
Ingram Micro Mobility Denmark A/S

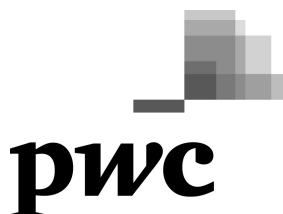
Kolding Åpark 1, 2. sal, DK-6000 Kolding

Annual Report for 2017

CVR No 77 16 49 28

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
7 /6 2018

William Van Kerkvoorde
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Ingram Micro Mobility Denmark A/S for the financial year 1 January - 31 December 2017.

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 financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Kolding, 7 June 2018

Executive Board

Jens Jakob Kvist-Sørensen

Board of Directors

William Van Kerkvoorde
Chairman

Karel Victor Everaet

Kris Emile Paul Mees

John Alexander Du Plessis Currie

Independent Auditor's Report

To the Shareholder of Ingram Micro Mobility Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Ingram Micro Mobility Denmark A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the 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.

Independent Auditor's Report

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 these Financial Statements.

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

- Identify and assess the risks of material misstatement of the 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.

Independent Auditor's Report

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.

Hellerup, 7 June 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen

State Authorized Public Accountant

mne18651

Henrik Forthoft Lind

State Authorized Public Accountant

mne34169

Company Information

The Company

Ingram Micro Mobility Denmark A/S
Kolding Åpark 1, 2. sal
DK-6000 Kolding

CVR No: 77 16 49 28
Financial period: 1 January - 31 December
Municipality of reg. office: Kolding

Board of Directors

William Van Kerkvoorde, Chairman
Karel Victor Everaet
Kris Emile Paul Mees
John Alexander Du Plessis Currie

Executive Board

Jens Jakob Kvist-Sørensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Bankers

Nordea Bank A/S

Consolidated Financial Statements

The company is included in the Group Annual Report of HNA Technology Co Ltd.

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Key figures					
Profit/loss					
Revenue	1.677.183	1.855.966	1.508.786	896.694	745.328
Gross profit/loss	55.407	45.816	29.694	22.387	18.137
Profit/loss before financial income and expenses	19.214	22.492	9.442	4.424	4.742
Net financials	-5.296	-5.855	-7.138	-2.004	-1.132
Net profit/loss for the year	11.061	12.830	3.458	1.997	1.609
Balance sheet					
Balance sheet total	408.043	476.412	362.561	295.955	242.488
Equity	110.497	99.436	86.606	83.148	81.151
Investment in property, plant and equipment	214	1.591	316	0	16
Number of employees	54	41	34	28	25
Ratios					
Gross margin	3,3%	2,5%	2,0%	2,5%	2,4%
Profit margin	1,1%	1,2%	0,6%	0,5%	0,6%
Return on assets	4,7%	4,7%	2,6%	1,5%	2,0%
Solvency ratio	27,1%	20,9%	23,9%	28,1%	33,5%
Return on equity	10,5%	13,8%	4,1%	2,4%	2,0%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Financial Statements of Ingram Micro Mobility Denmark A/S for 2017 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 has been prepared under the same accounting policies as last year.

Key activities

The Company's main activity is wholesale of mobile phones and similar items.

Development in the year

The income statement of the Company for 2017 shows a profit of TDKK 11,061 a slight decrease from the 2016 profit of TDKK 12.830 and at the 31 December 2017 the balance sheet of the Company shows equity of TDKK 110.497.

The past year and follow-up on development expectations from last year

The Danish telecom market is mature and stabile. Competition among the different manufactures is fierce and led to minor changes in manufacture market share compared to 2016, but with two to three brands dominating the market.

Ingram Micro Mobility Denmark A/S has through 2017 continued to strengthen their market position, by meeting the growing demands from customers and vendors while maintaining strong profitability into the process.

The income statement of the Company for 2017 shows a profit of TDKK 11,061 and at the 31 December 2017 the balance sheet of the Company shows equity of TDKK 110.497.

This is in line with the company's expectations.

Management's Review

Special risks - operating risks and financial risks

Market risks

Ingram Micro Mobility Denmark A/S is influenced by the risks that apply to the telecommunication business and in particular the changes that take place in the area of mobile telephony.

Our revenues, profitability, financial position and cash flows are highly dependent on the broader movements of the macroeconomics environment.

We are also exposed to market risk primarily related to foreign currency Euro. In particular, we are exposed to the changes in the value of the DKK versus mainly EUR in the purchase of goods and services – to minimize the risk we apply hedging.

A conservative strategy is followed to anticipate possible risks including depreciation of trade receivables.

Targets and expectations for the year ahead

Ingram Micro Mobility Denmark A/S expects a similar development in revenue and profit in 2018 as the company had in 2017.

Management's Review

Statement of corporate social responsibility

Ingram Micro Mobility Denmark A/S are following the policies concerning Social commitment given by Corporate. In relation to our compliance with the Danish legislation, the topics of environment, climate and human rights are particularly relevant.

Environment and climate

Based on the nature of our operations, which relates mainly to sale, procurement, administration and other office functions, we have assessed that the environmental impact of our activities are less material. Hence, we have not implemented a specific policy in the area.

Human rights

At Ingram Micro Mobility Denmark A/S we work diligently to ensure that we respect human rights. As we operate in Denmark, a highly regulated market, we focus our effort particularly on working with our suppliers and customers. Our code of conduct outlines among others our zero tolerance for child and forced labour and discriminations. Also, that local law is followed on working hours, wages and benefits and humane working conditions and the freedom of Association. We work closely with our suppliers and customers to help them understand our code of conduct the values upon which it is developed. In 2017, all our suppliers and customers have as a minimum signed our code of conduct and we have not during the year identified any material breaches hereof.

All Ingram Micro employees are yearly tested in our Ingram Micro code of conduct.

For more information about the work carried out at Corporate level, please refer to the Corporate Social Responsibility Report 2017 for the Ingram Micro Group. This report will be available in August 2018 here:

<https://corp.ingrammicro.com/About-Us/Social-Responsibility/CRS-Report.aspx>.

Share of the underrepresented gender

The Board has adopted a target that by the end of 2019 to have 25% women on the board, corresponding to one woman out of 4 elected board members. This includes a realization that Ingram Micro Mobility Denmark A / S operates in an industry that is dominated by men. There are currently no women on the board. In 2017 there were elected a new board member who was elected based on best candidate assumptions, which was a man.

The management team of Ingram Micro Mobility Denmark is made out of six people. Four men and two women, and hence an equal gender representation as defined by the Danish Business Authority has been achieved.

Management's Review

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2017 of the Company and the results of the activities of the Company for the financial year for 2017 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Revenue	2	1.677.183	1.855.966
Expenses for goods for resale		-1.610.798	-1.794.324
Other external expenses		<u>-10.978</u>	<u>-15.826</u>
Gross profit/loss		55.407	45.816
Staff expenses	3	-34.552	-22.891
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-1.641</u>	<u>-433</u>
Profit/loss before financial income and expenses		19.214	22.492
Financial income		64	908
Financial expenses	4	<u>-5.360</u>	<u>-6.763</u>
Profit/loss before tax		13.918	16.637
Tax on profit/loss for the year	5	<u>-2.857</u>	<u>-3.807</u>
Net profit/loss for the year		<u>11.061</u>	<u>12.830</u>

Balance Sheet 31 December

Assets

	Note	2017 TDKK	2016 TDKK
Software		245	1.207
Goodwill		2.314	0
Intangible assets	6	2.559	1.207
Other fixtures and fittings, tools and equipment		1.362	1.658
Leasehold improvements		57	125
Property, plant and equipment	7	1.419	1.783
Fixed assets		3.978	2.990
Inventories		112.106	139.716
Trade receivables		269.885	296.594
Receivables from group enterprises		4.178	3.536
Other receivables		15.583	30.024
Deferred tax asset	11	1.799	1.634
Prepayments	8	514	170
Receivables		291.959	331.958
Cash at bank and in hand		0	1.748
Currents assets		404.065	473.422
Assets		408.043	476.412

Balance Sheet 31 December

Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		20.001	20.001
Retained earnings		90.496	79.435
Equity	9	110.497	99.436
Credit institutions		5	0
Trade payables		89.556	259.561
Payables to group enterprises		198.625	107.364
Corporation tax		0	3.166
Other payables		9.360	6.885
Short-term debt		297.546	376.976
Debt		297.546	376.976
Liabilities and equity		408.043	476.412
Subsequent events	1		
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Fee to auditors appointed at the general meeting	14		
Accounting Policies	15		

Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 January	20.001	79.435	99.436
Net profit/loss for the year	0	11.061	11.061
Equity at 31 December	20.001	90.496	110.497

Notes to the Financial Statements

1 Subsequent events

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

2 Revenue

Geographical segments

	2017 TDKK	2016 TDKK
Revenue, Denmark	1.677.183	1.855.966
	1.677.183	1.855.966

Business segments

Mobile handsets & mobile accessories	1.677.183	1.855.966
	1.677.183	1.855.966

Ingram Micro Mobility Denmark A/S distributes mobile handsets & mobile accessories, customization services (device configuration software/application loading), customized packaging and flashing, repair, refurbishment & regeneration.

3 Staff expenses

Wages and salaries	27.827	19.065
Pensions	3.169	2.309
Other social security expenses	411	372
Other staff expenses	3.145	1.145
	34.552	22.891

Including remuneration to the Executive Board of:

Executive Board	2.230	0
	2.230	0

Average number of employees

	54	41
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Remuneration to the Executive Board has not been disclosed in 2016 in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Financial Statements

	2017 TDKK	2016 TDKK
4 Financial expenses		
Interest paid to group enterprises	3.408	5.768
Other financial expenses	475	201
Exchange loss	1.477	794
	5.360	6.763
5 Tax on profit/loss for the year		
Current tax for the year	2.686	3.166
Deferred tax for the year	-165	641
Adjustment of tax concerning previous years	336	0
	2.857	3.807
6 Intangible assets		
	Software TDKK	Goodwill TDKK
Cost at 1 January	10.371	0
Net effect from merger and acquisition	0	3.204
Additions for the year	41	0
Disposals for the year	-9.771	0
Cost at 31 December	641	3.204
Impairment losses and amortisation at 1 January	9.164	0
Amortisation for the year	253	890
Reversal of amortisation of disposals for the year	-9.021	0
Impairment losses and amortisation at 31 December	396	890
Carrying amount at 31 December	245	2.314

Notes to the Financial Statements

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 January	4.247	571
Additions for the year	111	62
Disposals for the year	-2.531	-401
Cost at 31 December	1.827	232
Impairment losses and depreciation at 1 January	2.589	446
Depreciation for the year	397	100
Reversal of impairment and depreciation of sold assets	-2.521	-371
Impairment losses and depreciation at 31 December	465	175
Carrying amount at 31 December	1.362	57

8 Prepayments

Prepayments consist of prepaid expenses concerning rent and insurance etc.

9 Equity

The share capital consists of 20,001 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

10 Distribution of profit

	2017 TDKK	2016 TDKK
Retained earnings	11.061	12.830
	11.061	12.830

Notes to the Financial Statements

	2017 TDKK	2016 TDKK
11 Deferred tax asset		
Deferred tax asset at 1 January	1.634	2.276
Amounts recognised in the income statement for the year	165	-641
Deferred tax asset at 31 December	1.799	1.634
Intangible assets	-870	-829
Property, plant and equipment	-577	-663
Trade receivables	-133	-120
Tax loss carry-forward	-219	-22
Transferred to deferred tax asset	1.799	1.634
	0	0

Deferred tax has been provided at 22% corresponding to the current tax rate.

Deferred tax asset

Calculated tax asset	1.799	1.634
Carrying amount	1.799	1.634

12 Contingent assets, liabilities and other financial obligations

Contingent liabilities

Ingram Micro Mobility Denmark A/S has total contingent liabilities of DKK 3.893k that comprise rent payments DKK 1.503k (2016: DKK 2.911k) and payments under operating leases of operating equipment and cars DKK 2.334k (2016: DKK 1.290).

The Danish group companies are jointly and severally liable for tax of the Group's jointly taxed income etc. The total amount is stated in the Annual Report of Brightpoint Europe ApS, which is the administration company in relation to joint taxation.

Notes to the Financial Statements

13 Related parties

	<u>Basis</u>
Controlling interest	
HNA Technology Co Ltd	Ultimate parent company

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Brightpoint Europe ApS
Kolding Åpark 1, 2. sal
DK-6000 Kolding
Denmark

Consolidated Financial Statements

The company is included in the Group Annual Report of

<u>Name</u>	<u>Place of registered office</u>
HNA Technology Co Ltd.	China

HNA Technology Co Ltd

The Group Annual Report of HNA Technology Co Ltd. may be obtained at the following address:

Ingram Micro
3351 Michelson Drive, Suite 100
Irvine, CA 92612
USA

Notes to the Financial Statements

14 Fee to auditors appointed at the general meeting

	2017 TDKK	2016 TDKK
Audit fee to PricewaterhouseCoopers	364	357
Other services	46	46
	410	403

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Ingram Micro Mobility Denmark A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK thousand.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of HNA Technology Co Ltd., the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of HNA Technology Co Ltd, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are 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.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

15 Accounting Policies (continued)

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

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 classified as "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.

Segment information on revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

15 Accounting Policies (continued)

Expenses for goods for resale

Expenses for goods for resale comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as the Company's administration, etc.

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and 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.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in 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.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 3 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Notes to the Financial Statements

15 Accounting Policies (continued)

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	8	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

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 of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent reporting years.

Prepayments are measured at cost.

Notes to the Financial Statements

15 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets 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 within the same legal tax entity.

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. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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

Financial Highlights

Explanation 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 assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$

Notes to the Financial Statements

15 Accounting Policies (continued)

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$