

TripleNine Group A/S
Trafikhavnskaj 9
6700 Esbjerg
Central Business Registration
No 35476601

Annual report 2017

The Annual General Meeting adopted the annual report on 20.04.2018

Chairman of the General Meeting

Name: Jørgen Riise

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Consolidated income statement for 2017	9
Consolidated balance sheet at 31.12.2017	10
Consolidated statement of changes in equity for 2017	12
Consolidated cash flow statement for 2017	13
Notes to consolidated financial statements	14
Parent income statement for 2017	24
Parent balance sheet at 31.12.2017	25
Parent statement of changes in equity for 2017	27
Notes to parent financial statements	28
Accounting policies	33

Entity details

Entity

TripleNine Group A/S
Trafikhavnskaj 9
6700 Esbjerg

Central Business Registration No (CVR): 35476601

Registered in: Esbjerg

Financial year: 01.01.2017 - 31.12.2017

Statutory reports on the entity's website

Statutory report on corporate social responsibility: <http://tripleninegroup.com/dk/triplenine-group-as/corporate-social-responsibility.aspx>

Board of Directors

Torben Svejgård, chairman
Kenneth Lande Klokk
Peter Kirk Larsen
Hans Peter Koppernæs

Executive Board

Jes Bjerregaard, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of TripleNine Group A/S for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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.

Esbjerg, 01.03.2018

Executive Board

Jes Bjerregaard
CEO

Board of Directors

Torben Svejgård
chairman

Kenneth Lande Klock

Peter Kirk Larsen

Hans Peter Koppernæs

Independent auditor's report

To the shareholders of TripleNine Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of TripleNine Group A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Esbjerg, 01.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jørn Jepsen
State Authorised Public Accountant
Identification No (MNE) mne24824

John Lindvig Christiansen
State Authorised Public Accountant
Identification No (MNE) mne26846

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	1.846.167	1.785.725	1.739.079	1.386.407	1.632.216
Gross profit/loss	307.189	323.392	421.243	384.483	136.460
Operating profit/loss	110.675	138.169	233.676	202.755	(15.804)
Net financials	13.315	3.738	(15.328)	(898)	(30.159)
Profit/loss for the year	110.836	127.005	166.339	152.715	(34.590)
Profit/loss for the year excl minority interests	110.836	127.005	166.339	152.715	(34.590)
Total assets	1.102.004	1.311.059	1.203.211	1.015.791	964.044
Investments in property, plant and equipment	65.278	70.950	44.489	15.717	60.461
Equity	593.912	795.050	719.121	581.779	415.520
Equity excl minority interests	593.701	794.839	718.911	581.569	415.311
Ratios					
Gross margin (%)	16,6	18,1	24,2	27,7	8,4
Net margin (%)	6,0	7,1	9,6	11,0	(2,1)
Return on equity (%)	16,0	16,8	25,6	30,6	(8,3)
Equity ratio (%)	53,9	60,6	59,7	57,3	43,1

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year excl minority interests} \times 100}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Group's primary activities are to manufacture and sell fish meal and fish oil.

The Group carries on its activities through the subsidiaries:

- TripleNine A/S (Denmark)
- Vedde AS (Norway)
- Lota Vedde Dos S.A. (Chile)
- Lota Protein S.A (Chile)
- Pesquera Lota Protein LTDA (Chile)
- TripleNine Asia PTE LTD (Singapore)
- Losseselskabet 999 A/S (Denmark)
- Polar Omega A/S (Denmark)
- TripleNine Holding Asia ApS (Denmark)

In addition, the Company has activities in the partly owned companies of Norsildmel AS (Norway), Fiskeriselskabet 2bis ApS (Denmark) and Fosnavåg Pelagic AS (Norway).

Development in activities and finances

Group revenue reached DKK 1,846m in 2017 against DKK 1,786m in 2016.

In 2017, the Group's companies manufactured more fish meal and fish oil than expected and more than last year especially due to a significant increase in the EU Sandeel quota.

Profit for the year is DKK 111m for 2017 compared to DKK 127m for 2016 and is considered satisfactory and as expected.

Investments

2017 saw DKK 65m worth of investments in property, plant and equipment against DKK 71m in 2016.

Outlook

In 2018, expectations are that the supply of raw materials to the Danish and Norwegian factories will decrease as a significant decrease in the EU sandeel quota is expected.

The price trend of fish meal and fish oil as well as raw materials will also have a major impact on earnings performance in 2018. A little lower profit for 2018 is expected too.

Management commentary

Particular risks

Price risks

In many cases, the group companies buy raw materials before any sale, which involves a risk.

Currency risks

As a consequence of activities abroad, the Group's results, cash flows and equity are affected by the exchange rate and interest rate movements of a number of currencies – US dollar and Norwegian kroner in particular. The Group settles its currency positions upon delivery or forward exchange contracts to hedge sales contracts entered into. No speculative foreign currency transactions are conducted.

Credit risks

The bulk of products is sold through the partly owned company Norsildmel AS, which has appropriate procedures in place for managing credit risks, and historically it has suffered few credit losses.

Research and development activities

Throughout 2017, the Company continued its efforts to attract knowledge resources in various areas of activity in order to strengthen its competitive position and ongoing developments.

Statutory report on corporate social responsibility

The Company's report on corporate social responsibility (S 99a Danish Financial Statements Act) may be downloaded from its website:

<http://tripleninegroup.com/dk/triplenine-group-as/corporate-social-responsibility.aspx>

Here the Company's report on the underrepresented gender in the supreme governing body (S 99b Danish Financial Statements Act) is also evident as is a description of the specific measures the Company has launched to create a gender balance at the other management levels.

Statutory report on the underrepresented gender

Please refer to the description above under Report on corporate social responsibility.

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.

Consolidated income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Revenue	1	1.846.167	1.785.725
Other operating income		13.249	13.616
Cost of sales		(1.250.811)	(1.191.021)
Other external expenses	2	<u>(301.416)</u>	<u>(284.928)</u>
Gross profit/loss		307.189	323.392
Staff costs	3	(159.874)	(144.322)
Depreciation, amortisation and impairment losses	4	(36.591)	(40.863)
Other operating expenses		(49)	(38)
Operating profit/loss		110.675	138.169
Income from investments in associates		11.166	14.564
Other financial income	5	13.355	9.189
Impairment losses on financial assets		(2.005)	(1.731)
Other financial expenses	6	<u>(9.201)</u>	<u>(18.284)</u>
Profit/loss before tax		123.990	141.907
Tax on profit/loss for the year	7	<u>(13.154)</u>	<u>(14.902)</u>
Profit/loss for the year	8	<u>110.836</u>	<u>127.005</u>

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Acquired licences		8.903	10.709
Goodwill		452	646
Intangible assets	9	9.355	11.355
Land and buildings		74.073	81.761
Other fixtures and fittings, tools and equipment		216.998	184.470
Property, plant and equipment in progress		37.023	43.581
Property, plant and equipment	10	328.094	309.812
Receivables from group enterprises		68.287	81.108
Investments in associates		89.225	89.124
Other investments		849	349
Receivables from owners and management		10.259	13.013
Other receivables		40.914	46.080
Fixed asset investments	11	209.534	229.674
Fixed assets		546.983	550.841
Raw materials and consumables		43.878	29.500
Manufactured goods and goods for resale		165.956	550.202
Inventories		209.834	579.702
Trade receivables		42.830	97.595
Receivables from group enterprises		172.809	0
Receivables from associates		44.905	9.344
Other receivables		20.144	25.345
Prepayments	13	11.543	8.774
Receivables		292.231	141.058
Cash		52.956	39.458
Current assets		555.021	760.218
Assets		1.102.004	1.311.059

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital		20.000	20.000
Retained earnings		503.701	704.839
Proposed dividend		70.000	70.000
Equity attributable to the Parent's owners		593.701	794.839
Share of equity attributable to minority interests		211	211
Equity		593.912	795.050
Deferred tax	14	10.373	16.094
Other provisions	15	2.327	5.488
Provisions		12.700	21.582
Bank loans		0	130.250
Payables to group enterprises		183.000	0
Other payables		1.730	4.094
Non-current liabilities other than provisions	16	184.730	134.344
Current portion of long-term liabilities other than provisions	16	8.500	18.573
Bank loans		0	213.568
Trade payables		59.355	72.969
Payables to group enterprises		88.743	0
Payables to associates		100.336	0
Income tax payable		5.756	5.870
Other payables		47.972	49.103
Current liabilities other than provisions		310.662	360.083
Liabilities other than provisions		495.392	494.427
Equity and liabilities		1.102.004	1.311.059
Associates	12		
Contingent liabilities	18		
Assets charged and collateral	19		
Transactions with related parties	20		
Group relations	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Share of equity attributable to minority interests DKK'000
Equity beginning of year	20.000	704.839	70.000	211
Ordinary dividend paid	0	0	(70.000)	0
Extraordinary dividend paid	0	(200.000)	0	0
Exchange rate adjustments	0	(40.696)	0	0
Other entries on equity	0	(1.278)	0	0
Profit/loss for the year	0	40.836	70.000	0
Equity end of year	20.000	503.701	70.000	211
				Total DKK'000
Equity beginning of year				795.050
Ordinary dividend paid				(70.000)
Extraordinary dividend paid				(200.000)
Exchange rate adjustments				(40.696)
Other entries on equity				(1.278)
Profit/loss for the year				110.836
Equity end of year				593.912

Consolidated cash flow statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Operating profit/loss		110.675	138.171
Amortisation, depreciation and impairment losses		36.591	40.863
Working capital changes	17	393.029	(14.469)
Cash flow from ordinary operating activities		540.295	164.565
Financial income received		13.355	9.189
Financial income paid		(9.201)	(18.284)
Income taxes refunded/(paid)		(19.598)	(17.781)
Other cash flows from operating activities		(17.988)	(3.248)
Cash flows from operating activities		506.863	134.441
Acquisition etc of property, plant and equipment		(65.278)	(70.950)
Sale of property, plant and equipment		1.240	602
Sale of fixed asset investments		0	4.717
Disposal of enterprises		1.784	0
Loans		0	(113.116)
Other cash flows from investing activities		10.000	(4.998)
Cash flows from investing activities		(52.254)	(183.745)
Repayments of loans etc		(151.187)	(27.958)
Incurrence of debt to group enterprises		191.500	0
Dividend paid		(270.000)	(60.000)
Dividend received		3.783	6.137
Other cash flows from financing activities		(1.638)	0
Cash flows from financing activities		(227.542)	(81.821)
Increase/decrease in cash and cash equivalents		227.067	(131.125)
Cash and cash equivalents beginning of year		(174.111)	(42.986)
Cash and cash equivalents end of year		52.956	(174.111)
Cash and cash equivalents at year-end are composed of:			
Cash		52.956	39.458
Short-term debt to banks		0	(213.569)
Cash and cash equivalents end of year		52.956	(174.111)

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
1. Revenue		
Denmark	4.510	9.191
Other countries	1.841.657	1.776.534
	1.846.167	1.785.725

	2017 DKK'000	2016 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	296	290
Tax services	268	319
Other services	433	423
	997	1.032

	2017 DKK'000	2016 DKK'000
3. Staff costs		
Wages and salaries	139.678	124.869
Pension costs	10.683	9.213
Other social security costs	9.513	10.240
	159.874	144.322
Average number of employees	309	286

	Remunera- tion of manage- ment 2017 DKK'000	Remunera- tion of manage- ment 2016 DKK'000
Total amount for management categories	4.418	4.439
	4.418	4.439

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	660	754
Depreciation of property, plant and equipment	37.032	40.711
Profit/loss from sale of intangible assets and property, plant and equipment	(1.101)	(602)
	36.591	40.863
	2017 DKK'000	2016 DKK'000
5. Other financial income		
Financial income arising from group enterprises	3.009	0
Financial income from associates	0	279
Other interest income	1.443	2.018
Exchange rate adjustments	6.064	3.204
Other financial income	2.839	3.688
	13.355	9.189
	2017 DKK'000	2016 DKK'000
6. Other financial expenses		
Financial expenses from group enterprises	2.241	0
Other interest expenses	1.571	1.458
Exchange rate adjustments	0	9.131
Other financial expenses	5.389	7.695
	9.201	18.284
	2017 DKK'000	2016 DKK'000
7. Tax on profit/loss for the year		
Current tax	19.039	27.484
Change in deferred tax	(5.721)	(12.904)
Adjustment concerning previous years	(164)	322
	13.154	14.902

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
8. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	70.000	70.000
Retained earnings	40.836	57.005
	110.836	127.005
	Acquired licences DKK'000	Goodwill DKK'000
9. Intangible assets		
Cost beginning of year	77.786	41.347
Exchange rate adjustments	(9.304)	(4.923)
Cost end of year	68.482	36.424
Amortisation and impairment losses beginning of year	(67.077)	(40.701)
Exchange rate adjustments	8.028	4.859
Amortisation for the year	(530)	(130)
Amortisation and impairment losses end of year	(59.579)	(35.972)
Carrying amount end of year	8.903	452

Notes to consolidated financial statements

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
10. Property, plant and equipment			
Cost beginning of year	149.505	475.230	43.581
Exchange rate adjustments	(9.913)	(30.250)	0
Transfers	0	42.032	(42.032)
Additions	1.925	27.879	35.474
Disposals	0	(527)	0
Cost end of year	141.517	514.364	37.023
Depreciation and impairment losses beginning of year	(67.744)	(290.760)	0
Exchange rate adjustments	6.368	24.064	0
Depreciation for the year	(6.068)	(30.964)	0
Reversal regarding disposals	0	294	0
Depreciation and impairment losses end of year	(67.444)	(297.366)	0
Carrying amount end of year	74.073	216.998	37.023

Notes to consolidated financial statements

	Receivables from group enterprises DKK'000	Investments in associates DKK'000	Other investments DKK'000	Receivables from owners and management DKK'000
11. Fixed asset investments				
Cost beginning of year	81.108	13.053	4.522	13.013
Exchange rate adjustments	(9.717)	(864)	(314)	0
Transfers	0	(500)	500	0
Additions	0	0	0	493
Disposals	(3.104)	0	0	(3.247)
Cost end of year	68.287	11.689	4.708	10.259
Revaluations beginning of year	0	76.071	0	0
Exchange rate adjustments	0	(5.918)	0	0
Adjustments on equity	0	(502)	0	0
Share of profit/loss for the year	0	11.692	0	0
Adjustment of intra-group profits	0	(24)	0	0
Dividend	0	(3.783)	0	0
Revaluations end of year	0	77.536	0	0
Impairment losses beginning of year	0	0	(4.173)	0
Exchange rate adjustments	0	0	314	0
Impairment losses for the year	0	0	0	0
Reversal regarding disposals	0	0	0	0
Impairment losses end of year	0	0	(3.859)	0
Carrying amount end of year	68.287	89.225	849	10.259

Notes to consolidated financial statements

	Other receivables DKK'000
11. Fixed asset investments	
Cost beginning of year	60.010
Exchange rate adjustments	(671)
Transfers	0
Additions	7.747
Disposals	(15.121)
Cost end of year	51.965
Revaluations beginning of year	0
Exchange rate adjustments	0
Adjustments on equity	0
Share of profit/loss for the year	0
Adjustment of intra-group profits	0
Dividend	0
Revaluations end of year	0
Impairment losses beginning of year	(13.930)
Exchange rate adjustments	1.679
Impairment losses for the year	(2.032)
Reversal regarding disposals	3.232
Impairment losses end of year	(11.051)
Carrying amount end of year	40.914

Receivables from shareholders and members of Management occurred partly before the conversion into a public limited company (A/S) effective from 01.10.2012 and partly after. Subsequent loans have been arranged based on ordinary business terms and so constitute legal receivables. Interest charged on the loans is based on ordinary business terms determined at the borrowing date.

	Registered in	Equity inte- rest %
12. Associates		
Fiskeriselskabet 2bis ApS	Esbjerg	33,3
Nordsildmel AS	Bergen in Norway	50,0
Fosnavaag Pelagic AS	Herøy in Norway	29,6
Muelle Pesquera Maria Isabel Ltda.	Chile	32,0

Notes to consolidated financial statements

13. Prepayments

Prepayments comprise prepaid expenses for 2018.

14. Deferred tax

Deferred tax primarily relates to property, plant and equipment.

15. Other provisions

Other provisions primarily comprise provisions for the settlement of foreign operations.

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
16. Liabilities other than provisions				
Bank loans	8.500	17.000	0	0
Payables to group enterprises	0	0	183.000	115.000
Other payables	0	1.573	1.730	0
	8.500	18.573	184.730	115.000

	2017 DKK'000	2016 DKK'000
17. Change in working capital		
Increase/decrease in inventories	369.868	(35.792)
Increase/decrease in receivables	(151.173)	28.301
Increase/decrease in trade payables etc	174.334	(6.978)
	393.029	(14.469)

18. Contingent liabilities

The Chilean subsidiaries are party to five lawsuits. The outcome of these lawsuits remains unknown, however, they are not expected to inflict considerable losses on the Group.

Tax on conversion of corporate form

One of the subsidiaries, TripleNine A/S, was originally a co-operative society (TripleNine Fish Protein a.m.b.a.).

Notes to consolidated financial statements

Effective from the financial year 2007/08, this company is no longer subject to co-operative society taxation, but to ordinary company taxation.

At the time of transition to ordinary company taxation, the assets accumulated during the period of co-operative society taxation had been determined. These assets are taxed when the company makes distributions or pays for the acquisition of its own share certificates. The tax rate is 50%.

The above assets which have been accumulated during the period of co-operative society taxation have for TripleNine Fish Protein a.m.b.a. been calculated at DKK 204,200k.

TripleNine Fish Protein A/S succeeded in TripleNine Fish Protein a.m.b.a.'s tax position as part of the conversion into a public liability company on 01.11.2012, and as part of the demerger of TripleNine Fish Protein A/S on 01.01.2013 into

- TripleNine A/S
- Polar Omega Holding A/S

a binding ruling was obtained from SKAT (the Danish Tax Administration) concerning the accounting for the tax on conversion of corporate form.

75% remains with TripleNine A/S whereas the balance of 25% has been transferred to Polar Omega Holding A/S.

Consequently, TripleNine A/S' share of the assets can be calculated at 75% of DKK 204,200k, equivalent to DKK 153,150k, and the 50% tax charged thereon is DKK 76,575k.

The amount will be charged to equity of TripleNine A/S as and when the company makes distributions.

TripleNine A/S has entered into forward exchange contracts for currency hedging of future sales denominated in NOK for a total of approx DKK 123,994k. Compared to the forward rate at the balance sheet date, the contracts have a negative value of approx DKK 1,064k. The unrealised exchange adjustment has been added to equity.

Notes to consolidated financial statements

19. Assets charged and collateral

Effective from November 2017, the Group's loans and financial credits form part of a group funding arrangement, with the Parent, Koppernæs AS, being the contracting party with the bank.

At 31.12.2017, approx DKK 527m had been drawn on the credit facilities, and the following has been provided as collateral to the Group's bank:

- A floating charge for DKK 360,000k on TripleNine A/S' intangible assets, property, plant and equipment, trade receivables and inventories (31.12.2017: carrying amount of DKK 402,659k).
- Mortgages registered to mortgagors for DKK 65,982k on the properties of TripleNine A/S (31.12.2017: carrying amount of DKK 46,009k).
- Charge for NOK 72,000k on Vedde AS' properties (31.12.2017: carrying amount of DKK 11,307k).
- Charge for NOK 60,000k on Vedde AS' operating equipment (31.12.2017: carrying amount of DKK 23,727k).
- Charge for NOK 100,000k on Vedde AS' inventories (31.12.2017: carrying amount of DKK 50,837k).
- Charge for NOK 50,000k on Vedde AS' trade receivables (31.12.2017: carrying amount of DKK 2,235k).
- Shares held by TripleNine Group A/S in TripleNine A/S and Vedde AS (31.12.2017: carrying amount of DKK 914,862k).
- Shares held by Vedde AS in Lota Vedde DOS SA and Lota Protein SA (31.12.2017: carrying amount of DKK 290,257k).

TripleNine A/S has provided a guarantee for 15% of the bank loans in Vestjysk Bank of the associate, Fiskeriselskabet 2bis ApS. At 31.12.2017, the total debts amount to DKK 59,435k. Furthermore, the shares in Fiskeriselskabet 2bis ApS may not be sold or pledged without the consent of the Group's main bank (31.12.2017: carrying amount of DKK 3,640k).

Finally, a maximum guarantee for DKK 600m has been provided to the Group's bank for its total balances with the companies of TripleNine Group A/S.

20. Transactions with related parties

All transactions with related parties are made on market terms.

Notes to consolidated financial statements

21. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Koppnæs AS, Breivika industriveg 4, 6018 Ålesund, Norway

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
TripleNine Group A/S, Trafikhavnskaj 9, 6700 Esbjerg

The consolidated financial statements for Koppnæs AS can be obtained at the following address: bjarte.andreassen@koppnes.no

	<u>Registered in</u>	<u>Corporate form</u>	<u>Equity interest %</u>
22. Subsidiaries			
TripleNine A/S	Esbjerg	A/S	100,0
Vedde AS	Ålesund in Norway	AS	100,0

Parent income statement for 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Revenue	1	7.642	3.481
Other external expenses	2	(10.324)	(3.246)
Gross profit/loss		(2.682)	235
Staff costs	3	(7.023)	(4.335)
Operating profit/loss		(9.705)	(4.100)
Income from investments in group enterprises		119.503	131.138
Other financial income	4	4.471	6.793
Other financial expenses	5	(6.005)	(7.604)
Profit/loss before tax		108.264	126.227
Tax on profit/loss for the year	6	2.572	778
Profit/loss for the year	7	110.836	127.005

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Investments in group enterprises		914.862	852.723
Fixed asset investments	8	914.862	852.723
Fixed assets		914.862	852.723
Receivables from group enterprises		6.514	267.539
Other receivables		0	80
Income tax receivable	9	10.842	19.717
Prepayments	10	122	116
Receivables		17.478	287.452
Cash		0	19.650
Current assets		17.478	307.102
Assets		932.340	1.159.825

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Contributed capital		20.000	20.000
Reserve for net revaluation according to the equity method		448.078	385.939
Retained earnings		55.623	318.900
Proposed dividend		70.000	70.000
Equity		<u>593.701</u>	<u>794.839</u>
Bank loans		0	130.250
Payables to group enterprises		183.000	0
Non-current liabilities other than provisions	11	<u>183.000</u>	<u>130.250</u>
Current portion of long-term liabilities other than provisions	11	8.500	17.000
Bank loans		0	213.568
Trade payables		517	0
Payables to group enterprises		44.124	0
Payables to associates		100.336	0
Income tax payable		0	2.269
Other payables		2.162	1.899
Current liabilities other than provisions		<u>155.639</u>	<u>234.736</u>
Liabilities other than provisions		<u>338.639</u>	<u>364.986</u>
Equity and liabilities		<u>932.340</u>	<u>1.159.825</u>
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		
Related parties with controlling interest	15		
Transactions with related parties	16		

Parent statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	20.000	385.939	318.900	70.000
Ordinary dividend paid	0	0	0	(70.000)
Extraordinary dividend paid	0	0	(200.000)	0
Exchange rate adjustments	0	0	(40.696)	0
Other entries on equity	0	0	(1.278)	0
Profit/loss for the year	0	62.139	(21.303)	70.000
Equity end of year	20.000	448.078	55.623	70.000
				Total DKK'000
Equity beginning of year				794.839
Ordinary dividend paid				(70.000)
Extraordinary dividend paid				(200.000)
Exchange rate adjustments				(40.696)
Other entries on equity				(1.278)
Profit/loss for the year				110.836
Equity end of year				593.701

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
1. Revenue		
Denmark	4.585	2.200
Other countries	3.057	1.281
	7.642	3.481
	2017 DKK'000	2016 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	41	40
Tax services	26	56
Other services	226	169
	293	265
	2017 DKK'000	2016 DKK'000
3. Staff costs		
Wages and salaries	6.814	4.335
Pension costs	209	0
	7.023	4.335
Average number of employees	3	0
	Remunera- tion of manage- ment 2017 DKK'000	Remunera- tion of manage- ment 2016 DKK'000
Total amount for management categories	3.418	3.225
	3.418	3.225

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
4. Other financial income		
Financial income arising from group enterprises	3.759	6.717
Other interest income	8	5
Other financial income	704	71
	4.471	6.793
	2017 DKK'000	2016 DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	2.016	10
Other interest expenses	3.644	6.212
Other financial expenses	345	1.382
	6.005	7.604
	2017 DKK'000	2016 DKK'000
6. Tax on profit/loss for the year		
Current tax	0	(774)
Adjustment concerning previous years	4	(4)
Refund in joint taxation arrangement	(2.576)	0
	(2.572)	(778)
	2017 DKK'000	2016 DKK'000
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	70.000	70.000
Transferred to reserve for net revaluation according to the equity method	62.139	106.687
Retained earnings	(21.303)	(49.682)
	110.836	127.005

Notes to parent financial statements

	Investments in group enterprises DKK'000
8. Fixed asset investments	
Cost beginning of year	466.784
Cost end of year	466.784
Revaluations beginning of year	385.939
Exchange rate adjustments	(39.992)
Adjustments on equity	(1.278)
Share of profit/loss for the year	120.029
Dividend	(16.094)
Other adjustments	(526)
Revaluations end of year	448.078
Carrying amount end of year	914.862

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

9. Income tax receivable

Income tax receivable is composed of joint taxation contributions receivable in the amount of DKK 8,951k and income tax receivable is composed of DKK 1,891k in tax repayable from SKAT.

10. Prepayments

Prepayments comprise prepaid expenses for 2018.

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
11. Liabilities other than provisions				
Bank loans	0	17.000	0	0
Payables to group enterprises	8.500	0	183.000	115.000
	8.500	17.000	183.000	115.000

Notes to parent financial statements

	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
12. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>576</u>	<u>0</u>

Leasing commitments relate to leasing of cars and have been concluded for the period 2017-2020.

13. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

14. Assets charged and collateral

Effective from November 2017, the Group's loans and financial credits form part of a group funding arrangement, with the Parent, Koppernæs AS, being the contracting party with the bank.

At 31.12.2017, approx DKK 527m had been drawn on the credit facilities, and the following has been provided as collateral to the Group's bank:

- A floating charge for DKK 360,000k on TripleNine A/S' intangible assets, property, plant and equipment, trade receivables and inventories (31.12.2017: carrying amount of DKK 402,659k).
- Mortgages registered to mortgagors for DKK 65,982k on the properties of TripleNine A/S (31.12.2017: carrying amount of DKK 46,009k).
- Charge for NOK 72,000k on Vedde AS' properties (31.12.2017: carrying amount of DKK 11,307k).
- Charge for NOK 60,000k on Vedde AS' operating equipment (31.12.2017: carrying amount of DKK 23,727k).
- Charge for NOK 100,000k on Vedde AS' inventories (31.12.2017: carrying amount of DKK 50,837k).
- Charge for NOK 50,000k on Vedde AS' trade receivables (31.12.2017: carrying amount of DKK 2,235k).
- Shares held by TripleNine Group A/S in TripleNine A/S and Vedde AS (31.12.2017: carrying amount of DKK 914,862k).
- Shares held by Vedde AS in Lota Vedde DOS SA and Lota Protein SA (31.12.2017: carrying amount of DKK 290,257k).

Notes to parent financial statements

Finally, a maximum guarantee for DKK 600m has been provided to the Group's bank for its total balances with the companies of TripleNine Group A/S.

15. Related parties with controlling interest

Related parties having control

- Triple Fish A/S, Trafikhavnskaj 9, 6700 Esbjerg, Denmark
- Koppernæs AS, Breivika Industrivej 4, Ålesund, Norway

hold all shares in the Company and so exercise control.

16. Transactions with related parties

All transactions with related parties are made on market terms.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent 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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

Accounting policies

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

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

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Accounting policies

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 writedowns of receivables recognised in current assets.

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

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation 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.

Other operating expenses

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

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Impairment losses on financial assets

Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile, and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise acquired licenses for fishing rights.

Acquired licenses are measured at cost less accumulated amortisation. Licences are amortised over the term of the agreement, but over no more than 20 years.

Licenses etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25-50 years
Other fixtures and fittings, tools and equipment	3-15 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses.

Investments in group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant group enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity values plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in associates.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation is imminent, a provision is recognised that is measured at present of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted investments measured at the lower of cost and net realisable value.

Accounting policies

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. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests

Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

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.

Accounting policies

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.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.