

GERMAN PELLETS DENMARK APS

BAKKEDRAGET 7, 8990 FÅRUP

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2016

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 30 June 2017**

Philipp Hübler

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

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COMPANY DETAILS

Company	German Pellets Denmark ApS Bakkedraet 7 8990 Fårup
	CVR no.: 33 26 76 22
	Established: 17 November 2010
	Registered Office: Fårup
	Financial Year: 1 January - 31 December
Board of Directors	Philipp Hübler Michael Hessing Steffen Hildebrandt
Board of Executives	Philipp Hübler
Auditor	BDO Statsautoriseret revisionsaktieselskab Kystvejen 29 8000 Aarhus C
Bank	Sydbank A/S Storegade 18 6200 Aabenraa

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of German Pellets Denmark ApS for the year 1 January - 31 December 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 the Company's financial position at 31 December 2016 and of the results of the the Company's operations for the financial year 1 January - 31 December 2016.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Fårup, 30 June 2017

Board of Executives

Philipp Hübler

Board of Directors

Philipp Hübler

Michael Hessing

Steffen Hildebrandt

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of German Pellets Denmark ApS

AUDITORS OPINION ON THE FINANCIAL STATEMENTS

Opinion

We have audited the Financial Statements of German Pellets Denmark ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, notes and 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 assets, liabilities and financial position of the Company at 31 December 2016 and of the results of the Company operations for the financial year 1 January - 31 December 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 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.

Management's Responsibility 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 Responsibility for 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

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, we conclude that 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 of Management's Review.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Violation of the Danish Companies Act

The Company has lost more than half of the share capital. The management has not, within the deadline of the Danish Company Act, ensured that a general meeting is held and outlined the Company's financial position to the shareholders and if necessary proposed measures that should be taken. Management may incur liability in this respect.

Violation of the Danish Bookkeeping Act

In our opinion, the Company has not complied with the provisions of the Danish Bookkeeping Act to plan and perform the bookkeeping in accordance with generally accepted bookkeeping principles, taking into consideration the nature and scope of the Company's activities.

INDEPENDENT AUDITOR'S REPORT

Aarhus, 30 June 2017

BDO Statsautoriseret revisionsaktieselskab
CVR-nr. 20 22 26 70

Jeanette Staal
State Authorised Public Accountant

MANAGEMENT'S REVIEW

Principal activities

The principal activities comprise sale of wood pellets and related business.

Development in activities and financial position

The company has realized a loss before tax on 1.193 tkr. The management considers the result to be unsatisfactory.

The parent company has issued a letter of Comfort stating that they will secure the operations of the Company with the necessary contributions, whereby the liquidity for the coming financial year is ensured and the annual report can be presented in accordance with going concern.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2016 DKK	2015 DKK
GROSS LOSS.....		-596.735	1.023.911
Staff costs.....	1	-546.885	-872.254
Depreciation, amortisation and impairment.....		0	-16.171
Other operating expenses.....		0	-46.620
OPERATING LOSS.....		-1.143.620	88.866
Other financial income.....		5.984	10.708
Other financial expenses.....		-55.310	-106.934
PROFIT BEFORE TAX.....		-1.192.946	-7.360
Tax on profit/loss for the year.....	2	-107.231	1.619
PROFIT FOR THE YEAR.....		-1.300.177	-5.741
PROPOSED DISTRIBUTION OF PROFIT			
Accumulated profit.....		-1.300.177	-5.741
TOTAL.....		-1.300.177	-5.741

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2016 DKK	2015 DKK
Finished goods and goods for resale.....		341.857	63.750
Inventories.....		341.857	63.750
Trade receivables.....		2.200.418	4.032.599
Deferred tax assets.....		0	107.231
Other receivables.....		11.140	11.139
Corporation tax receivable.....		0	23.001
Receivables.....		2.211.558	4.173.970
Cash and cash equivalents.....		557.115	345.075
CURRENT ASSETS.....		3.110.530	4.582.795
ASSETS.....		3.110.530	4.582.795
EQUITY AND LIABILITIES			
Share capital.....		80.000	80.000
Retained profit.....		-836.534	463.643
EQUITY.....	3	-756.534	543.643
Trade payables.....		100.398	272.350
Payables to group enterprises.....		2.737.682	2.889.123
Other liabilities.....		1.028.984	877.679
Current liabilities.....		3.867.064	4.039.152
LIABILITIES.....		3.867.064	4.039.152
EQUITY AND LIABILITIES.....		3.110.530	4.582.795
Uncertainty with respect to going concern	4		
Consolidated financial statements	5		

NOTES

	2016 DKK	2015 DKK	Note
Staff costs			1
Average number of employees 1 (2015: 1)			
Wages and salaries.....	515.898	808.626	
Pensions.....	26.174	0	
Social security costs.....	4.813	63.628	
	546.885	872.254	
Tax on profit/loss for the year			2
Calculated tax on taxable income of the year.....	107.231	-1.619	
	107.231	-1.619	
Equity			3
	Share capital	Retained profit	Total
Equity at 1 January 2016.....	80.000	463.643	543.643
Proposed distribution of profit.....		-1.300.177	-1.300.177
Equity at 31 December 2016.....	80.000	-836.534	-756.534
Uncertainty with respect to going concern			4
The parent company has issued a letter of Comfort stating that they will secure the operations of the Company with the necessary contributions, whereby the liquidity for the coming financial year is ensured and the annual report can be presented in accordance with going concern.			
Consolidated financial statements			5
The company is included in the consolidated financial statements for Wismar Pellets GmbH, Am Torney 2a, 23970 Wismar, Germany.			

ACCOUNTING POLICIES

The annual report of German Pellets Denmark ApS for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B with additional choice of rules relating to reporting class C.

The Annual Report is prepared consistently with the accounting principles used last year.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

ACCOUNTING POLICIES

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Amortised cost of current liabilities usually corresponds to nominal value.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.