas Danmark ApS

Opinion

We have audited the financial statements of Bayerngas Danmark ApS for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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

We draw attention to Note 1 in the financial statements that state that the company is dependent of further financing in order to complete the development of existing projects and continue operations. The management have assumed that sufficient financing is received from the parent company Bayerngas Norway AS, and therefore the financial statement have been prepared as Going concern. As stated in Note 1 this indicate material uncertainty related to going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter regarding circumstances in the financial statements

We draw attention to the report from the Board of Directors and Note 1, Note 5 and Note 6 in the financial statements describing the material uncertainty relating to the determination of the recoverable value of the Hejre field, including uncertainty as to the timing of the payment of costs related to the Fredericia terminal. The assumptions used in the impairment test are described in Note 5. Our opinion is not modified in respect of this matter.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going

Independent auditor's report

concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.
- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 28.02.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556



Lars Hillebrand

State Authorised Public Accountant

Management commentary

Primary activities

The Business

Bayerngas Danmark ApS ("The Company") is an oil and gas exploration and field development company registered in Denmark. The Company holds ownership in four licenses and one unit on the Danish continental shelf; 15% in license 5/98 (Hejre), 12% in license 1/06 (Hejre Extension), 30% in parts of license 4/98 (Solsort), 30% in license 3/09 (Solsort) and 27,66% in Solsort Unit. Dong E&P is the operator of all these licenses.

The Company is a 100% owned subsidiary of Bayerngas Norge AS.

Continued Operations

The financial statements have been presented based on the assumption of continued operations, and the Board of Directors confirms that the prerequisites for this assumption are present. The basis for this evaluation by the Board of Directors is the Company's plans for investment, continued development of the Hejre field, long-term cash flow prognoses and a continued commitment by the shareholder and ultimate shareholders to finance the Company's activities.

The Company is dependent on the availability of financing from its parent to fulfil its ongoing obligations as they fall due. Bayerngas Norge AS has expressed their intention of continued financial support.

Main Activities in 2016

The main Hejre activity in 2016 has been drilling of the last two production wells, HA-4 and HA-5, with the drilling rig Mærsk Resolve. The drilling operations have progressed very well and without incidents. The results after drilling all five production wells indicates that hydrocarbon reserves are somewhat lower than what was assumed as the basis for the PDO in 2012.

In March 2016, the Hejre license partners terminated for cause the Hejre platform EPC contract with the EPC consortium with immediate effect. This was done on the basis of the consortium's material breach of its contractual obligations. The termination means that the Hejre topsides platform will not be completed, and that the Hejre project 'in its original form' has been stopped.

DONG Energy and Bayerngas have agreed that DONG Energy will be controlling the termination process towards the supplier consortium on behalf of the Hejre project. As such, DONG Energy will assume potential financial up- and downsides related to the EPC contract and termination process towards the supplier consortium.

Other affected contracts for support service and heavy lift etc. have been cancelled or amended accordingly.

The license partners are however committed to continue the development of the Hejre field and are currently screening field development concepts, including potential co-development with Solsort and to utilize the al-

Management commentary

ready installed jacket, wells and pipeline/export infrastructure. The Hejre license partners are also in negotiation with Dong Oilpipe (DEOP) regarding an amendment to the existing Transportation Agreement to cater for the delayed start-up.

Development in activities and finances

The Company is financed by loans from its parent company and has no debt to external financial institutions. The owner converted debt to equity in 2016, and the Company has an equity ratio of 2,5% at year-end.

As the Company's assets are in the exploration and development phase, the Board of Directors will monitor the Company's financial position during 2017. Necessary actions will be taken by the Board of Directors if the Company's financial position indicates that additional equity is needed.

Profit/loss for the year in relation to expected developments

Net loss for the year is MDKK 534, compared to MDKK 1.462 in 2015. The negative resultat is mainly due to impairment of the Hejre asset.

It is the Board of Directors' opinion that the financial statements, which include income statement, balance sheet and notes, give a true and fair view of the state of the affairs of the company.

The Company's Financial Position

The Company does not yet have any sales revenue, and is currently financed by loans from its affiliates and equity infusions from Bayerngas Norge AS. The company does not have external debt. Bayerngas Norge AS has expressed their intention of continued financial support. They acknowledge the need to strengthen the equity ratio, and future financing of the Company will therefore be purely based on additional equity.

Outlook

The concept screening for Hejre (DK) redevelopment will continue throughout 2017, where the feasibility phase will be concluded late Q1 2017 and a concept expected to be chosen by the end of the year. The existing PDO will then be updated/amended to serve as basis for the continued development. First oil is expected in the period 2020-2022, depending on which development concept that is chosen.

The Solsort (DK) licensees plan to pass feasibility gate for the Solsort development early 2017 and to conclude concept selection by mid-2017. In the 30-year production permit granted to Solsort Unit in 2015, it was set as condition that Solsort Unit delivers a PDO before 29 June 2017. Alignment between Solsort and Hejre developments may possibly defer Solsort concept selection and consequently Solsort PDO, but it is assumed that Solsort in such case will be granted an extended PDO deadline from DEA.

Management commentary

Particular risks

Business risks

Development of gas and oil fields implies risks, such as finding and applying feasible solutions, both economically and technically. There are also uncertainties related to production capacity, reserves, geological conditions, future oil and gas prices and currency exchange rates.

Financial risks

The Company is currently financed 100% by its affiliated companies through loans and equity. Bayerngas Norge AS is committed to providing further financing of the Company's activities in 2017. The Company is exposed to interest rate risk related to loans from its Shareholders, however the Board of Directors considers this risk to be acceptable.

Reserve estimates

Expected reserves are used as one of the criteria for impairment testing in Bayerngas. Expected reserves are the estimated remaining commercially recoverable quantities from projects in operation or justified for development based on Bayerngas judgement of future economic conditions. Recoverable oil and gas quantities are always uncertain, and the expected value is the weighted average of possible outcomes (the statistical mean from probabilistic estimates or the best technical estimate if only deterministic methods have been applied). Expected oil and gas reserves are based on Operator's estimates.

Hejre project

The Hejre field continues to be a challenging development project. The reduced reserves together with lower oil prices compared with the assumptions at the PDO stage, challenges the economy of the continued project. However, current feasibility work and considered possible synergies by a co-development with Solsort can to some extent mitigate this situation. The management has estimated recoverable amount on the Hejre field based on its best judgement and emphasizes the uncertainty relating to the Hejre project. The recoverable amount and associated impairment is sensitive to changes in reserves, prices, costs, timing and WACC.

Allocation of financial statement

It is the Board of Directors' opinion that the financial statements, which include income statement, balance sheet and notes, give a true and fair view of the state of the affairs of the Company.

The Board of Directors recommends that the Company allocate the 2016 net loss for the year as presented in the income statement.

Intellectual capital resources

The Bayerngas Norge Group is an equal opportunity employer and practices full gender equality. One of two employees is female (50%). The Board of Directors has three members, one of which is female (33%). The Managing Director is male.

Management commentary

Staff

The Company had two employees in 2016.

The Board of Directors is not aware of any incidents or accidents under the responsibility of the Company that might have caused injury or environmental damage during 2016.

Statutory report on corporate social responsibility

Corporate social responsibility policies of the parent company and its subsidiaries are commented on in the annual report of the parent company Bayerngas Norge AS.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Other operating income		5.614	5.908
Costs of raw materials and consumables		(115.169)	(32.995)
Other external expenses		(18.231)	(18.197)
Gross profit/loss		(127.786)	(45.284)
Staff costs		(2.929)	(2.021)
Depreciation, amortisation and impairment losses		(360.000)	(1.337.000)
Operating profit/loss		(490.715)	(1.384.305)
Other financial income	2	9.950	17.470
Other financial expenses	3	(53.626)	(94.911)
Profit/loss for the year		(534.391)	(1.461.746)
Proposed distribution of profit/loss			
Retained earnings		(534.391)	(1.461.746)
		(534.391)	(1.461.746)

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Development projects in progress		116.896	186.896
Intangible assets	4	116.896	186.896
Property, plant and equipment in progress		419.230	476.307
Property, plant and equipment	5	419.230	476.307
Fixed assets		536.126	663.203
Raw materials and consumables		3.678	51.896
Inventories		3.678	51.896
Receivables from group enterprises		12.373	11.731
Other receivables		78.214	114.457
Prepayments		302	1.291
Receivables		90.889	127.479
Current assets		94.567	179.375
Assets		630.693	842.578

Balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital		2.571	1.625
Share premium		2.701.554	1.756.500
Retained earnings		(2.688.630)	(2.154.239)
Equity		15.495	(396.114)
Other provisions		163.955	111.766
Provisions		163.955	111.766
Payables to group enterprises		417.518	789.007
Non-current liabilities other than provisions		417.518	789.007
Payables to group enterprises		4.104	222.836
Other payables		29.621	115.083
Current liabilities other than provisions		33.725	337.919
Liabilities other than provisions		451.243	1.126.926
Equity and liabilities		630.693	842.578
Going concern	1		
Contingent liabilities	6		
Related parties with controlling interest	7		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.625	1.756.500	(2.154.239)	(396.114)
Increase of capital	946	945.054	0	946.000
Profit/loss for the year	0	0	(534.391)	(534.391)
Equity end of year	2.571	2.701.554	(2.688.630)	15.495

Notes

1. Going concern

The financial statements have been presented based on the assumption of continued operations, and the Board of Directors confirms that the prerequisites for this assumption are present. The basis for this evaluation by the Board of Directors is the Company's plans for investment, continued development of the Hejre field, long-term cash flow prognoses and a continued commitment by the shareholder and ultimate shareholders to finance the Company's activities.

The Company is dependent on the availability of financing from its parent to fulfil its ongoing obligations as they fall due. Bayerngas Norge AS has expressed their intention of continued financial support.

The concept screening for Hejre (DK) redevelopment will continue throughout 2017, where the feasibility phase will be concluded late Q1 2017 and a concept expected to be chosen by the end of the year. The existing PDO will then be updated/amended to serve as basis for the continued development. First oil is expected in the period 2020-2022, depending on which development concept that is chosen.

The Solsort (DK) licensees plan to pass feasibility gate for the Solsort development early 2017 and to conclude concept selection by mid-2017. In the 30-year production permit granted to Solsort Unit in 2015, it was set as condition that Solsort Unit delivers a PDO before 29 June 2017. Alignment between Solsort and Hejre developments may possibly defer Solsort concept selection and consequently Solsort PDO, but it is assumed that Solsort in such case will be granted an extended PDO deadline from DEA.

The Company does not yet have any sales revenue, and is currently financed by loans from its affiliates and equity infusions from Bayerngas Norge AS. The company does not have external debt. Bayerngas Norge AS has expressed their intention of continued financial support. They acknowledge the need to strengthen the equity ratio, and future financing of the Company will therefore be purely based on additional equity.

2. Other financial income

Exchange rate adjustments
Other financial income

2016 DKK'000	2015 DKK'000
6.444	11.801
3.506	5.669
9.950	17.470

3. Other financial expenses

Financial expenses from group enterprises
Other financial expenses

2016 DKK'000	2015 DKK'000
41.057	78.869
12.569	16.042
53.626	94.911

Notes

	Develop- ment projects in progress DKK'000
4. Intangible assets	
Cost beginning of year	186.896
Cost end of year	186.896
Impairment losses for the year	(70.000)
Amortisation and impairment losses end of year	(70.000)
Carrying amount end of year	116.896
Development projects in progress	
Exploration licenses: For assets with potential resources and no firm development decision, we have reduced estimated market value, with basis in the current challenging market conditions.	
	Property, plant and equipment in progress DKK'000
5. Property, plant and equipment	
Cost beginning of year	2.132.307
Additions	232.923
Cost end of year	2.365.230
Depreciation and impairment losses beginning of the year	(1.656.000)
Impairment losses for the year	(290.000)
Depreciation and impairment losses end of the year	(1.946.000)
Carrying amount end of year	419.230
Discounted cash flow method has been used to estimate future value of fields under development and in production. Forward prices as per 31 December 2016 are used for the first five years, thereafter the Group's long-term price assumptions have been applied. Discount rate of 8% (nominal after tax) and inflation of 1,5% have been applied.	

Fields under development; In March 2016, the EPC contract concerning the platform for the Hejre project, DCS were terminated by the license. The consortium working on the platform had not been able to fulfil its

Notes

contractual obligations, and we therefore lost faith in the consortium's ability to deliver a workable solution. Estimated future value of Hejre is based on weighted probability of cash flow scenarios and reflects uncertainties in the project, both with regards to final production concept, final development costs, production capacity and timing. The remaining value is reflecting installed facilities and already drilled wells. The license is actively pursuing a re-development and is currently evaluating various development options that utilize the already existing infrastructure and is anticipating concept select in about 1 year. The re-development concepts also consider joint developments with close by licenses which may further enhance the value of the Asset.

An impairment of MDKK 290 has been recorded for the Hejre field in 2016.

6. Contingent liabilities

Bayerngas Danmark ApS, which holds participating interest in four licenses for production and exploration of oil and natural gas, is committed by approved work programmes for exploration and development of these licenses to make significant investments in coming years. Bayerngas Danmark ApS' share of commitments related to exploration and development according to license agreements is estimated to MDKK 1,413 on 31.12.2016.

As part of the 5/98 Hejre development project, a separation facility has been built at the Fredericia terminal in Denmark. Dong Oil Pipe A/S, operator of Fredericia terminal, has been responsible for the construction of the facility and the Hejre license is obliged to pay the cost over the production period of the field. The current transportation agreement stipulates immediate repayment of the development cost of the facility unless Hejre field is in production by March 2019 or the transporter agrees to deferral of such date based on producers request for deferral. This agreement is currently under negotiation to be amended. Company share of such obligation is approximately 330 MDKK.

7. Related parties with controlling interest

Bayerngas Norge AS, a related party based in Oslo, Norway, owns all the shares of the Company, and therefore has a controlling interest in the Company.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

The Company's functional currency is DKK. Foreign currency transactions are recorded using exchange rates on the date of the transaction. Monetary items denominated in foreign currencies are converted to DKK using exchange rates at the balance sheet date. The resulting realized and unrealized currency gains and losses are included in the income statement.

Income statement

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognized in current assets.

Accounting policies

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to Intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year. Calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Research and development (R&D)

R&D cost is expensed as incurred.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises.

Balance sheet

Intellectual property rights etc

The cost of exploration licenses are capitalized as an intangible asset and includes cost such as external fees directly attributable to the acquisition of licenses.

Exploration costs needed to determine whether there are deposits of oil and gas.

Exploration expenses for the development of wells where there is evidence of hydrocarbon reservoir are recognized at cost as intangible asset. When a decision on field development is made, exploration cost is transferred to development projects in progress under intangible fixed assets.

Licenses and exploration cost is amortized based on production method from the time the field is put into operation, not exceeding 20 years.

For exploration licenses acquisition cost is impairment-tested based on a potential value assessment, whereby estimated recoverable resources are assigned a value per barrel.

Accounting policies

Property, plant and equipment

Maintenance and repairs are expensed as incurred. Significant costs incurred in order to increase production capacity or extend the useful economic life of production facilities are capitalized

The Company follows the "Successful Efforts" method in accounting for exploration and development costs. All exploration costs, with the exception of drilling costs of exploration wells, are charged to expense as incurred. Exploration wells are capitalized until we see that they have no commercial potential. Wells without commercial potential are expensed.

Fields in production is depleted based on the Units of Production (UoP) method. Goodwill is amortised over five years on a straight-line basis. Equipment and furniture are depreciated on a straight line basis over the expected useful life per asset. Useful life is typically three to five years.

Fixtures and fittings are measured at cost less accumulated depreciation.

Depreciation of fixtures and fittings straight-line basis over the estimated useful life of 3-5 years.

Depreciation and impairment losses are recognized under production costs, exploration costs and administrative expenses. Gains and losses on disposal of fixed assets included in the income statement.

Tangible fixed assets are written down to the recoverable amount if this is lower than the carrying amount. An impairment test of each individual asset or group of assets is carried out if there is evidence of impairment.

Inventories

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equaling nominal value less write-downs for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other provisions

Other provisions comprise of abandonment obligations.

Accounting policies

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.