

ANNUAL REPORT

UNIOIL SUPPLY A/S

ØSTRE HAVNEGADE 16, 9000 AALBORG // CVR NO 36 43 40 82

2016/17



FUELING YOUR BUSINESS

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 3 July 2017

Michael Keldh
Chairman

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Management's Statement

The Executive and Supervisory Boards have today presented and adopted the Annual Report of Unioil Supply A/S for the financial year 1 May 2016 – 30 April 2017.

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

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 April 2017 and of the results of Company operations and cash flows for 2016/17.

We recommend the Annual Report for adoption at the Annual General Meeting.

Middelfart, 3 July 2017

Executive Board



Carsten Klausen

Supervisory Board



Keld Rosenbæk Demant
Chairman



Jesper Klokke Hansen



Carsten Klausen

Independent Auditor's Report

To the Shareholders of Unioil Supply A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 April 2017, and of the results of the Company's operations and cash flows for the financial year 1 May 2016 – 30 May 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Unioil Supply A/S for the financial year 1 May 2016 – 30 May 2017, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's Responsibilities for the Financial Statements

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

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

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Trekantsområdet, 3 July 2017


PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No. 33 77 12 31


Jan Bunk Harbo Larsen

State Authorised Public Accountant


Lasse Berg

State Authorised Public Accountant

Management's Review

Company Information

The Company

Unioil Supply A/S
Østre Havnegade 16
DK-9000 Aalborg

Telephone: +45 88 82 81 81

E-mail: kla@unioil-supply.com

CVR No: 36 43 40 82

Financial year: 1 May - 30 April

Municipality of
reg. office: Aalborg

Supervisory Board

Keld Rosenbæk Demant, Chairman
Jesper Klokke Hansen
Carsten Klausen

Executive Board

Carsten Klausen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Management's Review

Financial Highlights

	2016/17	2015/16	2014/15
	USD '000	USD '000	USD '000
	12 months	12 months	5 months
Profit			
Revenue	916,986	710,468	220,915
Profit before financial income and expenses	14,438	14,033	4,923
Net financials	3,421	2,690	1,042
Profit before tax	11,017	11,343	3,881
Net profit for the year	8,579	8,764	3,053
Balance sheet			
Balance sheet total	145,990	131,968	93,964
Equity	24,395	11,046	4,646
Cash flows			
Cash flows from:			
- operating activities	-14,126	-6,680	-74,951
- investing activities	0	0	-75
- financing activities	-8,165	6,350	74,648
Change in cash and cash equivalents for the year	-22,291	-330	-378
Key ratios			
Gross margin	2.5%	3.2%	3.5%
Profit margin	1.6%	2.0%	2.2%
Return on equity	48.4%	158.7%	131.4%
Solvency ratio	16.7%	8.4%	4.9%

For definitions of Financial Ratios please refer to Accounting Policies.

Review

Activities

The main activities of the Company are supply of fuel products and related services.

Development in the year

Unioil Supply A/S achieved a revenue of USD 917 million and a profit before tax of USD 11.0 million. At the end of the year equity amounted to USD 24.4 million, corresponding to 16.7% of the total assets.

The financial performance is very satisfactory and positively affected by the contango structure in the oil market.

During the financial year Unioil Supply A/S has successfully manifested its partnership with customers and suppliers. A large part of the activities are based on term contracts with customers demanding high quality supply and service.

In May 2016 Unioil Supply A/S achieved an ISO 9001:2015 certification of its Quality Management System.

Strategy and objective

Unioil Supply A/S strives to be a leading bunker and cargo supplier in Europe, Scandinavia and the Nordic Waters. Our key values are reliability and flexibility.

We are constantly focused on development, optimization and improvements for both clients and Unioil Supply A/S. We strive to have a close and positive long-term relationship with clients and suppliers, and thus prioritizing a close dialogue with clients to align expectations.

Financial risks

Oil price risks

The Company hedges against commercial oil price exposure related to inventory and fixed price purchase and sales contracts on a current basis and moreover the Company assesses the need to hedge against oil price exposure of future cash flows. Hedging mainly takes place by means of forward exchange contracts.

Foreign exchange risks

The Company hedges against commercial foreign exchange exposure on a current basis and moreover assesses the need to hedge against foreign exchange exposure of future cash flows. Hedging mainly takes place by means of forward exchange contracts. Future expected cash flows are hedged for a maximum period of the first succeeding 12 months.

Credit risks

The Company is exposed to a credit risk relating to its customers and other business partners, and all customers and other business partners are credit rated regularly in accordance with the Company's policy for assuming credit risks.

Interest rate risks

The Company's interest-bearing debts are mainly based on variable interest rates, and therefore earnings are affected by any changes in the level of interest.

Review

The Company monitors and assesses on a current basis the financial consequences of the interest rate changes and makes full or partial hedging of the interest rate risk.

Corporate social responsibility

(cf. Section 99 a of the Danish Financial Statements Act)

The Group's policies for corporate social responsibility are disclosed in the Financial Statement of A/S United Shipping & Trading Company for 2016/17.

Unioil Supply A/S conducts its business based on a Code of Conduct which sets high standards within the following areas:

- Health and safety
- Staff development
- Equal opportunity
- Environment
- Competition and anti-corruption

Report on Gender Composition in Management

(cf. Section 99 b in the Danish Financial Statements Act)

Currently the Board of Directors in Unioil Supply A/S consists of three members of which zero is female. In 2016/17 all members of the board were re-elected and therefore no increase in female members of the board was achieved. It is our ambition to have one female member among the members of the Board of Directors elected on the general assembly no later than 2020.

Policy for the underrepresented gender at other management levels

The Company's policies for the underrepresented gender at other management levels are disclosed in the Financial Statement of A/S United Shipping & Trading Company for 2016/17.

Expectations for the year ahead

The Company's level of activity and earnings are affected by a number of external factors, such as the development in the bunkering industry, the oil price development and the general structure of the oil market.

For the financial year 2017/18 it is expected that the activity level will be around the same level as in 2016/17. Earnings are expected to be positive and satisfying, but at a lower level than seen in 2016/17.

Subsequent events

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

Income Statement 1 May 2016 - 30 April 2017

	<u>Note</u>	<u>2016/17</u> USD '000	<u>2015/16</u> USD '000
Revenue	1	916,986	710,468
Direct expenses		<u>893,743</u>	<u>688,032</u>
Gross profit		23,243	22,436
Other external expenses		2,732	2,154
Staff expenses	2	<u>6,056</u>	<u>6,232</u>
Profit before depreciation		14,455	14,050
Depreciation	7	<u>17</u>	<u>17</u>
Profit before financial income and expenses		14,438	14,033
Financial income	3	67	58
Financial expenses	4	<u>3,488</u>	<u>2,748</u>
Profit before tax		11,017	11,343
Corporation tax	5	<u>2,438</u>	<u>2,579</u>
Net profit for the year		<u>8,579</u>	<u>8,764</u>
Distribution of profit	6		

Balance Sheet at 30 April

Assets

	<u>Note</u>	<u>2017</u> USD '000	<u>2016</u> USD '000
Other fixtures and fittings, tools and equipment		35	52
Property, plant and equipment	7	35	52
Fixed assets		35	52
Goods for resale		84,976	88,310
Prepayments for goods		3,572	0
Inventories		88,548	88,310
Trade receivables		42,980	35,313
Receivables from group enterprises		11,068	7,732
Other receivables		2,979	369
Prepayments	8	164	118
Receivables		57,191	43,532
Cash at bank and in hand		216	74
Current assets		145,955	131,916
Total assets		145,990	131,968

Balance Sheet at 30 April

Liabilities and equity

	<u>Note</u>	<u>2017</u> USD '000	<u>2016</u> USD '000
Share capital		83	83
Retained earnings		16,812	10,963
Proposed dividend for the year		7,500	0
Equity		<u>24,395</u>	<u>11,046</u>
Deferred tax	9	<u>2</u>	<u>4</u>
Provisions		<u>2</u>	<u>4</u>
Loans from group enterprises		72,750	80,915
Bank debt		23,215	782
Trade payables		12,156	27,997
Payables to group enterprises		1,815	4,548
Corporation tax		3,787	3,144
Other payables		7,870	3,532
Short-term debt		<u>121,593</u>	<u>120,918</u>
Total liabilities and equity		<u>145,990</u>	<u>131,968</u>
Financial instruments	10		
Contingent liabilities	11		
Related parties	12		
Fee to auditors appointed at the general meeting	13		
Subsequent events	14		

Statement of Changes in Equity

2016/17:	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed Dividend</u>	<u>Total</u>
	USD '000	USD '000	USD '000	USD '000
Equity at 1 May	83	10,963	0	11,046
Net profit for the year		1,079	7,500	8,579
Fair value adjustment of hedging instruments		6,117		6,117
Tax on hedging instruments		-1,347		-1,347
Equity at 30 April	83	16,812	7,500	24,395

2015/16:	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed Dividend</u>	<u>Total</u>
	USD '000	USD '000	USD '000	USD '000
Equity at 1 May 2015	83	4,563	0	4,646
Net profit for the year		8,764		8,764
Fair value adjustment of hedging instruments		-3,058		-3,058
Tax on hedging instruments		694		694
Equity at 30 April	83	10,963	0	11,046

Cash Flow Statement 1 May - 30 April

	<u>2016/17</u>	<u>2015/16</u>
	USD '000	USD '000
Profit for the year before tax	11,017	11,343
Depreciation for the year	17	17
Changes in inventories	-238	-21,001
Changes in receivables	-13,659	-16,957
Changes in trade payables, other payables, etc	-14,236	22,952
Other adjustments	<u>6,117</u>	<u>-3,034</u>
Cash flows from ordinary activities	-10,982	-6,680
Corporation tax paid	<u>-3,144</u>	<u>0</u>
Cash flows from operating activities	<u>-14,126</u>	<u>-6,680</u>
Purchase of property, plant and equipment	<u>0</u>	<u>0</u>
Cash flows from investing activities	<u>0</u>	<u>0</u>
Changes in loans from group enterprises	<u>-8,165</u>	<u>6,350</u>
Cash flows from financing activities	<u>-8,165</u>	<u>6,350</u>
Change in cash and cash equivalents	-22,291	-330
Cash and cash equivalents at the beginning of the year	<u>-708</u>	<u>-378</u>
Cash and cash equivalents at 30 April	<u>-22,999</u>	<u>-708</u>

Notes to Annual Report

1 Segment information

The Company's activities are considered one segment.

	<u>2016/17</u>	<u>2015/16</u>
	USD '000	USD '000
2 Staff expenses		
Wages and salaries	5,721	5,948
Pensions	168	155
Other social security expenses	<u>167</u>	<u>129</u>
	<u>6,056</u>	<u>6,232</u>

With reference to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Supervisory and Executive Boards has not been disclosed.

Average number of employees	<u>21</u>	<u>18</u>
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3 Financial income

Hereof intercompany interest income	<u>0</u>	<u>33</u>
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4 Financial expenses

Hereof intercompany interest expenses	<u>2,653</u>	<u>2,409</u>
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5 Corporation tax

Current tax for the year	3,787	1,886
Change of deferred tax	<u>-2</u>	<u>-1</u>
	<u>3,785</u>	<u>1,885</u>

which is broken down as follows:

Tax on profit for the year	2,438	2,579
Tax on equity transactions	<u>1,347</u>	<u>-694</u>
	<u>3,785</u>	<u>1,885</u>

Notes to Annual Report

	2017	2016
	USD '000	USD '000
6 Distribution of profit		
Proposed dividend	7,500	0
Retained earnings	1,079	8,764
	8,579	8,764
7 Other fixtures and fittings, tools and equipment		
Cost at 1 May	75	75
Additions for the year	0	0
Cost at 30 April	75	75
Depreciation at 1 May	23	6
Depreciation for the year	17	17
Depreciation at 30 April	40	23
Carrying amount at 30 April	35	52
8 Prepayments		
Prepayments comprise prepaid expenses relating to rent, consultant assistance, fees, subscriptions, etc.		
9 Deferred tax		
Deferred tax at the beginning of the year	4	5
Change for the year	-2	-1
Deferred tax at 30 April	2	4

Deferred tax relates to property, plant and equipment.

Notes to Annual Report

	2017	2016
	USD '000	USD '000
10 Financial instruments		
Oil futures and swaps hedging future sales and purchase of oil		
Oil futures and swaps hedging future sales and of oil (MT)	457,700	552,500
Oil futures and swaps hedging future purchase of oil (MT)	-481,200	-615,500
Net marked value	1,956	-1,140
Maturity dates	May '17-Oct '18	May '16-Dec '18
Total of hedging reserve		
Reserve at 1 May	-1,140	1,918
Fair value changes deferred for the year	13,461	9,459
Reclassified to costs of goods sold	-7,344	-12,517
Reserve at 30 April	4,977	-1,140

11 Contingent liabilities

Unioil Supply A/S is an obligor in respect of the bank loans of the group companies. As at 30 April 2017, these obligations were limited to USD 97,145k which is equal to Unioil Supply A/S's equity and liability to Bunker Holding A/S as at 30 April 2017.

In the event that these obligations in respect of the bank loans of the group companies materialize, Bunker Holding A/S will cancel any claim it may have against Unioil Supply A/S in an amount equaling the part of the obligations which relate to Unioil Supply A/S' liability to Bunker Holding A/S.

The Danish group enterprises are jointly and severally liable for tax on the consolidated jointly taxed income etc. The total corporation tax payable is shown in the Annual Report of Selfinvest ApS, which is the management company of the joint taxation. The Danish group enterprises are moreover jointly and severally liable for Danish withholding taxes. Any subsequent adjustments of corporation tax and withholding taxes may imply that the Company is liable for a higher amount.

	2017	2016
	USD '000	USD '000
Rent and lease obligations		
Storage facilities, non-terminable in 6 to 20 months	2,286	3,357
Office rent, non-terminable until December 2020	398	515
Company cars, non-terminable until 2019	129	166
Guarantees		
Payment guarantee, through bank	661	690

Notes to Annual Report

12 Related parties

Related parties comprise the Supervisory Board, the Executive Board and senior executives in the group enterprises as well as companies in which these persons have significant interests.

With reference to section 98 C(7) of the Danish Financial Statements Act, related party transactions are not disclosed.

The Company is included in the Consolidated Financial Statements of the immediate Parent Company, Bunker Holding A/S.

Controlling interest is exercised through the Company's immediate Parent Company, Bunker Holding A/S. The Company's ultimate Parent Company which prepares Consolidated Financial Statements is Selfinvest ApS, in which Torben Østergaard-Nielsen, CEO, exercises control.

13 Fee to auditors appointed at the general meeting

Fee to auditors appointed at the general meeting is stated in the Annual Report of Bunker Holding A/S.

14 Subsequent events

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

Accounting Policies

Basis of Preparation

The Annual Report of Unioil Supply A/S for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Annual Report for 2016/17 is presented in USD 1,000.

Recognition and measurement

The Financial Statements have been prepared based on the historic cost principle.

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

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

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

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

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

Recognition and measurement take into account profits, losses and risks occurring before the presentation of the Annual Report which relate to affairs and conditions existing at the balance sheet date.

US dollar is used as the measurement currency. All other currencies are regarded as foreign currencies.

At 30 April 2017 the year-end exchange rate for USD/DKK was 680.54.

Translation policies

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

Accounting Policies

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are recognised in "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Segment information

Segment information on activities is presented.

Income Statement

Revenue

Revenue comprises the sale of goods and services and is recognised based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognised exclusive of VAT and net of discounts relating to sales. Revenue also includes income from the sale of financial derivatives in respect of crude oil and oil-related products at the time when the contract is concluded.

Direct expenses

Direct expenses include expenses for the purchase of goods for resale, and expenses for handling and storage of goods.

Other external expenses

Other external expenses include expenses for sales and administration as well as the running of office facilities, etc.

Staff expenses

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

Accounting Policies

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes in tax rates are recognised in the income statement.

The Company is jointly taxed with Danish group enterprises. The tax effect of the

joint taxation is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses). The jointly taxed enterprises have adopted the on-account taxation scheme.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest paid on loans raised for indirect or direct financing or production of property, plant and equipment is recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets:

Other fixtures and fittings, tools and equipment 3-6 years

Gains and losses on sale of property, plant and equipment are recognised in the income statement under Other operating income and Other external expenses, respectively.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Accounting Policies

Inventory

Inventories are measured at the lower of cost under the FIFO method and net realisable value. The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost price of inventories whose fair value is effectively hedged from derivative financial instruments is adjusted for the change in fair value attributable to the hedged risk.

The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Prepayments

Prepayments under assets comprise prepaid expenses.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when – in consequence of an event occurred before or on the balance sheet date – the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes.

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

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

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year and adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Accounting Policies

Financial debts

Fixed-interest loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of short- and long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise the items "Cash at bank and in hand" and "Securities" under current assets as well as "Credit institutions" under short-term debt. The cash flow statement cannot be immediately derived from the published financial records.

Definition of financial ratios

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