

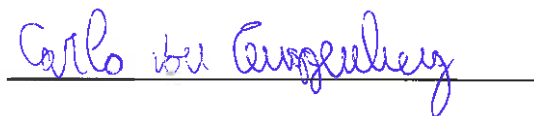
## **FCA Capital Danmark A/S**

**Herstedøstervej 9, DK-2600 Glostrup**

**CVR no 62 85 70 13**

### **Annual report for 2016**

Adopted at the annual general meeting  
on 23 March 2017



**Chairman**

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## Statement by Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of FCA Capital Danmark A/S for the financial year 1 January - 31 December 2016.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend the adoption of the annual report at the annual general meeting.

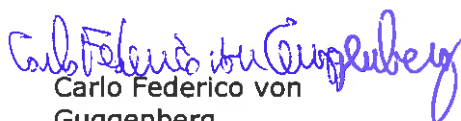
Copenhagen, 23 March 2017

### Executive Board



Michael Wøhlk Sørensen

### Supervisory Board



Carlo Federico von  
Guggenberg  
Chairman

Giulio Viale



Michael Wøhlk Sørensen

## Independent auditor's report

To the shareholder of FCA Capital Danmark A/S

### Opinion

We have audited the financial statements of FCA Capital Danmark A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and 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 financial Statements

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

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

### Auditor's Responsibilities for the Audit of the financial statements

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

## Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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.

### Statement on the Management's Review

Management is responsible for the Management's Review.

Our opinion on the financial statements does not cover the 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 the 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.

## Independent auditor's report

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

Based on our procedures, we conclude that the Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's Review.

Copenhagen, 23 March 2017

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR-nr. 30 70 02 28



Mogens Andreasen  
state authorised public accountant



Dennis Dupont  
state authorised public accountant

## Company details

### The Company

FCA Capital Danmark A/S  
Herstedøstervej 9  
DK-2600 Glostrup

Tel: +45 4322 8900  
Website: [www.fiatfinansiering.dk](http://www.fiatfinansiering.dk)

CVR no.: 62 85 70 13  
Reporting period: 1 January - 31 December  
Incorporated: 18. February 1963  
Domicile: Glostrup

### Supervisory Board

Carlo Federico von Guggenberg, Chairman  
Giulio Viale  
Michael Wøhlk Sørensen

### Executive Board

Michael Wøhlk Sørensen

### Ownership control

FCA Bank S.p.A.

### Auditors

ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
c/o Postboks 250, Osvald Helmuths Vej 4  
DK-2000 Frederiksberg

### Bankers

Nordea Bank Danmark A/S  
Strandgade 3  
DK-1401 København K

### Consolidated financial statements

The Company is included in the group annual report of FCA Bank S.p.A.

The group annual report of FCA Bank S.p.A. may be obtained at the following address:

Corso Agnelli 200  
10135 Torino  
Italy

## Financial highlights

5-year summary:

	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK
<b>Key figures</b>					
Revenue	193,895	156,626	98,330	105,927	120,112
Gross profit	52,846	44,279	35,334	33,854	49,820
Profit/loss before financial income and expenses	14,938	20,193	16,220	14,523	18,895
Profit/loss for the year	12,361	15,819	12,478	10,826	14,124
Balance sheet total	1,312,802	1,639,667	1,513,153	1,496,703	1,787,935
Investment in property, plant and equipment	95,733	55,027	6,689	9,477	13,243
Equity	223,031	210,843	195,169	183,083	170,546
Number of employees	30	27	24	25	25
<b>Financial ratios</b>					
Gross margin	27.3%	28.3%	35.9%	32.0%	41.5%
EBIT margin	7.7%	12.9%	16.5%	13.7%	15.7%
Return on assets	1.0%	1.3%	1.1%	0.9%	1.1%
Solvency ratio	17.0%	12.9%	12.9%	12.2%	9.5%
Return on equity	5.7%	7.8%	6.6%	6.1%	8.7%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.



## **Management's review**

### **Business activities**

The Company's main activity is retail financing at variable and fixed rate interest, leasing and stock financing for dealers and importers in Denmark and Finland, primarily for affiliated companies.

### **Unusual matters**

During the year, no critical events have taken place which are considered as having a major impact on the Company's results.

### **Business review**

The Company's income statement for the year ended 31 December shows a profit of TDKK 12,361, and the balance sheet at 31 December 2016 shows equity of TDKK 223,031.

### **Financial review**

The profit for the year is considered satisfactory. In 2016 FCA Capital Danmark AS' results before tax were MDKK 14,9, which is in line with Management's expectations. The car market ended in 260.000 units, which is an increase of 8% compared to 2015. Unfortunately FCA Denmark A/S' market share has been decreasing ending at 1,9% compared to 2,2% in 2015. The portfolio of financing contracts linked to car sales is on the same level as in 2015.

The outlook for the car market in 2017 is unchanged compared to 2016, and we expect to be able to maintain our portfolio on the present level. The result for the year is expected to be at the level of 2016.

### **Special risks apart from generally occurring risks in industry**

#### ***Financial risks***

Through its engagement in Sweden and Finland, the Company has both debt and receivable in SEK and EUR. Due to the size of the net balance, a currency risk is not considered material. The Company is exposed to an interest risk on the part of its lending that has a fixed interest rate since the Company finances its activity through floating rate loans. This risk is covered by interest rate swaps through the Company's owner.

#### ***Capital resources***

The Company's current liabilities exceed the Company's non-fixed assets. At 31 December 2016, the parent company had a net receivable from FCA Capital Danmark A/S of DKK 957.021 thousand. The Company's Management has obtained confirmation from the parent company that the parent company will continue to support the Company financially by making adequate credit facilities available to the Company thereby enabling the Company to maintain and continue its current activities over the coming 12 months.

## **Management's review**

### **Branches abroad**

The Company has a branch in Finland.

### **Significant events occurring after end of reporting period**

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

## Income statement 1 January - 31 December

	<u>Note</u>	<u>2016</u> TDKK	<u>2015</u> TDKK
<b>Revenue</b>	2	<b>193,895</b>	<b>156,626</b>
Other operating income		631	0
Costs of sales		-132,373	-96,212
Other external expenses		<u>-9,307</u>	<u>-16,135</u>
<b>Gross profit</b>		<b>52,846</b>	<b>44,279</b>
Staff costs	3	-20,498	-17,758
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-17,410</u>	<u>-6,328</u>
<b>Profit/loss before tax</b>		<b>14,938</b>	<b>20,193</b>
Tax on profit/loss for the year	4	<u>-2,577</u>	<u>-4,374</u>
<b>Net profit/loss for the year</b>		<b><u>12,361</u></b>	<b><u>15,819</u></b>

## Balance sheet 31 December

	<u>Note</u>	<u>2016</u> TDKK	<u>2015</u> TDKK
<b>Assets</b>			
Other fixtures and fittings, tools and equipment		<u>95,733</u>	<u>55,027</u>
<b>Tangible assets</b>	5	<b><u>95,733</u></b>	<b><u>55,027</u></b>
Investments in subsidiaries	6	121	121
Other receivables		<u>700,796</u>	<u>704,213</u>
<b>Fixed asset investments</b>		<b><u>700,917</u></b>	<b><u>704,334</u></b>
<b>Fixed assets total</b>		<b><u>796,650</u></b>	<b><u>759,361</u></b>
Finished goods and goods for resale		<u>22,876</u>	<u>16,652</u>
<b>Stocks</b>		<b><u>22,876</u></b>	<b><u>16,652</u></b>
Trade receivables		8,321	7,239
Other receivables		459,708	834,402
Corporation tax		2,859	788
Prepayments	7	<u>22,387</u>	<u>21,224</u>
<b>Receivables</b>		<b><u>493,275</u></b>	<b><u>863,653</u></b>
<b>Cash at bank and in hand</b>		<b><u>1</u></b>	<b><u>1</u></b>
<b>Current assets total</b>		<b><u>516,152</u></b>	<b><u>880,306</u></b>
<b>Assets total</b>		<b><u>1,312,802</u></b>	<b><u>1,639,667</u></b>

## Balance sheet 31 December

	<u>Note</u>	<u>2016</u> TDKK	<u>2015</u> TDKK
<b>Liabilities and equity</b>			
Share capital		14,154	14,154
Other reserves		-1,311	-1,138
Retained earnings		<u>210,188</u>	<u>197,827</u>
<b>Equity</b>	<b>8</b>	<b><u>223,031</u></b>	<b><u>210,843</u></b>
Provision for deferred tax	9	<u>13,302</u>	<u>11,398</u>
<b>Provisions total</b>		<b><u>13,302</u></b>	<b><u>11,398</u></b>
Other credit institutions		65,093	891,218
Payables to subsidiaries		960,941	478,396
Corporation tax		0	96
Other payables		12,899	9,936
Deferred income	10	<u>37,536</u>	<u>37,780</u>
<b>Short-term debt</b>		<b><u>1,076,469</u></b>	<b><u>1,417,426</u></b>
<b>Debt total</b>		<b><u>1,076,469</u></b>	<b><u>1,417,426</u></b>
<b>Liabilities and equity total</b>		<b><u>1,312,802</u></b>	<b><u>1,639,667</u></b>
Capital resources	1		
Derivative financial instruments	11		
Subsequent events	12		
Contingent assets, liabilities and other financial obligations	13		
Related parties and ownership	14		
Proposed distribution of profit	15		

## Equity

	<u>Share capital</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2016	14,154	-1,138	197,827	210,843
Value adjustment, hedging of future cash flows	0	-173	0	-173
Net profit/loss for the year	<u>0</u>	<u>0</u>	<u>12,361</u>	<u>12,361</u>
<b>Equity at 31 December 2016</b>	<b><u>14,154</u></b>	<b><u>-1,311</u></b>	<b><u>210,188</u></b>	<b><u>223,031</u></b>

## Notes

### 1 Capital resources

The Company's current liabilities exceed the Company's non-fixed assets. At 31 December 2016, the parent company had a net receivable from FCA Capital Danmark A/S of DKK 957.021 thousand. The Company's Management has obtained confirmation from the parent company that the parent company will continue to support the Company financially by making adequate credit facilities available to the Company thereby enabling the Company to maintain and continue its current activities over the coming 12 months.

	<u>2016</u> TDKK	<u>2015</u> TDKK
<b>2 Revenue</b>		
Business segmentation of revenue:		
Revenues, dealer financing	11,206	20,728
Revenues, retail contracts	45,817	48,051
Sale of vehicles	90,002	53,304
Revenues, leases	37,590	23,189
Other income	<u>9,280</u>	<u>11,354</u>
<b>Total revenue</b>	<b><u>193,895</u></b>	<b><u>156,626</u></b>
	<u>2016</u> TDKK	<u>2015</u> TDKK
<b>3 Staff costs</b>		
Wages and salaries	18,179	15,739
Pensions	1,610	1,334
Other social security costs	153	166
Other staff costs	<u>556</u>	<u>519</u>
	<b><u>20,498</u></b>	<b><u>17,758</u></b>
Average number of employees	<u>30</u>	<u>27</u>

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

### 4 Tax on profit/loss for the year

Current tax for the year	654	3,902
Deferred tax for the year	2,651	802
Adjustment of tax concerning previous years	0	121
Adjustment of deferred tax concerning previous years	<u>-728</u>	<u>-451</u>
	<b><u>2,577</u></b>	<b><u>4,374</u></b>

## Notes

### 5 Tangible assets

	<u>Other fixtures</u>
Cost at 1 January 2016	61,785
Additions for the year	71,869
Disposals for the year	<u>-18,543</u>
Cost at 31 December 2016	<u>115,111</u>
Impairment losses and depreciation at 1 January 2016	6,758
Depreciation for the year	17,410
Reversal of impairment and depreciation of sold assets	<u>-4,790</u>
Impairment losses and depreciation at 31 December 2016	<u>19,378</u>
<b>Carrying amount at 31 December 2016</b>	<b><u>95,733</u></b>

### 6 Investments in subsidiaries

Cost at 1 January 2016	<u>121</u>	<u>121</u>
Cost at 31 December 2016	<u>121</u>	<u>121</u>
<b>Carrying amount at 31 December 2016</b>	<b><u>121</u></b>	<b><u>121</u></b>

Investments in subsidiaries are specified as follows:

<u>Name</u>	<u>Place of registered office</u>	<u>Votes and ownership</u>	<u>Equity</u>	<u>Net profit/loss</u>
FCA Capital Norge AS	Norway	100%	81	1,379
FCA Capital Sweden AB	Sweden	100%	40	519



## Notes

### 7 Prepayments

Prepayments include bonus to distributors that are accrued at the time of contract opening and charged as expense, in the subsequent periods when the recognition criteria are satisfied.

### 8 Equity

Number of shares: 1-14.154 each of DKK 1.000 (one share certificate)  
The Company's share capital has remained the same over the past 5 years.

	<u>2016</u> TDKK	<u>2015</u> TDKK
<b>9 Provision for deferred tax</b>		
Property, plant and equipment	-4,797	-2,933
Fixed asset investments	-16,329	-16,291
Liabilities	<u>7,824</u>	<u>7,826</u>
	<u><b>13,302</b></u>	<u><b>11,398</b></u>

### 10 Deferred income

Deferred income comprises payments relating to contract opening fees which will not be recognised as income until the subsequent financial year when the recognition criteria are satisfied.

### 11 Derivative financial instruments

#### Interest rate risks

The Company uses interest rate swaps to hedge interest rate risks, whereby floating interest payments are reshuffled into fixed interest payments.

The hedged cash flows are expected to be realised and will affect results of operations over the term to maturity of the interest rate swap.

	<u>Interest rate swaps</u>	
<u>TDKK</u>	<u>2016</u>	<u>2015</u>
Notional principal	347,350	295,100
Value adjustment recognised in equity	-1,312	-1,138
Fair value	-1,681	-1,488
Term to maturity	0-48 months	0-48 months

## Notes

### 12 Subsequent events

After the balance sheet date no events have occurred that could materially affect the evaluation of the annual report.

### 13 Contingent assets, liabilities and other financial obligations

#### Other financial obligations

Rent and lease liabilities include a rent obligation totalling TDKK 580.

The Company has issued guarantees totalling TDKK 200.

### 14 Related parties and ownership

#### Controlling interest

FCA Bank S.p.A.  
Corso Agnelli 200  
10135 Tornio  
Italy

#### Transactions

FCA Capital Danmark A/S had the following transactions with related parties:

	<u>2016</u> TDKK	<u>2015</u> TDKK
Purchase of goods from group companies	94,854	66,890
Income from management fee to group companies	5,971	5,369
Financial income from group companies	3,343	9,915
Financial cost to group companies	15,066	6,554
Receivables from group companies	1,726	0
Payables to group companies	960,962	479,910
	<u>2016</u> TDKK	<u>2015</u> TDKK
<b>15 Proposed distribution of profit</b>		
Retained earnings	12,316	15,819

## Accounting policies

The annual report of FCA Capital Danmark A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

Yearly reassessment of residual values of property, plant and equipment.

In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

The annual report for 2016 is presented in Danish kroner.

In accordance with section 86(4) of the Danish Financial Statements Act, no cash flow statement is shown.

The cash flow statement is part of the consolidated financial statements of the parent company.

Pursuant to sections §112, of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the Company and the value of the liability can be measured reliably.

## **Accounting policies**

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

### **Income statement**

#### **Revenue**

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. Revenue is net of all types of discounts granted.

#### **Costs of sales**

Expenses for raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

#### **Other operating income**

Other operating income comprises items of a secondary nature relative to the Company's activities, including gains on the sale of intangible assets and property, plant and equipment.

#### **Other external expenses**

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

#### **Staff costs**

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

## Accounting policies

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of property, plant and equipment.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

### Profit/loss from investments in subsidiaries and associates

Dividend from investments is recognised in the reporting year in which the dividend is declared.

### Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

## Balance sheet

### Tangible assets

Items of fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3	years
Leasehold improvements	5	years

## **Accounting policies**

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

### **Investments in subsidiaries and associates**

Investment in subsidiaries and associates are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

### **Impairment of fixed assets**

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

### **Stocks**

Stocks are measured using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

## **Accounting policies**

### **Receivables**

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

### **Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value. Balances in the group's cash pool scheme are not, due to the nature of the scheme, considered cash, but is recognised under 'Receivables from group entities'.

### **Income tax and deferred tax**

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

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

### **Liabilities**

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

### **Deferred income**

Deferred income comprises payments received concerning income in subsequent reporting years.

### **Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

## Accounting policies

### Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables or other payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future cash flows are recognised in other receivables or other payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

As for derivative financial instruments that do not qualify for hedge accounting, fair value adjustments are recognised in the income statement on a current basis.

The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs. All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based in the fair value hierarchy, see below:

Level 2: Value based on recognised valuation methods on the basis of observable market information.



## Accounting policies

### Financial Highlights

Definitions of financial ratios.

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