Total Denmark A/S

Aldersrogade 6C, 4. floor

2100 København Ø

CVR No. 63855618

Annual Report 2016

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 29 May 2017

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Anna Whitehouse
Chairman

Contents

Management's Statement

Today, Management has considered and adopted the Annual Report of Total Denmark A/S for the financial year 1 January 2016 - 31 December 2016.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

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

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 29 May 2017

Executive Board

Franck Alain Pierre Maurin

Supervisory Board

Anna Whitehouse Chairman	Shuang Huang	Franck Alain Pierre Maurin

Independent Auditor's Report

To the shareholders of Total Denmark A/S

Opinion
We have audited the financial statements of Total Denmark 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 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 Company's financial position at 31 December 2016 and of the results of its operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in our auditors' report under "Auditors' responsibility for the audit of the financial statements". As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management considers 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 either liquidate the Company or suspend operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements
Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

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

* Identify and assess the risk of material misstatements in 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 a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditor's Report

* Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.

* Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could 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 auditors' 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 auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.

* Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect 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 which we identify during our audit.

Statement on 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 opinion providing assurance regarding the Management's review.

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

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Copenhagen, 29 May 2017

KPMG
Statsautoriseret Revisionspartnerselskab
CVR-no. 25578198

David Olafsson
State Authorised Public Accountant

Joakim Juul Larsen
State Authorised Public Accountant

Company details

Company	Total Denmark A/S Aldersrogade 6C, 4. floor 2100 København Ø
CVR No.	63855618
Financial year	1 January 2016 - 31 December 2016
Supervisory Board	Anna Whitehouse, Chairman Shuang Huang Franck Alain Pierre Maurin
Executive Board	Franck Alain Pierre Maurin
Auditor	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 København Ø CVR-no.: 25578198

Management's Review

Principal activities of the Company
The Company's activities consist of production and trade in bitumen, lubricants, aviation fuel and other oil and petroleum products.

Development in activities and financial matters
Profit for the year amounts to DKK 11.841 thousands (2015: DKK 13.364 thousand), and equity at 31 December 2016 amounts to DKK 51.234 thousands (2015: DKK 52.757 thousand).

The results are above expectations for 2016. Revenue is below expectations, but gross profit is above budget. This contributed to the profit for the year, which is considered satisfactory.

The profit for the year is proposed as dividend.

Outlook
The Company expects its challenges in the development in 2017 and a lower profit for the year compared to 2016. The Company's earnings do, however, depend on the general development in global market trends.

Risks
Foreign exchange risks
The Company's transactions primarily take place in DKK and EUR where the foreign exchange risks are assessed as being limited and in USD where the major exchange risks are normally covered through hedging.

Price risks
The Company's cost prices are conditional on the price development in crude oil and related raw materials, which can fluctuate in an unstable world economy. Earnings may stagnate if the increasing purchase price to a certain extent cannot be fully compensated through the Company's sales prices because of the market situation.

Research and development activities
The Company has no significant research and development activities, as research and development are performed by the parent abroad.

Subsequent events
No events materially affecting the assessment of the annual report have occured after the balance sheet date.

Diversity in the board
Total Denmark A/S is very committed to diversity in Management and the Board of Directors. The HR policy of the Total Group has specific focus on diversity - both in terms of gender and nationality. Currently, there are 3 board members of which 2 are women. Regarding other management levels, we follow Total Group policies. Reference is made to the Group's Registration document 2016, p. 145 to 150
http://www.total.com/en/investors/publications-and-regulated-information/regulated-information/annual-financial-reports

Corporate social Responsibility
The Company's statement on corporate social responsibility is part of the Group's Registration Document 2016, pages 145-175. The Registration Document for 2016 is available on the group website:
http://www.total.com/en/investors/publications-and-regulated-information/regulated-information/annual-financial-reports

The Group's Registration Document can also be obtained from Total Denmark A/S on request.

Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios can be described as follows:
Numbers appear in millions

	2016	2015	2014	2013	2012
Revenue	955	1.114	1.503	1.402	1.494
Gross result	76	71	95	59	54
Profit before financial income and expences	42	33	58	22	26
Net financials	-25	-10	-26	-6	-1
Profit/loss for the year	12	13	23	9	18
Total assets	153	133	204	272	238
Total equity	51	53	62	49	57
Solvency ratio (%)	33,33	41,80	30,40	18,00	23,90
Return on equity (ROE) (%)	23,08	26,50	41,40	17,00	29,80
Return on capital employed (%)	45,16	51,00	90,20	37,30	11,40
Avg. number of full-time employees	37	38	40	37	32

For definitions of key ratios, see Accounting and Valuation Principles

Income Statement

	Note	2016 tkr.	2015 tkr.
Revenue		954.565	1.114.425
Cost of sales		-835.123	-997.701
External expenses		-43.327	-45.456
Gross result		**76.115**	**71.268**
Staff expenses	2	-25.288	-29.279
Depreciation on property, plant and equipment, amortisation of intangible assets and impairment losses	3	-9.252	-9.431
Profit from ordinary operating activities		**41.575**	**32.558**
Income from investments in associates		1	-9
Finance income	4	1.378	482
Finance expences	5	-26.625	-10.742
Profit from ordinary activities before tax		**16.329**	**22.289**
Tax expense on ordinary activities	6	-4.488	-8.925
Profit	7	**11.841**	**13.364**

Total Denmark A/S

Balance Sheet as of 31. December

	Note	2016 tkr.	2015 tkr.
Assets			
Other intangible assets	8	561	1.901
Goodwill	9	9.346	15.578
Intangible assets		**9.907**	**17.479**
Land and buildings	10	1.795	1.913
Plant and machinery	11	2.502	3.005
Fixtures, fittings, tools and equipment	12	128	123
Property, plant and equipment		**4.425**	**5.041**
Equity investments in associates	13	7.084	8.384
Loans to emplyoees		0	520
Investments		**7.084**	**8.904**
Fixed assets		**21.416**	**31.424**
Manufactured goods and goods for resale		15.106	23.269
Inventories		**15.106**	**23.269**
Trade receivables		52.452	16.622
Receivables from group enterprises		40.041	37.619
Receivables from associates		69	0
Deferred tax asset	14	4.482	2.111
Corporate tax receivables		2.445	0
Other receivables		11.522	13.583
Deferred income		0	73
Receivables		**111.011**	**70.008**
Cash and cash equivalents		**5.382**	**8.081**
Current assets		**131.499**	**101.358**
Assets		**152.915**	**132.782**

Total Denmark A/S

Balance Sheet as of 31. December

	Note	2016 tkr.	2015 tkr.
Liabilities and equity			
Contributed capital		1.500	1.500
Retained earnings		37.893	37.893
Proposed dividend		11.841	13.364
Equity		**51.234**	**52.757**
Other provisions	15	6.708	9.708
Provisions		**6.708**	**9.708**
Debt to banks		37.569	0
Trade payables		4.249	3.376
Payables to group enterprises		21.546	49.756
Payables to associates		0	1.918
Tax payables to group enterprises		17.584	6.172
Other payables		14.025	9.095
Short-term liabilities other than provisions		**94.973**	**70.317**
Liabilities other than provisions within the business		**94.973**	**70.317**
Liabilities and equity		**152.915**	**132.782**

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Statement of changes in Equity

	Contributed capital	Retained earnings	Proposed dividend	Total
Equity 1 January 2016	1.500	37.893	13.364	52.757
Dividend paid	0	0	-13.364	-13.364
Profit (loss)	0	0	11.841	11.841
Equity 31 December 2016	**1.500**	**37.893**	**11.841**	**51.234**

The share capital has remained unchanged for the last 5 years.

Notes

	2016 tkr.	2015 tkr.

1. Revenue

	2016 tkr.	2015 tkr.
Denmark	936.791	1.083.917
Export	17.774	30.508
	954.565	**1.114.425**

2. Employee benefits expense

	2016 tkr.	2015 tkr.
Wages and salaries	23.320	27.408
Post-employement benefit expense	1.671	1.604
Social security contributions	297	267
	25.288	**29.279**
Average number of employees	37	38

Staff cost for 2015 include remuneration of the Company's Executive Board, DKK 1,622 thousand. The Board of Directors has not received remuneration for 2015.
Remuneration of the Company's Executive Board and Board of Directors for 2016 is not disclosed pursuant to section 98b(3)(ii) of the danish Financial Statements Act.

3. Depreciation on property, plant and equipment, amortisation of intangible asstets and impairment losses

	2016 tkr.	2015 tkr.
Other intangible assets	1.366	1.561
Goodwill	6.232	6.234
Land and building	118	119
Plant and machinery	1.258	1.357
Fixtures, fittings, tool and equipment	96	160
	9.070	**9.431**

4. Finance income

	2016 tkr.	2015 tkr.
Finance income group enterprises	1.282	0
Other finance income	96	482
	1.378	**482**

5. Finance expenses

	2016 tkr.	2015 tkr.
Finance expenses group enterprises	144	108
Other finance expenses	1.613	0
Loss on financial instruments	24.868	10.634
	26.625	**10.742**

6. Tax expense

	2016 tkr.	2015 tkr.
Current tax for the year	6.859	7.159
Deferred tax adjustments for the year	-2.371	-371
Adjustment of tax concerning previous years	0	2.137
	4.488	**8.925**

Notes

	2016	2015
	tkr.	tkr.
7. Profit		
Proposed dividend	11.841	13.364
Retained earnings	0	0
	11.841	**13.364**

	2016	2015
8. Other intangible assets		
Cost at the beginning of the year	10.095	9.898
Addition during the year	26	645
Disposal during the year	0	-448
Cost at the end of the year	**10.121**	**10.095**
Impairment losses and amortisation at the beginning of the year	-8.194	-6.930
Amortisation for the year	-1.366	-1.561
Reversal of impairment losses and amortisation of disposed assets	0	297
Impairment losses and amortisation at the end of the year	**-9.560**	**-8.194**
Carrying amount at the end of the year	**561**	**1.901**

	2016	2015
9. Goodwill		
Cost at the beginning of the year	62.321	62.321
Cost at the end of the year	**62.321**	**62.321**
Impairment losses and amortisation at the beginning of the year	-46.743	-40.509
Amortisation for the year	-6.232	-6.234
Impairment losses and amortisation at the end of the year	**-52.975**	**-46.743**
Carrying amount at the end of the year	**9.346**	**15.578**

	2016	2015
10. Land and buildings		
Cost at the beginning of the year	9.547	9.547
Cost at the end of the year	**9.547**	**9.547**
Impairment losses and depreciation at the beginning of the year	-7.634	-7.515
Depreciation for the year	-118	-119
Impairment losses and depreciation at the end of the year	**-7.752**	**-7.634**
Carrying amount at the end of the year	**1.795**	**1.913**

Notes

	2016 tkr.	2015 tkr.
11. Plant and machinery		
Cost at the beginning of the year	23.179	21.912
Addition during the year	755	1.271
Disposal during the year	-54	-4
Cost at the end of the year	**23.880**	**23.179**
Impairment losses and depreciation at the beginning of the year	-20.174	-18.817
Depreciation for the year	-1.258	-1.357
Reversal of impairment losses and depreciation of disposed assets	54	0
Impairment losses and depreciation at the end of the year	**-21.378**	**-20.174**
Carrying amount at the end of the year	**2.502**	**3.005**

12. Fixtures, fittings, tools and equipment

	2016 tkr.	2015 tkr.
Cost at the beginning of the year	2.050	2.012
Addition during the year	101	40
Disposal during the year	0	-2
Cost at the end of the year	**2.151**	**2.050**
Impairment losses and depreciation at the beginning of the year	-1.927	-1.767
Depreciation for the year	-96	-160
Impairment losses and depreciation at the end of the year	**-2.023**	**-1.927**
Carrying amount at the end of the year	**128**	**123**

13. Disclosure in long-term investments in group enterprises and associates

Name	Registrered office	Share held in %	Equity	Profit	Carrying amount
Shell-Statoil-Total I/S	Copenhagen	33,33	11.047	3	3.683
BKL I/S	Copenhagen	16,67	20.402	0	3.401
			31.449	**3**	**7.084**

The associates' annual reports for some years are drafts; therefore, adjustment related to previous years can occur.

14. Deferred tax asset

The deferred tax asset is recognised at its full value as it is expected to be utilised whitin the coming years according to the Company's budget and projections.

15. Other provisions

Provisions comprise anticipated costs for clean-up of contaminated land. The provision is expected to be utilised within 5 years.

Notes

16. Contingent liabilities

The Company has entered into operating lease agreements for cars rental. Remaining operating lease obligations at the balance sheet date fall due at DKK 677 thousand within 2 years (2015: DKK 2,107 thousand).

Further, the Company has an obligation of DKK 1,588 thousand (2015: DKK 2,061 thousand) in relation to rental agreements.

As partner in Brændstoflageret, Københavns Lufthavn I/S and Shell-Statoil-Total I/S, the Company is jointly and severally liable for the total debt. The Company's liability at 31 December 2016 amounts to DKK 51,165 thousand (2015: DKK 31,722 thousand).

The Company is jointly taxed with the other Danish companies in the Total Group. A jointly taxed company has unlimited joint and several liability in respect of Danish corporation tax and withholding tax in dividends, interest and royalties within the joint taxation.

17. Related parties disclosures

Control
Total Denmark A/S is wholly-owned by Total Marketing and Services S.A. The ultimate parent company is Total S.A., wich prepares financial statements for the Group.

Consolidated financial statements for the ultimate parent company can be obtained from Total S.A. at the following addres: 24, Cours Michelet, 92800 Puteaux, Paris, France or via www.total.com.

Related party transactions
The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

18. Fees for auditors elected on the general meeting

Pursuant to section 96(3) of the Danish Financial Statements Act, fee to the auditor appointed at annual general meeting is not disclosed.

19. Derivative financial instruments

The Company hedges jet fuel oil sales and purchase prices using swap hedges. As the Company has chosen not to use hedge accounting, the fair value of the swap hedges are recognised in the balance sheet, and the net gain/loss is recognised as an financial income or expence.

At 31 December 2016, the net fair value of open hedges have been recognised in the financial statements as payables to group entities in the amount of DKK 251 thousand (2015: DKK 2,989 thousand). In 2016, the Company has recognised a net loss in financial expenses related to swap hedges of DKK 24,868 thousand (2015: net loss DKK 10,634 thousand).

20. Accounting Policies

Reporting Class
The Annual Report of Total Denmark A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Total S.A.

Pursuant to section 96 of the Danish Financial Statements Act, the Company only discloses revenue on geographical markets, as disclosure of business segments will be harmful for the Company under the consideration that the the competitors also omits this information.

Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity. The changes have no monetary effect on the income statement or the balance sheet for 2015 or for the comparative figures.

Apart from the above, the accounting policies applied remain unchanged from last year.

General Information

Basis of recognition and measurement
Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities. All expences, including amortisation, depreciation and impairment losses, are also recognised in 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.

At initial recognition, assets and liabilities are 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 using the effective interest method. Amortised cost is calculated as historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

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

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recogninsed in the income statements as financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date

Notes

at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statements as financial income or financial expenses.

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

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

Changes in the fair value of derivative financial instruments classified as or qualifying for recognition as a hedge of future transactions are recognised as other receivables or other payables and in equity until the realisation of the hedged transactions. If the future transaction results in the recognition of assets or liabilities, amounts that were previously recognised in equity are transferred to the cost of the asstes or liabilities. If the future transaction results in income or costs, amounts that were previously recognised in equity are transferred to the income statement for the period when the hedged item affects the income statement.

For derivative financial instruments not qualifying for treatment as hedging instruments, changes in the fair value are recognised in the income statement on an ongoing basis.

Income Statement

Revenue
Income from the sale of goods and finished goods, comprising the sale of oil and petroleum products, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be reliably measured and is expected to be received.

Revenue is measured at fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Cost of sales
Cost of sales include the raw materials and consumables used in the year's revenue.

External expenses
External costs comprise costs related to sale, advertising, administration, office premises, loss on receivables, operating lease expences, etc.

Staff expenses
Staff expenses comprise wages and salaries, pensions and social security costs.

Financial income and expenses
Financial income and expences comprise interest income and expence, gains and losses on securities, payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Tax expence on ordinary activities
The Company is subject to the Dansih rules on compulsory joint taxation of the Total Group's Dansih subsidiaries and branch operations under Danish taxation.

The Company is the administrative company under the joint taxation and accordingly pays all corporation taxes to the tax authorities.

Notes

On payment of joint taxation, the current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint taxation contributions from other companies that have used the tax losses to reduce their own taxable profit.

Tax for the year comprises joint taxation contributions and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Balance Sheet

Intangible assets
Intangible assets are measured at cost less accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis of maximum 10 years.

Property, plant and equipment
Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depriciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

The basis of depriciation is cost less any projected residual value after the end of useful life.
Depriciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

	Useful life	Residual value
Buildings	10-50 years	0%
Plant and machinery	5-10 years	0%
Other fixtures and fittings, tools and equipment	3-5 years	0%

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments
Investments in associated companies are measured at the proportional share of the entities' net asset value calculated in accordance with the parent company's accounting policies plus or minus unrealised intra-group profits or losses and with the addition or deduction of the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Investments in associates with negative net asset values are measured at DKK 0, and any amount owed by these enterprses are written down by the parent company's share of the negative net asset value. To the extent that the deficit exceeds the amount owed, the residual amount is recognised as provision.

Leases
Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations, etc.

Notes

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

Manufactured goods are measured at cost, comprising the cost of raw materials, consumables, direct wages and saleries as well as indirect production costs. Indirect production overheads comprise indirect materials and wages and saleries as well as factory administration and management.
Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Impairment of non-current assets
The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in the value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables
Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portofolio of receivables has been impaired. if there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Equity - dividends
Proposed dividend are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Provisions
Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economics benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Liabilities other than provisions
Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the diffenrence between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Notes

Financial ratios

Solvency ratio (%) = $\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Return on equity (%) = $\dfrac{\text{Net profit for the year x 100}}{\text{Avg. equity}}$

Return on invested capital (%) = $\dfrac{\text{EBIT X 100}}{\text{Working capital + fixed assets}}$