

# UIE ANNUAL REPORT 2017



UNITED INTERNATIONAL ENTERPRISES LIMITED

# UIE LAUMA TJOFTA FOS

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UNITED INTERNATIONAL ENTERPRISES LIMITED

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# UIE IN BRIEF

**U**nited International Enterprises Limited (“UIE”) is a holding company which primarily invests in the agro-industrial sector.

UIE exercises long-term and active ownership via involvement at board level and via close dialogue with the management about operational and strategic issues.

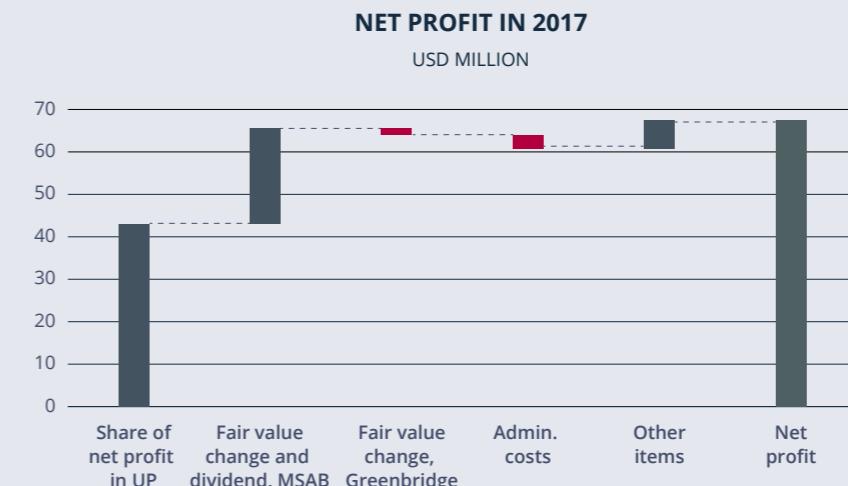
UIE is committed to invest in companies that value sustainability as one of their key guiding principles.

UIE was founded in 1982 and is listed on Nasdaq Copenhagen.

The investment portfolio mainly consists of the following two companies:



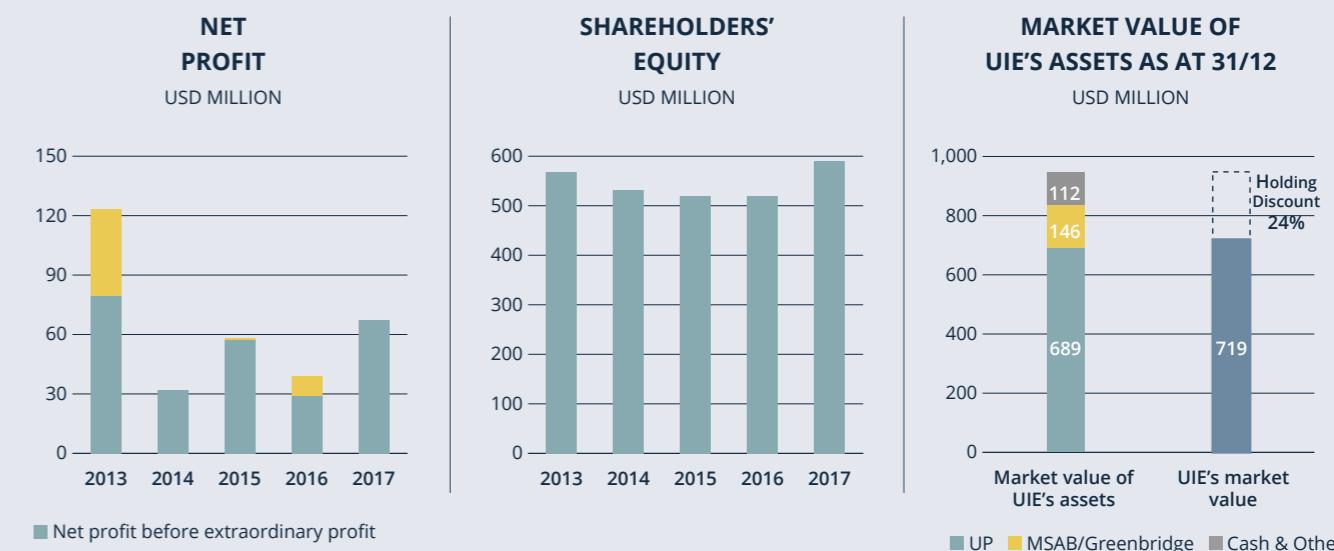
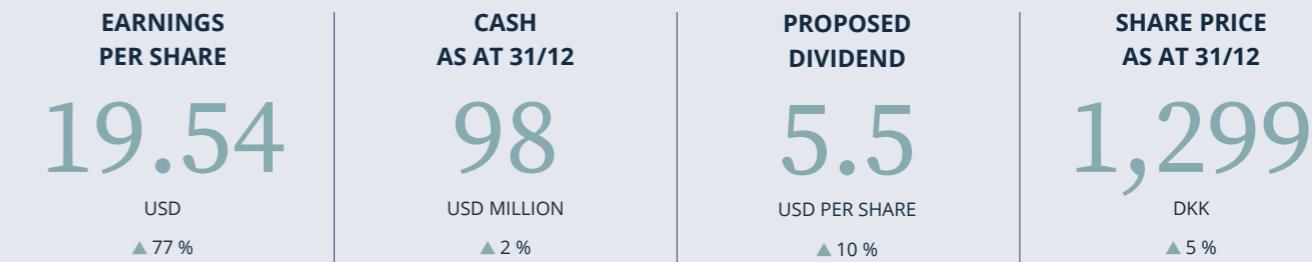
## UIE KEY FIGURES BUSINESS PERFORMANCE<sup>1</sup>



UIE's net profit in 2017 amounted to USD 67.5 million, which is 73% higher than the result reported in 2016.

The fair value change of the investment in MSAB increased by USD 21.6 million in 2017 compared to a decrease of USD 9.1 million in 2016.

UIE's share of UP's net profit was USD 43.1 million, which is an increase of 14% compared to 2016.



<sup>1</sup>) See page 11 for further explanation of Business Reporting and Accounting Policies.



## UIE'S STRATEGIC INVESTMENTS

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# UP

### UNITED PLANTATIONS BERHAD

United Plantations Berhad's ("UP") primary business activity is the cultivation and processing of palm oil and coconuts in Malaysia and Indonesia, through sustainable practices superior to the principles & criteria of the Roundtable on Sustainable Palm Oil ("RSPO").

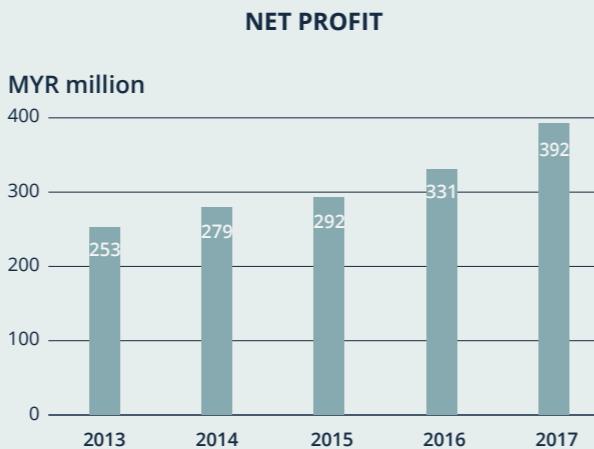
UP is one of the most efficiently managed, eco-friendly and innovative plantation companies in the world, and is especially known for its best-in-class agricultural practices and high quality standards.

UP was founded in 1906 and is listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia").

PALM OIL PLANTED AREA MALAYSIA	PALM OIL PLANTED AREA INDONESIA	COCONUT PLANTED AREA MALAYSIA	NUMBER OF EMPLOYEES MALAYSIA	NUMBER OF EMPLOYEES INDONESIA
HECTARES	HECTARES	HECTARES	PEOPLE	PEOPLE
34,611	9,035	4,158	5,480	1,345

### FINANCIAL PERFORMANCE

MYR million	UP NET PROFIT BY SEGMENT		
	2017	2016	% Change
Plantation Malaysia	282	223	26
Plantation Indonesia	52	42	24
Refining	63	47	34
Other	(5)	19	N/A
<b>Total UP net profit</b>	<b>392</b>	<b>331</b>	<b>19</b>



## UIE'S STRATEGIC INVESTMENTS

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# msab

### MELKER SCHÖRLING AB

Melker Schörling AB ("MSAB") is a holding company focusing on long-term industrial development. MSAB's current portfolio primarily consists of investments in six publicly listed companies.

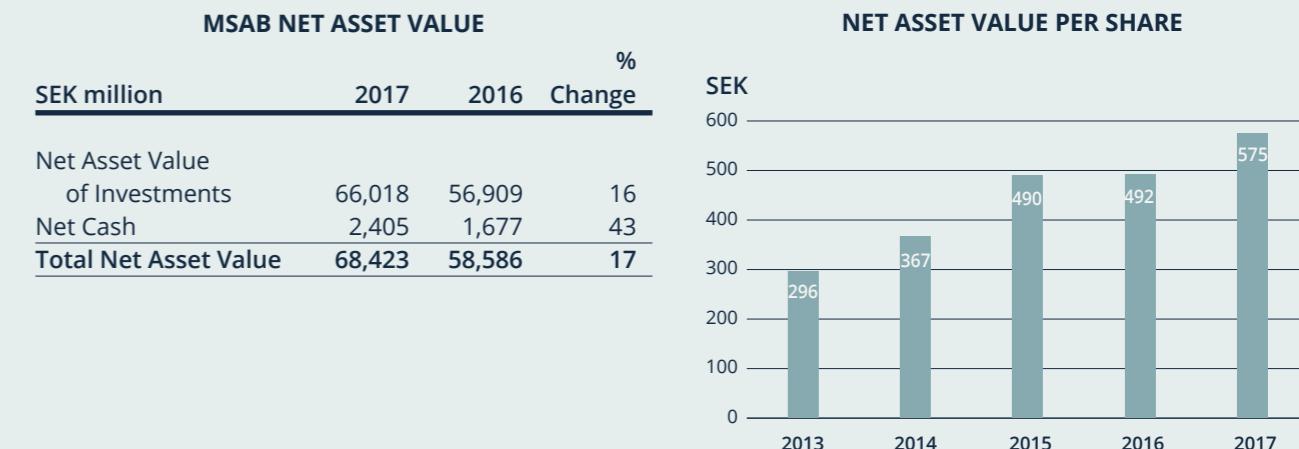
Value creation is stimulated by active ownership in the existing holdings. MSAB's business concept is to maximize the net asset value through professional investment management.

MSAB was founded in 1999.

### MSAB'S INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2017

HEXAGON	AAK	HEXPOL	ASSA ABLOY	SECURITAS	LOOMIS
VOTING RIGHTS %					
46.9	32.9	46.6	11.4	11.6	8.5

### FINANCIAL PERFORMANCE





# CHAIRMANSHIP STATEMENT

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**D**ear shareholders, UIE's investments performed exceptionally well in 2017 with our profit before tax more than doubling to USD 67.8 million from the 2016 result.

UIE's largest investment, United Plantations ("UP"), reported a record-high net profit of MYR 392 million (USD 91 million) in 2017, an increase of 19% compared to the result reported in 2016. This gratifying increase is primarily due to a significant recovery in palm oil production on UP's estates in Malaysia and Indonesia following El-Niño's ravaging of South East Asia during the second half of 2015 and first half of 2016 as well as higher sales prices for CPO and especially PK, which increased by 8% and 21%, respectively.

Even though operating conditions continue to be demanding, UP's Indonesian plantations reported a record-high net profit of MYR 52 million in 2017, which is an increase of 24% compared to the net profit achieved in 2016. It is furthermore pleasing to note that the agricultural standards on UP's estates in Indonesia have reached standards similar to those of its Malaysian properties.

UP's refinery division also reported an all-time record net profit of MYR 63 million in 2017, compared to MYR 47 million in 2016. The result is very satisfactory, especially taking the increasing competition from the Indonesian refinery sector into consideration. The improved results were mainly attributable to increased sales of high quality, certified sustainable and traceable products, favourable hedging results as well as cost-cutting measures.

The construction of a state-of-the-art palm oil mill ("Optimill"), the biggest engineering project undertaken in UP since its foundation in 1906, is almost complete, and this will serve to optimise a significant proportion of UP's milling operations in Malaysia. The mill has been constructed using the most modern equipment and

technologies available in the industry, and the setup, which includes a biogas plant, is a perfect example of the circular economy.

In an ever-changing and challenging business environment, combined with the continuing problem of labour shortage, UP continues to focus on increasing productivity through mechanisation and other means aimed at reducing its labour dependency. At the same time, UP is continuing to replant sizeable areas with superior planting material, developed in-house, to ensure that production and yields continue to improve.

In 2017, UP and Fuji Oil announced that they will further strengthen their business collaboration by building a modern and efficient refinery through the joint venture "UniFuji". The joint venture will be taking advantage of UP's high-quality certified sustainable and traceable crude palm oil and renewable energy derived from the biomass from the newly established neighbouring Optimill. The refinery will produce value-added palm fractions for the speciality fats and chocolate industry.

The increase in UIE's net profit in 2017 is also due to the fair value of our investment in MSAB increasing by USD 21.6 million in 2017 relative to a decrease of USD 9.1 million in 2016. This is partly due to an increase in the fair value of MSAB's six listed portfolio companies, especially Hexagon, and partly due to the impact of the stronger Swedish currency against the USD during the year. The six listed portfolio companies performed well in 2017, with the weighted average growth in turnover and EBIT amounting to 5% and 11%, respectively. These companies are global leaders in their respective markets and continue to enjoy significant growth potential.

In November 2017, the Schörling family, together with UIE, Stefan Persson and Mikael Ekdahl announced that they had exchanged their shares in MSAB with shares in a newly formed and unlisted company, Schörling & Partners, which on the same day made an unconditional offer to acquire the remaining shares in MSAB. By the end of the year, Schörling and Partners owned 99% of MSAB and a compulsory process to acquire the remain-

ing shares was initiated and MSAB was delisted from Nasdaq Stockholm in January 2018.

As a consequence of the transactions, UIE's indirect shareholding in MSAB increased marginally. Before the transaction, UIE owned 1.65% of the shares in MSAB whereas UIE now owns 1.78% of the shares in Schörling & Partners, which after completion of the compulsory acquisition process will hold all shares in MSAB.

UIE's investment in MSAB will continue to be accounted for at fair value through profit or loss. At year-end 2017, the fair value was based on the net asset value of MSAB as opposed to previously where the fair value was based on the share price of MSAB.

In relation to the investment in Greenbridge, UIE has, thus far, invested SEK 62 million (USD 7.3 million) of the committed SEK 200 million. Greenbridge was incorporated less than three years ago and is in the process of building up a limited portfolio of core holdings within high-tech, software and technology sectors. We are hopeful that this investment will help to create value to all shareholders in the years to come.

During 2017, UIE acquired 45,771 own shares corresponding to 1.29% of the issued share capital for a total consideration of USD 9.2 million. In March 2018, UIE plans to initiate a new share buy-back programme with the intention of acquiring up to 5.0% of its share capital, so long as the shares continue to be traded at a significant holding discount.

In December 2017, UIE acquired 970,094 shares in UP for a total of USD 6.7 million and thereby consolidated its control from 47.3% to 47.8%.

Except for the acquisition of additional shares in UP, UIE did not undertake any acquisitions during 2017 although a number of possibilities were evaluated. UIE will continue to actively search for new investment opportunities as a means of broadening our investment portfolio. The emphasis and focus, in this regard, will primarily be directed toward investments within the agro-industrial sector in alignment with our investment criteria. The Board of Directors is committed to maintaining a conservative capital structure, which provides the ability to make acquisitions without undue dependence on debt finance. It is important to re-emphasise that UIE is a long-term investor and therefore, the Board of Directors is committed to a cautious approach, until an acquisition candidate fulfilling UIE's investment criteria has been identified.

The broad objective of UIE's dividend policy is to distribute approximately 50% of dividends received from UIE's investments to shareholders. The Board of Directors has therefore resolved to recommend a dividend of USD 5.50 per share for financial year 2017. The dividend is expected to be paid to the shareholders on 2 May 2018.

In closing, we would like to thank all shareholders for their support and continued confidence in UIE during the past year.

**Carl Bek-Nielsen**  
Chairman

**Martin Bek-Nielsen**  
Deputy Chairman

Jendarata Estate, Malaysia  
5 March 2018





# DIRECTORS' REPORT



## FINANCIAL REVIEW - BUSINESS REPORTING

**U**IE more than doubled its profit before tax to USD 67.8 million in 2017 compared to the USD 29.2 million reported in 2016 due to strong operational performance in UP and a significant fair value increase in MSAB.

### BUSINESS PERFORMANCE REVIEW

UIE's operating income amounted to USD 66.4 million in 2017, which is an increase of USD 34.8 million compared to 2016.

The significant increase in operating income is largely due to the fair value change of the investment in MSAB, which contributed with a gain of USD 21.6 million com-

pared to a negative contribution of USD 9.1 million in 2016. UIE's share of UP's result amounted to USD 43.1 million, which was an increase of 14% or USD 5.4 million compared to 2016.

In 2017, UIE's profit before tax amounted to USD 67.8 million, which is 132% higher than the USD 29.2 million reported in 2016. The reported profit before tax includes foreign exchange gains of USD 3.5 million in 2017 compared to a loss of USD 0.4 million in 2016.

Profit after tax amounted to USD 67.5 million, which is 73% higher than the USD 38.9 million reported in 2016.

In 2017, the tax expense amounted to USD 0.3 million whereas in 2016, net tax income amounted to USD 9.7 million. This was due to a settlement agreement with

### BUSINESS REPORTING - ACCOUNTING POLICIES

According to IFRS, UIE is deemed to have de facto control of UP (even though UIE holds less than 50% of UP's voting rights). Hence, UP's result is fully consolidated in UIE's financial statements.

However, as UIE is a non-operating holding company, the Board of UIE is of the view that the most appropriate measurement of the performance of the investment in UP is to equity account (monitoring UIE's share of the profit). Accordingly, this measurement is used in the in-

ternal reporting as well as in the reporting to shareholders, referred to as "Business Reporting" in the Directors' Report. Fully-owned subsidiaries are fully consolidated and other investments (primarily MSAB and Greenbridge) are measured at fair value in the Business Reporting.

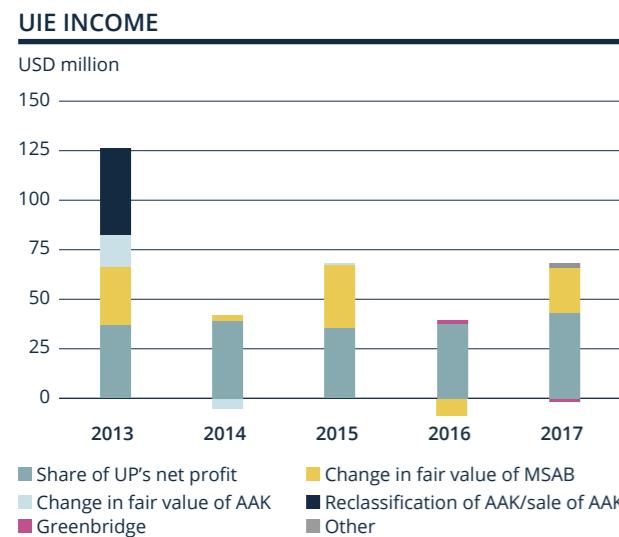
The difference between the Business Reporting in the Director's Report and the consolidated financial statements is shown below and further described in note 1.1.

BUSINESS PERFORMANCE vs. IFRS consolidated  
USD '000

	2017	2016
Net profit - Business reporting	67,530	38,949
Adjustment of UP assets, related to the retrospective acquisition accounting of UP in 2003 as well as adoption of IAS 41, which are recognised in UIE's consolidated financial statements	100	510
Owner's share of net profit - IFRS consolidated	67,630	39,459



the Malaysian Tax Authorities where UIE received USD 9.9 million, which had a one-off positive effect on the net profit reported for 2016.



## BUSINESS PERFORMANCE

	2017	2016
Share of UP's net profit	43,072	37,631
Change in fair value of MSAB	21,606	(9,062)
Change in fair value of Greenbridge	(1,515)	2,133
Dividend income MSAB	824	730
Other	2,426	227
<b>Total operating income</b>	<b>66,413</b>	<b>31,659</b>
Administrative expenses	(3,055)	(2,557)
Net interest income	948	508
Foreign exchange gain/(loss)	3,497	(380)
<b>Profit before tax</b>	<b>67,803</b>	<b>29,230</b>
Income tax	(273)	(229)
One-off settlement of tax position	-	9,948
<b>Profit after tax</b>	<b>67,530</b>	<b>38,949</b>

### UP

UP's net profit, measured in MYR (UP's functional currency), increased by 19% in 2017. Measured in USD, however, the net profit increased by 14% due to a weaker average exchange rate of MYR against USD in 2017 compared to 2016. UIE's share of UP's net profit amounted to USD 43.1 million in 2017, an increase of USD 5.4 million compared to the contribution in 2016.

### MSAB

UIE's investment in MSAB is accounted for at fair value with movements being recognised in the Income Statement.

In November 2017, UIE exchanged its shares in MSAB for shares in a newly formed unlisted company, Schörling & Partners AB ("S&P"), which on the same day made an unconditional cash offer to the shareholders of MSAB to acquire all outstanding shares in MSAB.

S&P is jointly owned by the Schörling family, Stefan Persson, Mikael Ekdahl and UIE. All of these were previously shareholders in MSAB, collectively holding 92.6% of the company.

By the end of the year, S&P owned 99% of MSAB. A compulsory process to acquire the remaining shares has been initiated and MSAB was delisted from Nasdaq Stockholm in January 2018.

As a consequence of the transactions, UIE's indirect shareholding in MSAB increased marginally. Before the transaction, UIE owned 1.65% of the shares in MSAB whereas UIE now owns 1.78% of the shares in S&P, which after completion of the compulsory acquisition process will hold all shares in MSAB. The transactions between UIE and S&P were handled as an exchange of shares and did therefore not involve any cash to or from UIE.

In connection with the above transactions, UIE entered into a shareholders' agreement with the other shareholders of S&P. The shareholders' agreement gives UIE the right to appoint one board member to S&P's board of directors.

UIE holds a put option giving UIE the right to require the Schörling family to buy UIE's shares at a price corresponding to the net asset value of the shares. This option cannot be exercised until December 2020 at the earliest. Except for such transfers, UIE may not transfer its shares in S&P.

The Schörling family holds a call option giving them the right to buy UIE's shares at a price corresponding to the net asset value of the shares. This option may, however, not be exercised until December 2021 at the earliest.

The shareholders' agreement also contains drag-along and tag-along provisions.

UIE's investment in MSAB will continue to be accounted for at fair value through profit or loss. At year-end 2017, the fair value was based on the net asset value of MSAB as opposed to previously where the fair value was based on the share price of MSAB. The underlying assets of MSAB consist mainly of shareholdings in listed companies, which permit an objective fair value assessment based on observable market prices.

The unconditional cash offer made on 14 November 2017 was SEK 569 per MSAB share, which was marginally above the net asset value per share of MSAB on the day before the announcement of the offer. At year-end 2017, the net asset value per share in MSAB was SEK 575 and the value of UIE's ownership in MSAB, through S&P, was SEK 1,136 million. Compared to the SEK 1,058 million recognised at the end of 2016, this corresponds to a gain of SEK 78 million. However, due to a 9% appreciation of the SEK against the USD in 2017, UIE's investment in MSAB measured in USD increased by 21.6 million from USD 116.8 million to USD 138.4 million. In 2016, the fair value of UIE's investment in MSAB, expressed in USD, decreased by USD 9.1 million due to a weakening of the SEK against the USD.

In 2017, UIE received a dividend of USD 0.8 million from MSAB compared to USD 0.7 million in 2016.

### GREENBRIDGE

UIE's investment in Greenbridge is accounted for at fair value with movements being recognised in the Income Statement.

In 2017, the fair value of UIE's investment in Greenbridge decreased by USD 1.5 million compared to a gain of USD 2.1 million in 2016.

UP's and MSAB's results are reported in the sections "UP Segment" and "MSAB" on pages 16-27.

### OTHER INCOME AND ADMINISTRATION COSTS

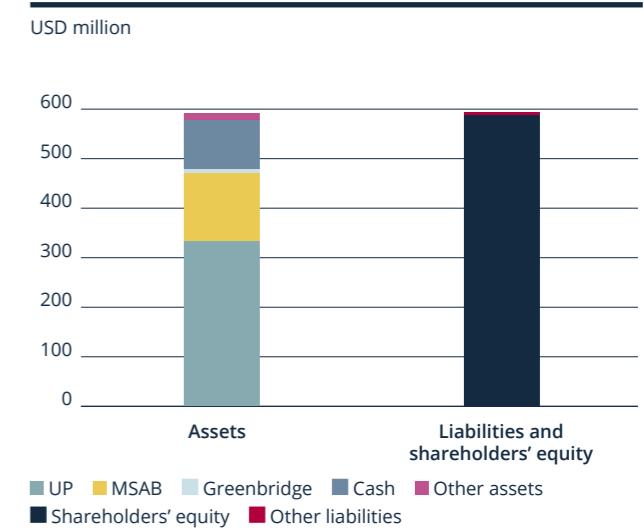
Approximately USD 16 million representing roughly 16% of UIE's cash reserves is invested in a liquid and diversified portfolio of equities, fixed income products as well as in trading of soft commodities. The result of these activities produced a gain of USD 2.3 million in 2017 compared to a gain of USD 0.1 million in 2016.

General and administrative expenses totalled USD 3.1 million compared to USD 2.6 million in 2016.

## FINANCIAL POSITION

Shareholders' equity increased by USD 70.9 million from USD 520.4 million on 31 December 2016 to USD 591.3 million on 31 December 2017. The increase mainly comprised net profit of USD 67.5 million offset by the dividend payment and share buy-backs of USD 17.4 million and 9.2 million, respectively. In addition to this were an acquisition of minority interests of USD 3.7 million and foreign currency translation of USD 28.3 million, mainly due to the strengthening of the MYR against the USD.

### ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2017



**VALUE OF UIE'S INVESTMENTS**

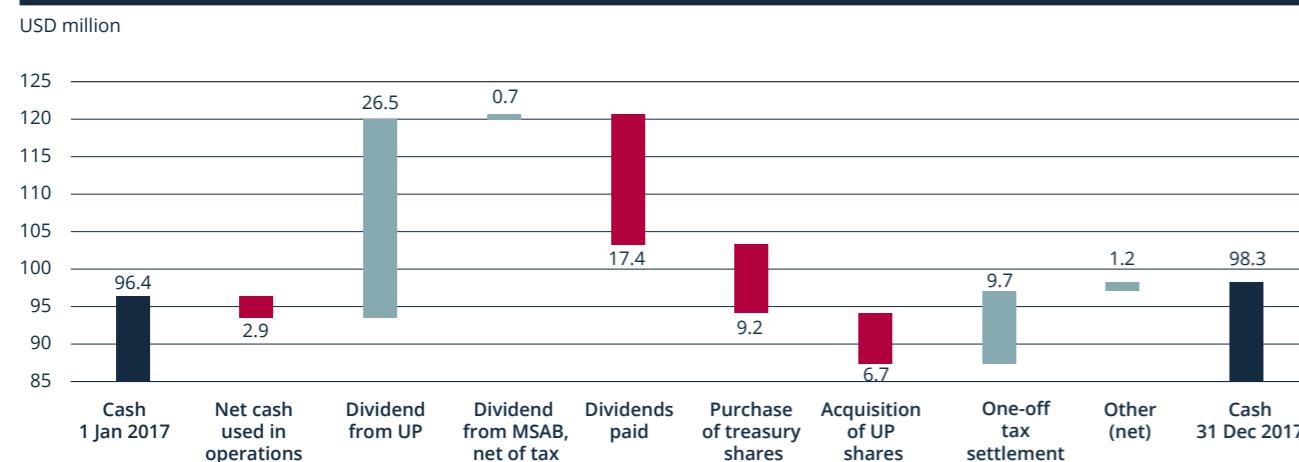
USD '000	UP	MSAB	Greenbridge	Total
Balance at 1 January 2017	279,448	116,774	9,065	405,287
Change in fair value	-	21,606	(1,515)	20,091
Investments during the period	6,682	-	219	6,901
UIE share of results	43,072	-	-	43,072
Dividends received	(26,477)	-	-	(26,477)
Foreign currency translation adjusted in equity	29,963	-	-	29,963
Total on 31 December 2017	332,688	138,380	7,769	478,837

**VALUE OF UIE'S INVESTMENTS**

The development in the value of UIE's investments in UP, MSAB and Greenbridge is shown in the table above. The total value of the investments at 31 December 2017 amounted to USD 478.8 million, an increase of USD 73.6 million. The increase includes an investment of USD 6.7 million, which relates to an acquisition of 970,094 UP shares (equivalent to 0.5% of UP's issued share capital) in December 2017, which consolidated UIE's control from 47.3% to 47.8%. The MYR strengthened by 11% from year-end 2016 to year-end 2017, which resulted in a significant positive currency adjustment of the equity investment in UP by USD 30.0 million, which is recognised in other comprehensive income.

**CASH FLOW**

Total net cash reserves in UIE increased slightly from USD 96.4 million on 31 December 2016 to USD 98.3 million on 31 December 2017, an increase of USD 1.9 million. As shown in the table below, the increase was mainly due to the net effect of a tax refund of USD 9.7 million received from the Malaysian Tax Authorities in February 2017 and USD 26.5 million in dividend income from UP, less dividends paid to UIE shareholders of USD 17.4 million, as well as share buy-backs of USD 9.2 million and acquisition of additional UP shares amounting to USD 6.7 million.

**CASH FLOW IN 2017****SHARE BUY-BACK PROGRAMME**

In June 2016, UIE initiated a share buy-back programme with the intention of acquiring up to 5% of its share capital before the end of December 2017, so long as the shares continued to be traded at a significant holding discount.

The programme ended 31 December 2017, where a total of 121,593 shares, corresponding to 3.42% of the share capital, had been acquired, of which 45,771 shares were acquired during 2017 for a total consideration of USD 9.2 million.

UIE has resolved to initiate a new buy-back programme with the intention of acquiring up to 5% of its share capital before the end of 2019, so long as the shares continue to be traded at a significant holding discount.

The buy-back is conditional upon a new authorisation to acquire treasury shares being granted at the annual general meeting on 26 April 2018. Until the annual general meeting, up to 1.58% of the issued share capital can be acquired as this is equivalent to the remaining amount of shares that may be acquired in accordance with the authorisation given at the annual general meeting in June 2015.

UIE intends to carry out the share buy-backs in two parallel programmes, a Safe Harbour programme and a block trade programme, similar to the share buy-back programme initiated in June 2016. Further details will be announced in March 2018.

**PROPOSED DIVIDEND**

The objective of UIE's dividend policy is, subject to the requirements of its investment programme, to distribute 50% of dividends received from its investments to shareholders. In the interest of maintaining a stable dividend trend, the actual distribution percentage may fluctuate from one year to the next.

In line with UIE's dividend policy, The Board of Directors has resolved to recommend a dividend of USD 5.50 per share for the financial year 2017. Payment is expected to take place on 2 May 2018.

**OVERALL STRATEGY OF UIE**

UIE's Board is actively searching for operational investment opportunities to broaden the Company's investment portfolio. UIE is a long-term investor focusing on value creation and consequently, the Board will regularly assess potential acquisitions that align with the Company's investment criteria. The emphasis and focus will primarily be on investments within the agro-industrial sector.

The Board of Directors is committed to maintaining a conservative capital structure, which provides the ability to make acquisitions without undue dependence on debt finance. It is important to re-emphasise that UIE is a long-term investor and therefore, the Board of Directors is committed to a cautious approach, until an acquisition candidate fulfilling UIE's investment criteria has been identified.



# UP IN BRIEF

**U**nited Plantations (UP) is one of the larger plantation groups in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad with a market capitalization of approximately MYR 5.84 billion (corresponding to approximately USD 1.44 billion) at the end of 2017.

UP's business activities are focused on sustainable cultivation of oil palm and coconuts. Its total cultivated landbank covers 47,819 ha spread over Malaysia (80%) and Indonesia (20%).

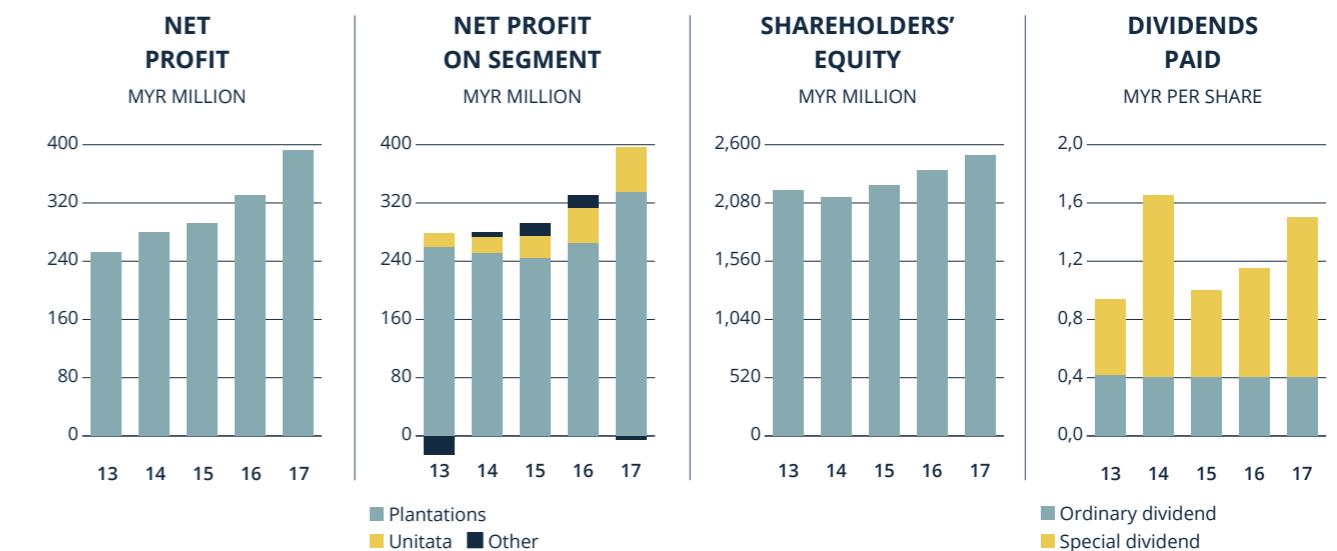
The company possesses considerable know-how in plant breeding, agronomy, and micro-propagation through its own R&D facilities for the development of new and improved planting materials as well as improved crop husbandry practices. Through its sound managerial and technical expertise, UP is today recognised as one of the highest yielding, cost competitive and innovative plantation companies in Malaysia.



# UP KEY FIGURES

NET PROFIT 2017	CASH <sup>1</sup> AS AT 31/12	SHARE PRICE AS AT 31/12	UIE OWNERSHIP AS AT 31/12
<b>392</b> MYR MILLION ▲ 19 %	<b>852</b> MYR MILLION ▲ 23 %	<b>28.08</b> MYR ▲ 4 %	<b>47.8%</b> ▲ 0.5 pp

## FIVE-YEAR PERFORMANCE



## KEY FIGURES - PRODUCTION IN 2017

CPO PRODUCTION	PK PRODUCTION	COCONUT PRODUCTION	CPO YIELD
<b>205,519</b> TONNES ▲ 15 %	<b>43,760</b> TONNES ▲ 16 %	<b>75.3</b> MILLION NUTS ▼ 13 %	<b>5.32</b> TONNES/HA ▲ 14 %

1) Cash including short-term funds.



# UP SEGMENT

UP's net result increased by 19% to MYR 392 million due to a significant recovery in palm oil production after favourable climatic conditions as well as higher sales prices for CPO and PK.

## BUSINESS PERFORMANCE REVIEW

In 2017, UP reported a record-high net profit of MYR 392 million (USD 91 million), which was 19% higher than the MYR 331 million (USD 80 million) reported in 2016.

## PLANTATION OPERATIONS

UP's main activity, its plantation operations, recorded an all-time-high net profit of MYR 334 million, reflecting an increase of 26% compared to the MYR 265 million reported in 2016. The increase is mainly due to the recovery in production following the devastating El-Niño, which impacted UP's Indonesian properties in the second half of 2015 followed by the same phenomenon in the first half of 2016 on UP's Malaysian estates.

When comparing the net profit in the two years under review, it should be noted that the result from plantation operations in 2016 included a non-recurring gain of MYR 15.2 million, arising from the disposal of UP's minority stake in AAK's refinery in Mexico. Adjusted for this non-recurring event, net profit for 2017 was MYR 334 compared to MYR 249 million in 2016 – an increase of 34%.

## KEY FINANCIAL FIGURES

### BUSINESS PERFORMANCE IN MYR

MYR million	UP figures 2017	UP figures 2016
Revenue	1,474.3	1,228.4
Other income	37.6	70.9
Operating expenses	(1,037.0)	(908.2)
Operating income	474.9	391.1
Share of result of joint venture	(0.1)	-
Net finance income	26.1	26.8
Profit before tax	500.9	417.9
Tax	(108.6)	(87.1)
Net profit	392.3	330.8

### BUSINESS PERFORMANCE IN USD

USD million	UP figures 2017	UP figures 2016
Revenue	343.5	296.4
Other income	8.7	17.1
Operating expenses	(241.6)	(219.1)
Operating income	110.6	94.4
Share of result of joint venture	(0)	-
Net finance income	6.1	6.4
Profit before tax	116.7	100.8
Tax	(25.3)	(21.0)
Net profit	91.4	79.8

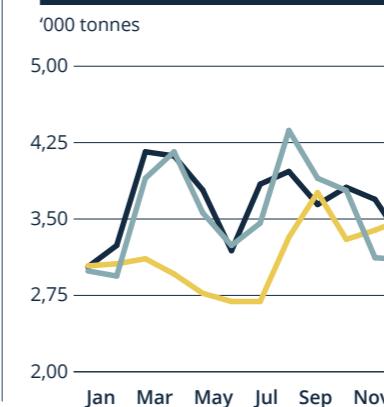
## BUSINESS REPORTING - UP SEGMENT

In the following section, the description of developments within UP is based on figures reported by UP in MYR, UP's functional currency. However, the UP figures in the table above have been converted to USD and are used in the financial reporting for UIE.

## CPO PRODUCTION



## PK PRODUCTION



## COCONUT PRODUCTION



## PRODUCTION IN THE PLANTATION OPERATIONS

UP's profitability is highly dependent on production volumes and the selling prices of CPO and PK. 2017 saw an overall year-on-year rise in UP's production of CPO and PK of 15% and 16%, respectively, (equivalent to 26,377 tonnes of CPO and 6,181 tonnes of PK).

The favourable climatic conditions and improved rainfall distribution, which started in the middle of 2016 and lasted up to the end of 2017, improved palm fitness and growing conditions leading to a strong recovery in production.

UP Indonesia's production accounted for 23% of UP's total CPO production in 2017 compared to 25% in 2016.

The total area planted with oil palms in Malaysia and Indonesia was 43,646 hectares at 31 December 2017, which was slightly lower than the 44,488 hectares reported in 2016.

In 2017, the immature areas accounted for 12% of the total planted area, compared to 14% in 2016. The total immature area in Malaysia accounted for 15% in 2017, compared to 18% in 2016.

In 2017, UP's coconut production was 75.3 million nuts compared to 86.1 million nuts in 2016, a decrease of 13%. The decrease was the result of the coconut palms entering a biological resting phase following the bumper crop achieved in 2016. The average yield declined to 25,345 nuts per hectare from 30,305 nuts per hectare in 2016, a decrease of 16%.

## CPO PRODUCTION

Tonnes	2017	2016	Change %
Malaysia	158,060	134,999	17.1
Indonesia	47,459	44,143	7.5
Total UP Group	205,519	179,142	14.7

## PK PRODUCTION

Tonnes	2017	2016	Change %
Malaysia	35,373	29,631	19.4
Indonesia	8,387	7,948	5.5
Total UP Group	43,760	37,579	16.4

## DEVELOPMENTS IN MARKET & SELLING PRICES

Along with production volume, UP's profitability is highly dependent on palm oil prices, which can fluctuate significantly.

During 2017, UP achieved an average selling price of MYR 2,577 per tonne of CPO, corresponding to an increase of 7%, whilst the average selling price of PK increased by 21% compared to 2016.

Whilst prices remained in the range of MYR 2,600 – MYR 2,800 during the first half of 2017, prices started to come under pressure, especially in the last quarter of 2017 because of the recovery in production and, with that, rising CPO stocks. The trend accelerated by the MYR strengthening against the USD in the last few months of the year.



It is the policy of UP to hedge a proportion of future production revenues, resulting in the impact of spot price volatility being mitigated in the short term.

In 2017, UP achieved an average selling price of MYR 2,578 per tonne for the CPO produced in Malaysia, which is an increase of 6% on the average selling price in 2016. In 2017, UP's average CPO price was below the Malaysian Palm Oil Board's ("MPOB") average price of MYR 2,783 per tonne as a consequence of UP's forward sales policy.

UP's average selling price for PK produced in Malaysia amounted to MYR 2,650 per tonne in 2017, which is a significant increase of 24% compared to 2016. The increase was due to higher demand and the effects of replenishing lauric oils stocks.

#### THE AVERAGE SELLING PRICES OF CPO AND PK

MYR per tonne	2017	2016	Change %
<b>CPO</b>			
UP Malaysia	2,578	2,424	6.4
UP Indonesia	2,572	2,316	11.1
UP average	2,577	2,397	7.5
MPOB average	2,783	2,653	4.9
<b>PK</b>			
UP Malaysia	2,650	2,138	23.9
UP Indonesia	2,049	1,899	7.9
UP average	2,535	2,087	21.5
MPOB average	2,536	2,611	2.9

The difference between CPO and PK prices in Malaysia and Indonesia is the result of different duty structures.

#### UP'S YIELD VERSUS MALAYSIAN NATIONAL YIELD

	2017	2016	2015
Malaysian national yield of CPO/hectare	3.52	3.21	3.78
UP Malaysian average yield	5.34	4.64	5.32
UP Indonesian average yield	5.25	4.81	5.03
UP Group average yield in tonnes CPO/hectare	5.32	4.68	5.25
UP Group average yield in tonnes FFB/hectare	24.78	20.73	23.18
UP Group average oil extraction rates (OER), %	21.46	22.57	22.64
UP Group average kernel extraction rates (KER), %	4.57	4.73	4.81

The favourable climatic factors resulted in improved CPO yields. As seen in the table above, the average yield for UP reached 5.32 tonnes CPO/ha in 2017. The average yield for UP's Malaysian estates reached 5.34 tonnes CPO/ha in 2017, which is 52% higher than the Malaysian national average yield.

23% of UP's mature area in Malaysia has an age profile of between 2.5 to 5 years. These have inherently a lower yield profile compared to the yield profile for 6-18 year-old palms.

#### DEVELOPMENT OF PLANTING MATERIAL AND REPLANTING POLICY

A vital part of UP's success is the continuous efforts made at the R&D Centre to further improve planting material and agronomic practices. This remains of prime importance in terms of UP's ability to further improve its agronomic productivities in order to reach its target of 28 tonnes of FFB/ha and an OER of 23% equivalent to a CPO oil yield of 6.5 tonnes per hectare in Malaysia.

For the Indonesian operations, the target is 25.5 tonnes of FFB/ha and an oil extraction rate of 25.5%, also equivalent to a CPO oil yield/ha of approximately 6.5 tonnes. The difference in terms of yield of FFB/ha and the OER between the countries is due to the differences in planting materials, soils, climatic conditions and labour availability.

A total of 1,394 ha of oil palms were replanted on UP's Malaysian properties in 2017 compared to 2,285 ha in 2016. During the course of the last 9 years (2009-2017), UP's Malaysian estates have replanted a total of 20,502 ha of oil palms, equivalent to 59% of the total area planted with oil palms. Whilst UP's average age profile has improved, it should be noted that the major proportion of UP's replanting programme for the Malaysian estates will only be completed by end 2018.

UP's long-term replanting policy continues to be a high priority, also in times of high vegetable oil prices, in order to further improve the age profile and with that the average yields, which are of critical importance in maintaining a favourable cost base. All the planting materials

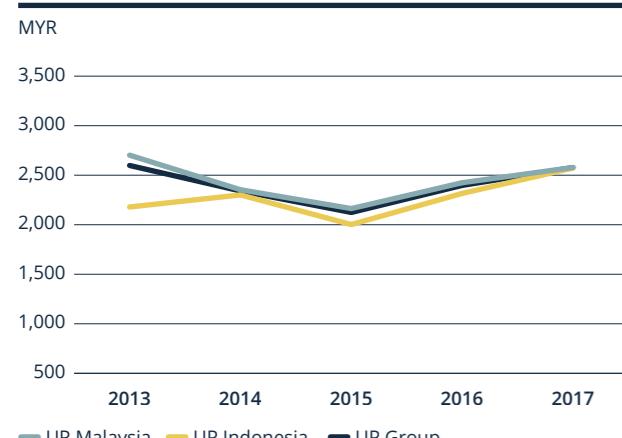
used for this extensive replanting programme have been produced by UP using exclusively proven germplasm with more than 60 years of sterling plant breeding techniques for securing high yields.

#### PRODUCTION COSTS AND THE CPO WINDFALL GAIN TAX IN MALAYSIA

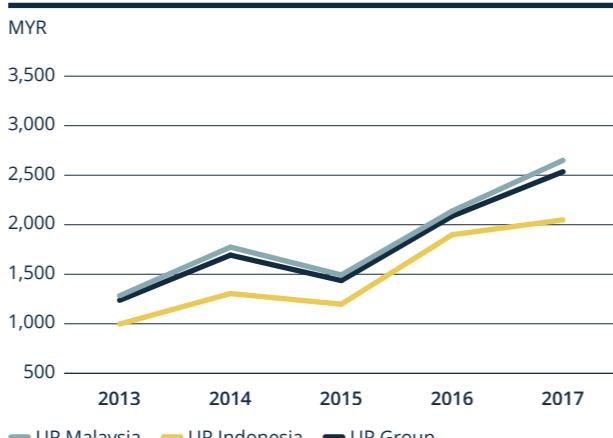
Direct production costs (before depreciation and amortisation) per tonne of CPO produced on the Malaysian estates decreased by 8% from MYR 970 per tonne in 2016 to MYR 893 per tonne in 2017. (The total cost of production was MYR 1,197 per tonne, compared to MYR 1,221 per tonne in 2016). The decrease is primarily due to the higher CPO production, which increased by 26,377 tonnes on the Malaysian estates or 15% compared to 2016, but also due to increasing productivity through mechanisation.

During 2017, labour wages in Malaysia remained on the same levels as in 2016, but have increased by over 126% from 2006 to 2017 impacting labour costs considerably. The trend has been even steeper in Central Kalimantan, Indonesia where labour wages have risen by 270% since 2006, reaching levels similar to the labour wages paid in Malaysia today. In spite of these significant increases, several sectors in Malaysia continue to suffer from acute labour shortages. This is particularly the case not only in the manufacturing and construction sectors, but also the agricultural and plantation sectors. In order to cushion the rising labour costs, UP is actively exploring various initiatives aimed at increasing efficiency and productivity throughout the operations.

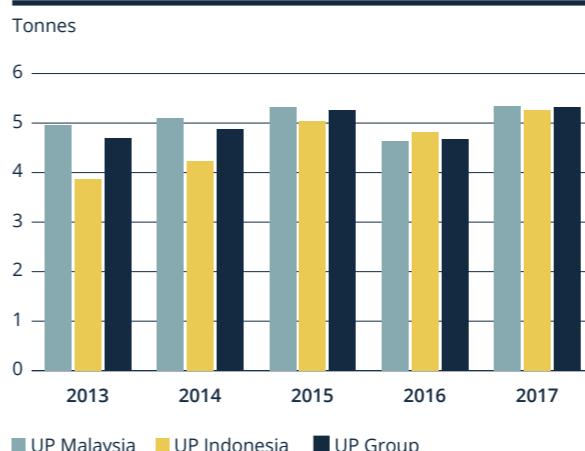
#### AVERAGE SELLING PRICE CPO



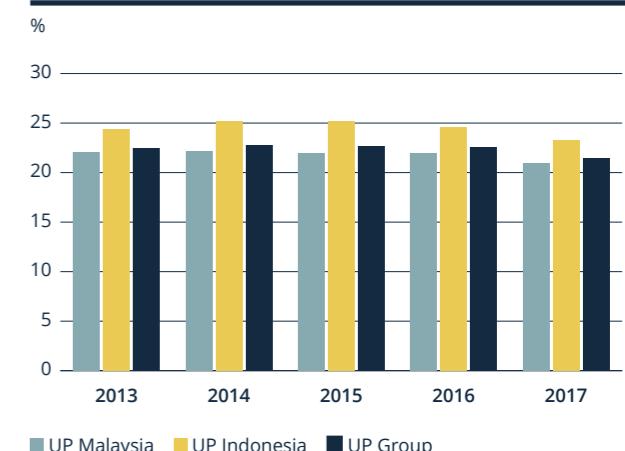
#### AVERAGE SELLING PRICE PK



#### CPO YIELD PER HECTARE



#### CPO EXTRACTION RATE





Malaysia's windfall gain tax increased to MYR 6.7 million in 2017 from MYR 3.5 million in 2016. Windfall taxes on palm oil are paid when the average monthly market price of CPO exceeds the threshold price of MYR 2,500 per tonnes.

#### OPTIMILL

The biggest engineering project undertaken in UP's 112 year history, the construction of a state-of-the-art palm oil mill ("Optimill"), has almost been completed and was pre-commissioned on 29 November 2017. Yet again, UP has taken a giant leap forward in terms of incorporating the most modern equipment and technologies available in the industry and the setup, which includes a biogas plant, is a good example of a circular economy. Changes in technology, combined with the desire to drive efficiencies to higher levels, have over the last two years resulted in UP realising its strategy of reducing its total number of palm oil mills in Malaysia from six to four, and at the same time, maximising the generation of renewable energy.

With the completion of the new Optimill, all of UP's five FFB processing centres (including the mill in Indonesia) are equipped with biogas plants and thereby reducing greenhouse gas emissions considerably.

#### REFINERY OPERATIONS

UP's refinery division also reported an all-time record net profit of MYR 63 million in 2017, compared to MYR 47 million in 2016. The result is very satisfactory, especially taking the increasing competition from the Indonesian refinery sector into consideration. The improved result was mainly attributable to increased sales of high quality, certified sustainable and traceable products, an average weaker MYR against USD, favourable hedging

#### SEGMENTAL INFORMATION FOR 2017

MYR '000	Plantations	Refining	Other segments	Elimination	Total
<b>Segment Revenue</b>					
External sales	414,273	1,058,592	1,458	-	1,474,323
Intersegment sales	367,400	-	-	(367,400)	-
	781,673	1,058,592	1,458	(367,400)	1,474,323
<b>Segment Results</b>					
Operating profit (EBIT)	403,905	84,760	(13,810)	-	474,855
Net profit	333,509	62,901	(4,121)	-	392,289

results as well as cost-cutting measures that continue to be an ongoing priority to UP.

The interest in certified sustainable palm oil is increasing and Unitata is committed to providing high-quality tailor-made solutions to clients who demand palm fractions exceeding the sustainability criteria of the RSPO.

#### UNI-FUJI JOINT VENTURE

Based on a common goal of a long-term partnership in which unique technology and first-class palm oil quality is combined, UP and Fuji Oil have agreed to establish a 50:50 joint venture.

During 2018, this joint venture will evolve into a modern and efficient refinery setup, at an estimated total capital expenditure of MYR 160 million, including solvent fractionation for the production of value-added palm fractions for the speciality fats and chocolate industry. The joint venture will take advantage of UP's high-quality certified sustainable and traceable crude palm oil and Fuji's expertise in innovation, technical capabilities as well as its high-quality food standards.

In addition, the renewable energy derived from the biomass from the newly established neighbouring Optimill will create a second-to-none circular economy representing best practice within the industry.

The construction is progressing well and commissioning of the factory is expected to take place in the second quarter of 2018. The investment is expected to contribute positively to the earnings of UP in the medium term.

#### OTHER

During 2017, the Indonesian currency weakened against the MYR, leading to foreign exchange loss of MYR 14.3 million on loans to the Indonesian subsidiary, compared to foreign exchange gain of MYR 12.5 million in 2016.

#### UP INDONESIA

UP's operations in Central Kalimantan in Indonesia generated a record-high net profit of MYR 52 million in 2017, which was 24% higher than the MYR 42 million achieved in 2016.

Agricultural standards on UP's estates in Indonesia have reached standards similar to those of its Malaysian properties. The operations in Indonesia now provide employment for 1,345 people and include 9,035 hectares of oil palms (net of 696 hectares converted to Plasma – please see page 38) and about 7,500 hectares of permanent conservation areas. The rest of the area is shrub and bush land.

UP's collaboration with Copenhagen Zoo, which was established in 2007, continues to develop very satisfactorily, reaching notable milestones in 2017. The purpose of this cooperation is to provide UP with the necessary expertise for running and operating the biodiversity department in order for these softer – yet important – values to become an even stronger integral part of UP's agricultural operations.

UP remains committed to its operations in Indonesia. However, there continue to be several issues: Difficulties in obtaining permits for future expansion, prolonged delays and demands surrounding the issuance of the necessary permits, limited land availability and suitability from an environmental and regulatory point of view. This means that the investment climate seems less favourable compared to 2006 when UP initiated the investment in Indonesia (notwithstanding the satisfactory results achieved in 2017). Any further development in Indonesia will only be considered if the investment climate improves and most importantly if brown field plantations developed before 2005 come up for sale that in no way contravene or ignore UP's commitment of not only adhering to the RSPO's principles and criteria, but exceeding them.

Over the last 10 years UP has encountered prolonged delays surrounding the issuance of the land permits. However, permits for 6,004 ha were issued in early 2018 now bringing UP very close to the final permit which is expected to be issued before end of March 2018.

#### FINANCIAL POSITION AND CASH FLOW

At 31 December 2017, UP's total current assets amounted to MYR 1,273 million (31 December 2016: MYR 1,186 million), of which cash at bank and short-term funds amounted to MYR 852 million (31 December 2016: MYR 691 million).

Total non-current assets amounted to MYR 1,545 million (31 December 2016: MYR 1,457 million), of which biological assets and property, plant and equipment amounted to MYR 1,474 million (31 December 2016: MYR 1,419 million).

Total equity increased from MYR 2,368 million at 31 December 2016 to MYR 2,507 million at the end of December 2017. The increase mainly comprised the net profit of MYR 392 million, partly offset by the generous dividend payments of MYR 239 million.

Positive cash flow from operating activities amounted to MYR 568 million (2016: MYR 214 million). Capital expenditures in relation to property, plant and equipment amounted to MYR 106 million, compared to MYR 82 million in 2016. The 29% increase was mainly due to the construction of Optimill as well as additional capital investments in the refinery division in 2017.

In relation to biological assets (pre-cropping expenditure), UP incurred MYR 40 million in 2017, which is a 9% decrease from MYR 44 million in 2016. The main areas of investment were made under UP's large replanting programme where a total of 1,979 hectares of palm oil and coconut were replanted in Malaysia, as well as new plantings of 478 hectares under the plasma scheme in Indonesia.





# MSAB IN BRIEF

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Melker Schörling AB (MSAB) is a holding company, which was founded in 1999.

MSAB is an active holding company working for long-term industrial development. Currently, MSAB is a shareholder in six publicly listed companies.

MSAB has within the last two decades successfully contributed in developing companies from being local companies into global market leaders.

By being a long-term and active owner MSAB aims to support the holdings and add value for the company's shareholders. MSAB is open to making new investments in listed as well as private companies with large development potential.



## MSAB KEY FIGURES

NET PROFIT  
2017

**10,266**

SEK MILLION

▲ 9,686 SEK MILLION

NET ASSET VALUE  
AS AT 31/12

**68.4**

SEK BILLION

▲ 17 %

UIE OWNERSHIP  
AS AT 31/12

**1.8%**

▲ 0.13 pp

The performance of UIE's investment in MSAB is measured by changes in fair value.

## MSAB KEY INVESTMENTS



**HEXAGON** | OWNERSHIP 26%

HEXAGON is a leading global supplier of design, measurement and visualisation technologies. The Company's customers can design, measure and position objects as well as process and present data to stay one step ahead of a changing world.



**ASSA ABLOY** | OWNERSHIP 4%

ASSA ABLOY is the world's leading lock group and offers a more complete product range for lock and door solutions than any other company on the market, incl. access control, identification technology, entrance automation, hotel security.



**AAK** | OWNERSHIP 33%

AAK is one of the world's leading producers of high value-added speciality vegetable oils and fats solutions. These oils and fats solutions are characterised by a high level of technological content and innovation.



**HEXPOL** | OWNERSHIP 26%

HEXPOL is a world-leading polymer group with strong global positions in advanced polymer compounds, gaskets for plate heat exchangers and wheels made of plastic and rubber materials for truck and castor wheel applications.



**SECURITAS** | OWNERSHIP 5%

SECURITAS is a global knowledge leader in security. They provide a broad range of services of specialised guarding, technology solutions and consulting and investigations that are suited to the individual customer's needs.



**LOOMIS** | OWNERSHIP 1%

LOOMIS offers safe and effective comprehensive solutions for the distribution, handling and recycling of cash for banks, retailers and other commercial companies via an international network consisting of almost 400 branch offices in 20 countries.



## FINANCIAL HIGHLIGHTS

MSAB's net profit amounted to SEK 10,266 million (USD 1,202 million) in 2017, which reflects the change in fair value of the company's portfolio of investments and dividend income from these companies.

The net asset value is MSAB's most important key indicator, since it reflects the value of MSAB's assets, which consist of the underlying share portfolio at fair value and the company's net cash surplus.

On 31 December 2017, the market value of MSAB's portfolio was SEK 66,018 million (USD 8,049 million); other net assets amounted to SEK 2,405 million (USD 293 million) and the net asset value was therefore SEK 68,423 million (USD 8,342 million) compared to SEK 58,586 million (USD 6,465 million) at the end of 2016.

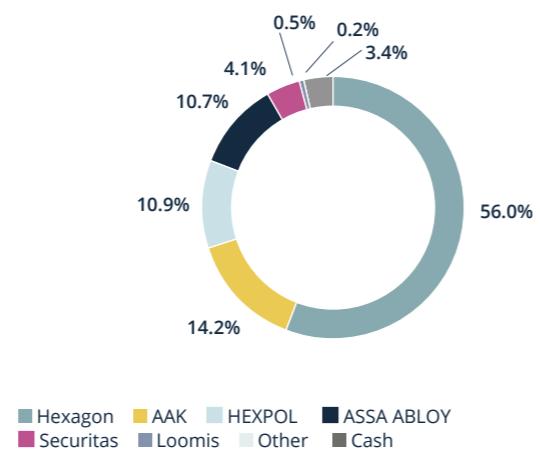
Net asset value per share increased from SEK 492 at the end of 2016 to SEK 575 per share on 31 December 2017, representing an increase of 17% (during the same period, the Nasdaq Stockholm All-Share PI index increased by 6%). Hexagon contributed with the majority of the increase in net asset value during 2017, but AAK also contributed significantly with a share price increase of 17%.

## MSAB HOLDINGS AND NET ASSET VALUE

	31 December 2017			31 December 2016		
	No. of shares	Share price (SEK)	SEK million	No. of shares	Share price (SEK)	SEK million
Hexagon	93,679,899	408.80	38,296	93,679,899	326.10	30,549
AAK	13,899,301	700.00	9,730	13,899,301	599.50	8,333
HEXPOL	89,298,779	83.25	7,434	89,298,779	84.50	7,546
ASSA ABLOY	42,812,848	170.30	7,291	42,812,848	169.50	7,257
Securitas	19,734,600	143.10	2,824	19,734,600	143.50	2,832
Loomis	900,000	344.40	310	900,000	270.80	244
Other			133			148
Total		66,018			56,909	
Net cash		2,405			1,677	
Net asset value		68,423			58,586	
No. of shares		119,097,595			119,097,595	
Net asset value per share (SEK)		575			492	

The weighted average organic growth in MSAB's portfolio companies was 5% (2016: 2%). The weighted average growth in operating profit (EBIT) in the portfolio companies was 11% (in 2016: 6%).

## SHARE OF TOTAL ASSETS ON 31 DECEMBER 2017



## SIGNIFICANT EVENTS IN 2017

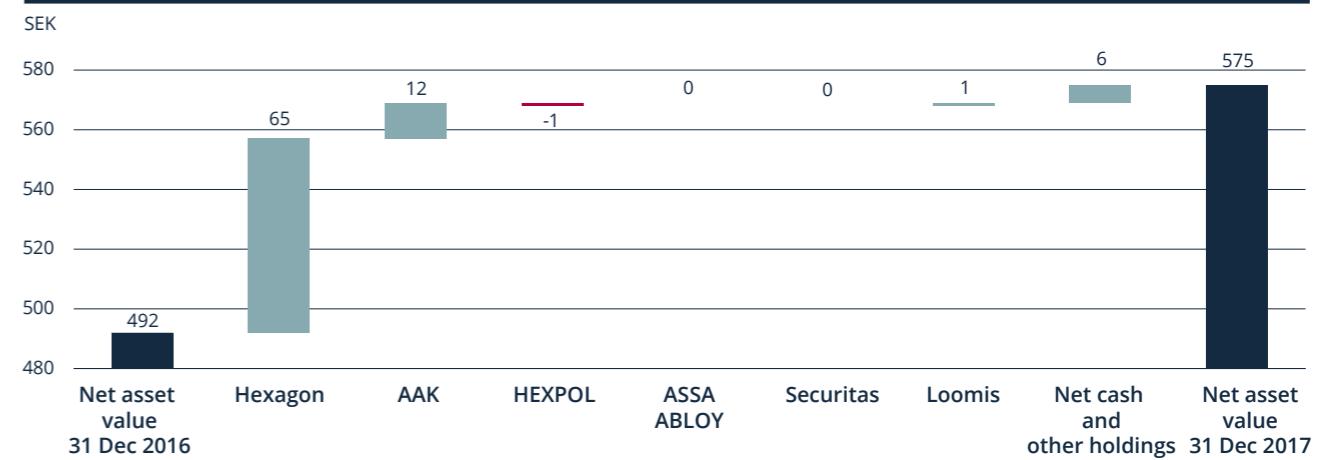
On 14 November 2017, Schörling & Partners announced an unconditional cash offer to the shareholders of MSAB to acquire all shares of MSAB. By the end of the year, Schörling & Partners owned 99% of MSAB, and a compulsory process to acquire the remaining shares was initiated. MSAB was delisted from Nasdaq Stockholm on 19 January 2018.

On 23 January 2018, Økokrim announced its decision to appeal. It is expected that by March 2018, the appeal court will decide whether they will accept the submission from Økokrim or whether they will decide that the unanimous acquittal verdict will remain.

## SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 10 January 2018, the CEO of Hexagon, Ola Rollén was acquitted from the insider trading allegations by the Norwegian economic crime authority (Økokrim). The Oslo City Court found Rollén not guilty, rejecting all charges of insider trading – a vindication for Ola Rollén who has firmly denied any wrongdoing.

## CHANGE IN NET ASSET VALUE PER MSAB SHARE PER INVESTMENT - 2017







## SHAREHOLDER INFORMATION

### THE UIE SHARE, SHARE CAPITAL AND VOTES

In 2017, UIE's issued share capital remained unchanged at USD 35,555,750, consisting of 3,555,575 issued shares of USD 10.00 each. Each share is entitled to one vote. UIE has only one share class, all shareholders have the same rights and the Articles of Association do not contain any restrictions on ownership.

UIE has been listed on Nasdaq Copenhagen since 1984.

The shareholders, via the Annual General Meeting, are the Company's supreme authority and the Articles of Association constitute the principal guidelines for operations. All amendments to the Company's Articles of Association must be submitted for approval at a General Meeting of shareholders. Approval by at least two thirds of the votes present is required for adoption.

The Company's Articles of Association were last updated in May 2016, reflecting the changes made in regards to the retirement age of Directors of the Board.

### DIRECTORS' INTEREST AS AT 2 MARCH 2018

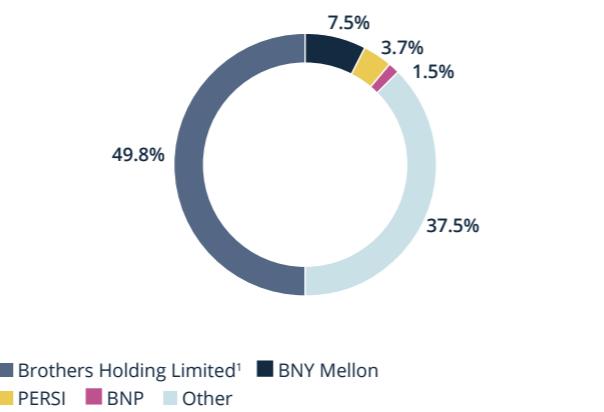
	No. of shares	% of share capital
<b>Individually:</b>		
Carl Bek-Nielsen Chairman	61,196	1.72
Martin Bek-Nielsen Deputy Chairman	20,174	0.57
Frederik Steen Westenholz	230	0.01
Bent Mahler	11	0.00
John A. Goodwin	-	-
Jørgen Balle	-	-
Harald Sauthoff	-	-
<b>Jointly:</b>		
Jointly owned by Carl Bek-Nielsen and Martin Bek-Nielsen via Brothers Holding Limited	1,689,574	47.52

### OWNERSHIP

According to UIE's share register, the Company had 1,719 registered shareholders as at 29 December 2017, compared to 1,726 registered shareholders at the end of 2016. As at 31 December 2017, the registered shareholders owned 93.0% of the share capital. The remaining 7.0% of shareholders have not yet been registered.

At the end of 2017, the major shareholder was Brothers Holding Limited (via the 100% owned subsidiary C&M Holding Limited) with a shareholding of 47.5%, which is owned by Carl Bek-Nielsen and Martin Bek-Nielsen. Including the shareholdings owned individually by Carl Bek-Nielsen and Martin Bek-Nielsen, the Bek-Nielsen family's equity interest amounted to 49.8% (excluding UIE's treasury shares, the Bek-Nielsen family's voting rights in UIE amounted to 51.6% at the end of 2017).

### CLASSIFICATION OF SHAREHOLDERS AS AT 2 MARCH 2018

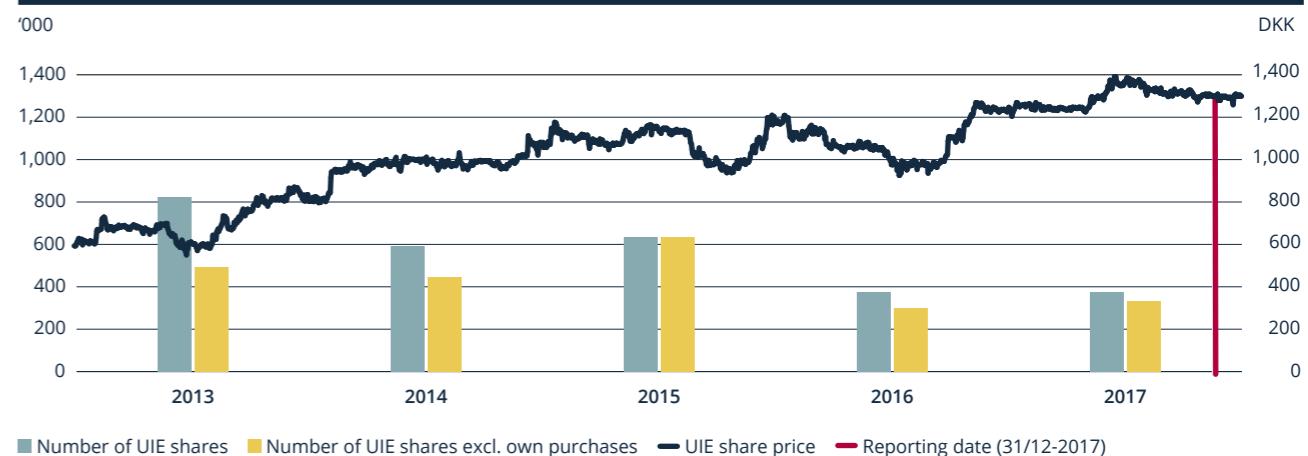


### SHAREHOLDER REGISTER AND REGISTRATION

UIE urges the few shareholders that are not already registered by name to register their shares, by contacting the bank in which the shares are held in custody.

UIE's register of shareholders is administered by Computershare A/S, Lottenborgvej 26 D, 1. sal, 2800 Kgs. Lyngby, Denmark.

### UIE SHARE TURNOVER AND SHARE PRICE DEVELOPMENT



### SHARE PRICE DEVELOPMENT, MARKET VALUE AND TURNOVER

The market value of UIE's issued share capital (excluding own shares) at 31 December 2017 was DKK 4,461 million compared to DKK 4,318 million at the end of 2016.

In 2017, the UIE share traded in a price range from DKK 1,220 to DKK 1,404 per share.

At the end of 2016, UIE's closing share price was DKK 1,241 and at the last trading date in 2017, it had increased to DKK 1,299, which is equivalent to an increase of 5%. By comparison, the Nasdaq Mid Cap index increased by 9% in 2017.

### SHARE INFORMATION AS AT 31 DECEMBER

	2017	2016	2015	2014	2013
Share price end of year (DKK) <sup>1</sup>	1,299	1,241	1,054	959	1,120
Total shares issued	3,555,575	3,555,575	3,555,575	3,555,575	4,300,000
Holding of treasury shares	121,593	75,822	-	-	598,626
Nominal value per share (USD)	10	10	10	10	10
Share capital (USD '000)	35,555,750	35,555,750	35,555,750	35,555,750	43,000,000
Equity (USD '000)	591,280	520,390	519,749	531,657	568,373
Market value (USD '000) (excl. treasury shares)	718,698	612,292	548,693	557,029	769,987
Market value (DKK '000) (excl. treasury shares)	4,460,743	4,318,373	3,747,576	3,409,796	4,167,710

<sup>1)</sup> Closing price

In 2017, the total turnover in the UIE share was DKK 427 million (excluding treasury shares), which corresponds to a daily average trading turnover of DKK 1.7 million or approximately 1,300 shares, which was higher than the daily average number of 1,200 shares traded in 2016.



## TRADING IN TREASURY SHARES

	2017	2016	2015	2014	2013
<b>Direct:</b>					
Holding at beginning of period	75,822	-	-	598,626	268,203
Share buy-back	45,771	75,822	-	145,799	330,423
Cancellation of treasury shares	-	-	-	(744,425)	-
Total direct holding, end of year	121,593	75,822	-	-	598,626

## SHARE BUY-BACK PROGRAMME

In June 2016, UIE initiated a new share buy-back programme with the intention of acquiring up to 5% of its share capital before the end of December 2017, so long as the shares continued to be traded at a significant holding discount.

As reported in Company Announcement no. 6 2016, UIE initiated the share buy-back in two parallel programmes; one under the Safe Harbour regulation with a maximum outlay of DKK 100 million and one block trade programme carried out outside the Safe Harbour regulation. The total number of shares acquired under the two programmes could not exceed 5% of the share capital.

Further information on the share buy-back programme is contained in Company Announcement no. 6 2016.

As at 31 December 2017, the share buy-back programme was finalised and a total of 121,593 shares (2016: 75,822), corresponding to 3.42% of the share capital, had been acquired.

As a consequence of the share buy-back, the combined voting rights in UIE, controlled by Carl and Martin Bek-Nielsen, have increased to above 50% if UIE's treasury shares are disregarded. The Danish FSA has confirmed that even though the Bek-Nielsen brothers now control more than 50% of the voting rights, this will not trigger an obligation to undertake a mandatory bid for the outstanding capital of UIE.

## DIVIDEND KEY FIGURES



1) Proposed dividend.

## STOCK EXCHANGE ANNOUNCEMENTS IN 2017

Date	Announcement
15 Feb.	Settlement Agreement in relation to a Malaysian withholding tax recoverable
6 Mar.	Annual Report 2016
6 Mar.	Notice of Annual General Meeting 2017
4 Apr.	Notification from Major Shareholder
28 Apr.	Development of AGM
24 May	First Quarter Report 2017
21 Aug.	Half Year Report 2017
14 Nov.	UIE participates in restructuring of Melker Schörling AB
20 Nov.	Third Quarter Report 2017

## INVESTOR RELATIONS POLICY

## PURPOSE OF INVESTOR RELATIONS POLICY

The purpose of UIE's Investor Relations Policy is to provide reliable information on all relevant matters relating to the Company in a timely manner to capital markets and key stakeholders.

## Objectives of UIE's Investor Relations Policy

- To enable a valuation of the share that reflects the underlying performance of the Company through timely communication of relevant information.
- To increase awareness of UIE amongst investors in Denmark and abroad.
- To strive to give all interested parties easy and equal access to information in relation to its financial and business status and development as well as to maintain an open dialogue with its stakeholders within the framework of Nasdaq's code of ethics.

As a matter of principle, UIE maintains a three-week quiet period before the release of financial statements, during which it does not comment on financial goals or guidance nor take part in meetings and presentations with analysts or investors.

All company announcements and up-to-date information are available on the Company's website, [www.uie.dk](http://www.uie.dk).

By subscribing to the investor portal at [www.uie.dk](http://www.uie.dk), shareholders and other interested parties have timely and easy access to information.

## FINANCIAL CALENDAR 2018

Date	Announcement
26 April 2018	Annual General Meeting
24 May 2018	First Quarter Report 2018
21 August 2018	Half Year Report 2018
20 November 2018	Third Quarter Report 2018

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 26 April 2018 at the Company's registered office in Nassau, Bahamas.

Some of the items to be considered at the meeting include resolutions to approve the accounts for the year ended 31 December 2017; re-election of directors and approving the proposed dividend.

## INFORMAL SHAREHOLDER MEETING IN COPENHAGEN

For shareholders unable to attend the Annual General Meeting, an informal shareholder meeting will be held at Børssalen, Børsbygningen, 1217 Copenhagen K, on Friday 25 May 2018, commencing at 10.00 a.m.



## CORPORATE GOVERNANCE

UIE's Board of Directors and Executive Management continuously strive to maintain an appropriate corporate governance framework and aim to provide shareholders and other stakeholders in due time with relevant information about the Company's strategy, business operations, financial results and future expectations.

The Board of Directors is of the view that corporate governance is an ongoing process influenced by current laws, regulations and recommendations, and thus regularly evaluates its corporate governance practices to ensure clear decision-making processes and satisfactory transparency.

In UIE's statutory report on corporate governance, the Board of Directors comments on the status of compliance with the recommendations issued by the Danish Committee on Corporate Governance. The full report for 2017 is available at [uie.dk/statutory-report](http://uie.dk/statutory-report).

### COMMUNICATION WITH SHAREHOLDERS

The Company seeks at all times to enhance effective relationships and open communication between shareholders, other stakeholders and the Company.

The main objective of annual general meetings ("AGMs") and informal shareholder meetings is to provide a useful forum for shareholders to engage actively with the Company, to exchange views as well as to participate in an open dialogue about UIE's development.

The Board aims to increase transparency and active ownership by ensuring that the shareholders are informed of all major developments affecting the Company by means of:

- Distribution of financial reports and company announcements
- An informative website
- Notices of meetings
- Publication of news

### BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

The Board of Directors consists of seven qualified directors with specialised knowledge within the agro-industrial sector, particularly plantation operations or refining activities, a sound financial insight and experience from involvement with other listed companies, thus contributing optimally to the Company's business operations and development.

The Board of Directors regularly reviews the structure, size and composition of the Board, which includes assessing whether the competencies required are adequately represented. The Board strives to enhance diversity, which is taken into account when considering profiles and qualifications of potential candidates.

Despite intensive efforts, UIE did not manage to find a suitable female candidate for the Board of Directors in 2017. Hence, there are no women board members in UIE, but the Company Secretary is a woman. However, UP appointed a female board member in 2017, and UIE aims to have a woman appointed to the Board of Directors by the end of 2020.

All Directors of the Board are elected at the AGM for a period of one year and must seek re-election at the ensuing AGM.

The Board of Directors maintains three committees to assist it in discharging its oversight responsibilities: an Audit Committee, a Remuneration Committee and a Nomination Committee. See [uie.dk/the-committees-of-the-board](http://uie.dk/the-committees-of-the-board) for a description of the specific members, duties and activities of each committee.

The Company has incorporated a number of restrictions for the Board in its Articles of Association, which are available on the Company's website.

### DIRECTORS' RESPONSIBILITIES

The Board of Directors' main responsibilities include:

- Assessing, with the Managing Director, the financial and operational management of the Company
- Reviewing and determining the strategy for the Company's activities

- Ensuring that the Company is properly managed and in compliance with the Company's Articles of Association, policies and guidelines as well as laws and regulations
- Defining tasks in relation to financial and managerial control of the Company
- Identifying and managing where practical the material risks associated with the realisation of the Company's strategy and operations
- Evaluating the Company's capital and share structures to ensure that they are in the best interest of UIE and its shareholders
- Promoting active ownership

It is the Chairman's duty to ensure that the Board in its entirety performs the tasks assigned to it and that the Directors perform their duties and responsibilities satisfactorily.

As UIE is a holding company with no independent operations, the day-to-day management is primarily overseeing the current investments and implementation of strategic/investment decisions, which are made in close dialogue with the Chairmanship.

### REMUNERATION

The Board of Directors has adopted a remuneration policy for the Board of Directors and the Managing Director, which is available at [uie.dk/remuneration-policy](http://uie.dk/remuneration-policy).

As a matter of principle, the Board of Directors and the Audit Committee are remunerated with a fixed annual fee approved at the AGM and are not included in any incentive scheme or other programmes.

The Managing Director is remunerated with a fixed payment as well as an annual cash bonus, which is dependent on his contribution and the Company's results.

The remuneration of the Directors of the Board, members of the Audit Committee and Managing Director is disclosed in the notes to the Annual Report.

### FINANCIAL REPORTING, RISK MANAGEMENT AND AUDITS

#### FINANCIAL REPORTING

The financial reporting process refers to activities that generate financial information used in managing the Company and the financial information published in accordance with the requirements of legislation, standards, and other regulations covering the Company's operations. Financial reporting is governed by a set of common principles. The Group fully complies with the IFRS accounting standards approved by the EU. The Group's financial management organisation has drawn up guidelines for units, covering the content of financial reporting and the dates within which reporting must take place.

#### RISK MANAGEMENT

The overall objective of risk management is to identify, evaluate, and manage risks that may threaten the achievement of UIE's business goals. The operating risks of the companies in which UIE invests are managed by the entities' own management. On a regular basis, the UIE Management and the Audit Committee report to the Board of Directors on developments within the most important risk areas and compliance with adopted policies. The Company reviews and accounts for the most important strategic and business-related risks in the Annual Report.

#### AUDITING

The task of statutory auditing is to verify that UIE's financial statements and Board of Directors' report provide accurate and adequate information on the Company's results and financial position. In general, the independent auditor attends all Audit Committee meetings. At least once a year, the auditor issues an audit report to the Audit Committee and the Board of Directors documenting the audit carried out and the results thereof.

The auditor is elected at the AGM for a period of one year at a time. Prior to the election, the Audit Committee evaluates the auditor's competence and independence.

Five Board meetings were held in UIE during 2017 with all directors attending every meeting. Four meetings were held in the Audit Committee during 2017. At two of the meetings, one Committee member did not attend.



# CORPORATE SOCIAL RESPONSIBILITY

**S**ince its foundation, UIE has invested in the agro-industrial sector, particularly palm oil. We attach great importance to maintaining high Corporate Social Responsibility (“CSR”) standards and strive to grow in a socially and environmentally responsible way, while meeting the interests of our stakeholders.

As UIE is a holding company, we have not developed our own CSR policies, but highly support UP and MSAB in operating in an ethical and professional manner.



## CORPORATE SOCIAL RESPONSIBILITY

Although being a holding company, UIE takes social responsibility seriously, and thus encourages both UP and MSAB to:

- protect the environment and natural resources by applying environmentally responsible production methods;
- secure the well-being of employees by providing good and safe working conditions; and
- uphold human rights and be responsible members of the communities of which they are part

An overview of the CSR work and commitments of UP is illustrated below. MSAB is not included as it is a holding company with shares in six publicly listed companies, each with their own CSR approach. For further information about the issues relevant for the individual companies, please see the companies' annual reports, sustainability reports and websites.

### UNITED PLANTATIONS

UP's Corporate Social Responsibility Policy focuses on continuous care, commitment and responsibility towards its employees, the environment, the community and the marketplace in which it operates. UP remains committed to conducting business in a manner that achieves sustainable growth whilst maintaining a high degree of social and environmental responsibility.

A vital part of UP's CSR Policy is its commitment to the Principles and Criteria of the RSPO. UP has for several years lead the field in sustainable palm oil production and was one of the initial palm plantation signatories to the RSPO in 2004. In addition, it was the first company to achieve re-certification of the RSPO, valid from 2014 and five years ahead. UP takes pride in being recognised as a certified producer of sustainable palm oil; ever since it became the world's first producer of certified sustainable palm oil in August 2008, it has introduced additional environmental practices of higher standards. For the Indonesian estates, UP has targeted to move towards full certification, including RSPO and ISPO (Indonesian Sustainable Palm Oil Principles & Criteria), by 2018.

Furthermore, UP has taken the sustainability certification to a higher level, through the “RSPO NEXT”, which is a voluntary add-on to the existing Principles & Criteria for sustainably grown palm oil dedicated to furthering the fight against deforestation and greenhouse gas emissions from palm oil production as well as strengthening human rights commitments. In October 2017, UP obtained the world's second “RSPO NEXT” certification, which is the first for Asia and Africa and the world's strictest for any agricultural crop.

UP continuously aims to align business values, purposes and strategy with CSR principles grouped into the following main areas:

### EMPLOYEES

The success and achievements of UP are highly correlated with its employees. The employees are core assets of UP and their welfare and rights are of key importance in every aspect of its operations. UP focuses on developing and enhancing each individual's skills, capabilities and motivation by providing continuous training and supervision.

UP supports diversity in a working environment where there is mutual trust and respect and where employees feel encouraged and responsible for the success of the company.

UP is also committed to maintaining a safe and healthy workplace for all staff. The company ensures that safety operating procedures and system checks for all processes are in place and product quality standards are maintained in a responsible manner.

During 2017, UP continued to provide a number of social welfare initiatives to its employees and their families as well as to the local communities by securing child care, primary schools, well-equipped hospitals and health clinics, places of worship, bus subsidies for school children, a bakery and a nursing home that cares for the retired and aged employees.

Furthermore, 66 scholarships were granted to children of UP's employees in 2017 to enable them to pursue their tertiary studies.

**COMMUNITY**

UP strives to be a trusted corporate citizen and to fulfill its responsibilities to the societies and local communities in which it operates and hence is an integral part of.

UP believes in building good relationships with the employees and their families, and promotes socioeconomic policies and progress in the surrounding communities. Apart from improving welfare standards, ensuring high standard educational facilities, providing medical care and housing facilities, supporting investments in infrastructure projects as well as offering development activities, UP encourages communities to participate in sporting and social activities by providing facilities such as football fields, community halls, badminton courts, etc. The sporting events help build friendships and create a strong sense of community spirit.

UP also engages with smallholders and has taken the initiative to start up a Smallholders' Field Day, where farmers from local districts in Malaysia are invited to the plantation to get a better understanding of good agricultural practices, sustainability initiatives and environmental protection. In addition, the smallholders receive training sessions in safe handling of pesticides, optimal harvesting procedures and fertilizer application in order to support and assist them in their agricultural work.

At its Indonesian plantations, UP is actively involved with a government project known as the Plasma Scheme designed to assist smallholders to become independent plantation growers. Under the Plasma Scheme, UP's role is helping local smallholders with e.g. supplying the necessary resources (including developing the land), training in developing oil palm plantations, which includes environmentally responsible land clearing and cultivation as well as financial aid. When the land has been developed and managed by UP for one cycle, it is handed over to the smallholder for self-management. The objective is to provide more opportunities for the smallholders and help alleviate poverty.

To date, 696 hectares of Plasma have been developed for 425 smallholders and an additional 1,000 hectares are expected to be provided and developed for surrounding communities from 2018 to 2019.

**MARKETPLACE**

UP is committed to providing high quality products and services to customers worldwide through dedicated employees and advanced technology. UP aims at continuous improvement and works towards building longterm relationships through interaction and discussions with all stakeholders in the market place.

**ENVIRONMENT**

UP strives to be recognised as a leader in sustainable agricultural practices, respecting the balance between economy and ecology. UP is committed to continuously reducing the environmental impact of its operations by improving procedures, minimising waste and overall carbon footprint as well as implementing new and greener technologies.

UP is increasingly committed to the protection of biodiversity, avoidance of high carbon stock land use and the protection of wildlife. New frameworks such as the High Carbon Stock ("HCS") Assessment have been implemented to evaluate the change in Carbon Stock and to develop a detailed sustainability plan for the land reserved for development. UP requested Daemeter Consulting to perform a HCS assessment in accordance with RSPO's New Planting Procedure ("NPP") with the objective to produce a land use map indicating which areas could be developed for Plasma plantations and which areas ideally should be set aside for conservation. The final report was released in August 2016, indicating the concession area, the outcome of the HCS, High Conservation Value ("HCV"), Free, Prior and Informed Consent ("FPIC") and peat surveys, thereby incorporating social and environmental considerations in line with RSPO's NPP guidelines. Daemeter's assessment found that 40% of the concession area surveyed is recommended to be conserved, as it is either considered HCS, HCV or located on peat soils.

Significant investments have been made in promoting green energy starting with the fully integrated biomass reciprocating boiler and the construction of five biogas plants. These projects have helped significantly to reduce emissions of CO<sub>2</sub> by 70% and CH<sub>4</sub> by 80% at the operating units.

The fifth and final biogas plant was completed in 2017, and all the mills now have methane capture facilities in the form of biogas plants. Furthermore, to enhance biomass utilisation, two biomass reciprocating boilers were constructed for the Jendarata and UIE palm oil mills. One was commissioned in 2006, the other biomass reciprocating boiler will be commissioned in 2018.

The UIE Electrification Project which enables the conversion of biogas to electricity and exporting this back to the national grid has also been running well during 2017.

In 2017, an update to the Life Cycle Assessment ("LCA") study of palm oil at UP was undertaken, providing a clear overview of the development in UP's efforts to reduce its carbon footprint as well as identifying additional areas for further improvement. UP continues to remain a frontrunner in terms of implementing greenhouse gas reducing projects within the plantation industry.

The LCA report shows, among other things, that UP's methane capture and greenhouse gas reduction projects, including the four Clean Development Mechanism ("CDM") projects, have helped reduce the annual emissions of greenhouse gasses by at least 125,000 tonnes CO<sub>2</sub> (eq). This means that the company met its target of reducing its carbon footprint per tonne of refined palm oil produced by 40% in 2017 when compared to pre-2005 levels. The target is to reach a reduction of 50% (including indirect land use change and nature conservation) compared to the pre-2005 figures before the end of 2019. For this aim, new innovations are currently being commissioned and others constructed.

UP has a strong commitment to minimising the use of pesticides via the Integrated Pest Management ("IPM") Programme, e.g. by establishing beneficial flowering plants, monitoring pest outbreaks, carrying out biological treatment and using barn owls, leopard cats, cobras and monitor lizards as predators of rats in the plantation landscape (a pair of barn owls together with its chicks can e.g. consume about 800-1,000 rats per year). The results are very positive; UP's use of pesticide is e.g. 4-5 times lower per tonne of oil produced compared to rapeseed farmers and about 36-40 times lower compared to soybean farmers, delivering substantial benefits for the society in general.



More than 7,500 hectares have been set aside for conservation purposes (jungle reserves, wildlife sanctuaries and green corridors), representing approximately 16% of UP's total planted area. The aim is to encourage biodiversity and wildlife on UP's estates as well as to preserve flora and fauna. In Indonesia, UP has set aside approximately 40% of its land concession for the purpose of conservation.

In order to develop effective conservation strategies, UP and Copenhagen Zoo have formed a partnership, and a Biodiversity Department ("BioD") was established on UP's Lada Estate in Indonesia in 2010. The BioD is responsible for mainstreaming environmental concerns into standard operational procedures (focus is on activities primarily within biodiversity, habitat and ecosystem, forestry and rehabilitation) and has been an important milestone for UP's target of producing certified sustainable palm oil in Indonesia as well as being able to document the environmental integrity of its Indonesian operations.

One of the major activities of the BioD is monitoring the baseline biodiversity data where new species continue to be recorded every year. In 2017, four new bird species and three amphibians were added to the list.

For further information about UP's commitment to CSR, please see the UP's Sustainability Report enclosed in the Annual Report (pages 29-171) or visit the website [www.unitedplantations.com](http://www.unitedplantations.com).

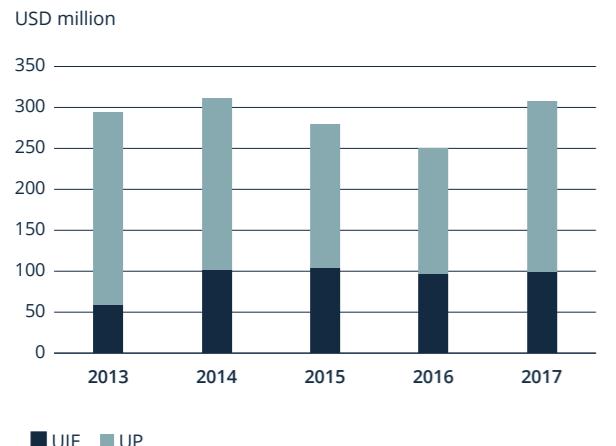
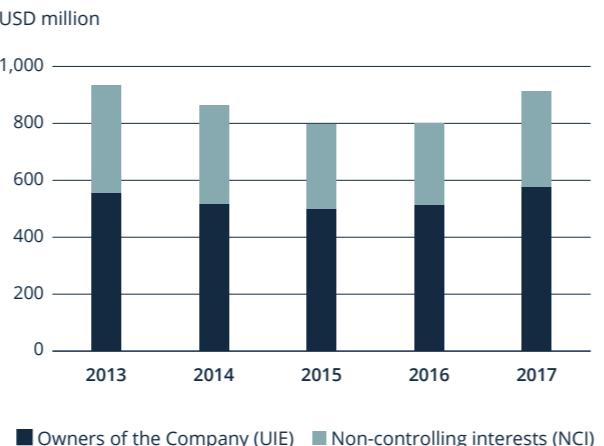


UNITED INTERNATIONAL ENTERPRISES LIMITED

## CONSOLIDATED KEY FIGURES

FOR THE YEAR ENDED 31 DECEMBER

USD '000	2017	2016
Revenue	343,517	296,409
Profit before income tax	141,488	93,162
Net profit	116,068	82,204
Net profit attributable to owners of the Company	67,630	39,459
Current assets	429,147	381,201
Cash and bank balances	215,355	157,094
Short-term funds	93,373	93,311
Non-current assets	572,752	493,756
Total assets	1,001,899	874,957
Total liabilities	89,028	74,434
Equity attributable to owners of the Company	574,252	510,179
Non-controlling interests	338,619	290,344
Total equity	912,871	800,523
Earnings per share attributable to owners of the Company (USD)	19.56	11.18
Share price, end of period (USD)	209.29	175.96
Share price, end of period (DKK)	1,299.00	1,241.00
Return on equity	12.47%	7.82%
Solvency ratio	91.11%	91.49%

CASH, BANK BALANCES AND SHORT-TERM FUNDSEQUITY ATTRIBUTABLE TO OWNERS VS. NCI

UNITED INTERNATIONAL ENTERPRISES LIMITED

# CONSOLIDATED FINANCIAL STATEMENTS





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## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

USD '000	Note	2017	2016
Revenue	1.1	343,517	296,409
Costs of goods sold		(149,779)	(130,842)
Gross profit		193,738	165,567
Other income		8,911	17,248
Amortisation, depreciation and impairment	2.2, 2.4, 2.5	(20,585)	(18,570)
Staff costs	1.2	(40,618)	(37,387)
General and administrative costs		(33,643)	(34,203)
<b>Profit from operations before financial items</b>		<b>107,803</b>	<b>92,655</b>
Changes in fair value of MSAB	3.1	21,606	(9,062)
Changes in fair value of Greenbridge	3.1	(1,515)	2,133
Dividend income MSAB		824	730
Results from investing activities – portfolio investments		2,270	93
Interest income		7,036	6,998
Interest expense		(9)	(5)
Net foreign exchange gain		3,497	(380)
Share of results in joint venture	3.2	(24)	-
<b>Profit before income tax</b>		<b>141,488</b>	<b>93,162</b>
Income tax	4.2	(25,420)	(20,906)
One-off settlement of tax position	4.2	-	9,948
<b>Profit for the year</b>		<b>116,068</b>	<b>82,204</b>
<b>Profits attributable to</b>			
Owners of the Company		67,630	39,459
Non-controlling interests		48,438	42,745
		<b>116,068</b>	<b>82,204</b>
Earnings per share attributable to owners of the Company (USD)		19.56	11.18

## OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

USD '000	2017	2016
Profit for the year	116,068	82,204
<b>Items that are or may be reclassified to the Income Statement</b>		
Foreign currency translation, net of tax of USD nil	58,978	(24,474)
Other comprehensive income	58,978	(24,474)
<b>Total comprehensive income</b>	<b>175,046</b>	<b>57,730</b>
<b>Total comprehensive income attributable to</b>		
Owners of the Company	94,333	35,706
Non-controlling interests	80,713	22,024
	<b>175,046</b>	<b>57,730</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD '000	Note	31 Dec. 2017	31 Dec. 2016
<b>Assets</b>			
<b>Current assets:</b>			
Inventories	1.3	38,753	42,342
Cash and bank balances	3.3	215,355	157,094
Short-term funds	3.3	93,373	93,311
Trade and other receivables	4.6	59,739	75,042
Derivatives	4.6	5,002	770
Portfolio investments	3.1	15,974	11,216
Current tax receivable		951	1,426
Total current assets		429,147	381,201
<b>Non-current assets:</b>			
Goodwill	2.1	7,096	7,096
Bearer plants	2.2	113,702	104,212
Biological assets	2.3	7,757	6,301
Property, plant and equipment	2.4	280,503	239,883
Land use rights	2.5	8,430	8,067
Deferred tax assets	4.2	871	2,346
Strategic investments	3.1	146,149	125,839
Derivatives	4.6	844	-
Equity-accounted investments	3.2	7,388	-
Other financial assets		12	12
Total non-current assets		572,752	493,756
<b>Total assets</b>		<b>1,001,899</b>	<b>874,957</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Current tax liability		3,336	3,640
Trade and other payables	4.6	36,204	27,268
Derivatives	4.6	2,881	3,190
Bank borrowings		27	24
Retirement benefit obligation	4.5	240	167
Total current liabilities		42,688	34,289
<b>Non-current liabilities:</b>			
Deferred taxation	4.2	42,697	37,151
Derivatives	4.6	276	40
Retirement benefit obligation	4.5	3,367	2,954
Total non-current liabilities		46,340	40,145
<b>Total liabilities</b>		<b>89,028</b>	<b>74,434</b>
Share capital	4.3	35,556	35,556
Treasury shares	4.3	(22,853)	(13,646)
Other reserves		561,549	488,269
Equity attributable to owners of the Company		574,252	510,179
Non-controlling interests		338,619	290,344
<b>Total equity</b>		<b>912,871</b>	<b>800,523</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,001,899</b>	<b>874,957</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

USD '000	Share capital	Share premium	Treasury shares	Trans-lation reserves	Other reserves	Retained profits	Non-controlling interests	Total	Total equity
On 1 January 2017	35,556	9,159	(13,646)	(69,736)	-	548,846	510,179	290,344	800,523
<b>Total comprehensive income for the year</b>									
Profit for the period	-	-	-	-	-	67,630	67,630	48,438	116,068
Foreign currency translation	-	-	-	26,703	-	-	26,703	32,275	58,978
<b>Total comprehensive income for the year</b>	-	-	-	26,703	-	67,630	94,333	80,713	175,046
<b>Transactions with owners</b>									
Acquisition of non-controlling interests without change of control	-	-	-	-	-	(3,703)	(3,703)	(2,979)	(6,682)
Treasury shares purchased	-	-	(9,207)	-	-	-	(9,207)	-	(9,207)
Dividends paid	-	-	-	-	-	(17,350)	(17,350)	(29,459)	(46,809)
<b>Total transactions with owners</b>	-	-	(9,207)	-	-	(21,053)	(30,260)	(32,438)	(62,698)
<b>On 31 December 2017</b>	<b>35,556</b>	<b>9,159</b>	<b>(22,853)</b>	<b>(43,033)</b>	-	<b>595,423</b>	<b>574,252</b>	<b>338,619</b>	<b>912,871</b>
USD '000	Share capital	Share premium	Treasury shares	Trans-lation reserves	Other reserves	Retained profits	Non-controlling interests	Total	Total equity
On 1 January 2016	35,556	9,159	-	(66,081)	98	520,053	498,785	296,370	795,155
<b>Total comprehensive income for the year</b>									
Profit for the period	-	-	-	-	-	39,459	39,459	42,745	82,204
Foreign currency translation	-	-	-	(3,655)	(98)	-	(3,753)	(20,721)	(24,474)
<b>Total comprehensive income for the year</b>	-	-	-	(3,655)	(98)	39,459	35,706	22,024	57,730
<b>Transactions with the owners</b>									
Treasury shares purchased	-	-	(13,646)	-	-	-	(13,646)	-	(13,646)
Dividends paid	-	-	-	-	-	(10,666)	(10,666)	(28,050)	(38,716)
<b>Total transactions with owners</b>	-	-	(13,646)	-	-	(10,666)	(24,312)	(28,050)	(52,362)
<b>On 31 December 2016</b>	<b>35,556</b>	<b>9,159</b>	<b>(13,646)</b>	<b>(69,736)</b>	-	<b>548,846</b>	<b>510,179</b>	<b>290,344</b>	<b>800,523</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

USD '000	2017	2016
<b>Cash flows from operating activities</b>		
Receipts from customers	346,300	276,306
Payment to suppliers	(150,042)	(142,790)
Payment of operating expenses	(56,562)	(73,969)
Payment of taxes	(12,769)	(19,388)
Other receipts	11,982	9,021
<b>Net cash generated from operating activities</b>	<b>138,909</b>	<b>49,180</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	2,820	2,119
Interest income	6,424	7,787
Investment in joint ventures	(6,990)	-
Proceeds from sale of shares available for sale	-	5,075
Investment in Greenbridge	(219)	(3,158)
Dividend income	967	862
Proceeds from sale of portfolio investment	7,487	-
Purchase of portfolio investments	(10,407)	(1,455)
Pre-cropping expenditure incurred	(9,277)	(10,657)
Purchase of property, plant and equipment	(24,798)	(19,932)
Land use rights payments	(273)	(362)
Net change in deposits with a tenure of minimum 3 months	(45,794)	44,307
Net change in short-term funds	9,494	(15,872)
<b>Net cash (used in)/generated from investing activities</b>	<b>(70,566)</b>	<b>8,714</b>
<b>Cash flows from financing activities</b>		
Interest paid	(9)	(5)
Dividends paid	(46,809)	(38,716)
Purchase of treasury shares	(9,207)	(13,646)
Purchase of non-controlling interest	(6,682)	-
Change in joint venture balances	(5,859)	(1)
<b>Net cash used in financing activities</b>	<b>(68,566)</b>	<b>(52,368)</b>
Net change in cash and cash equivalents	(223)	5,526
Cash and cash equivalents at the beginning of year	122,238	117,709
Foreign exchange adjustment	6,133	(997)
<b>Cash and cash equivalents at end of year</b>	<b>128,148</b>	<b>122,238</b>
Cash and cash equivalents	128,148	122,238
Bank overdrafts included in cash and cash equivalents	27	24
Deposits with a tenure of minimum 3 months	128,175	122,262
Total cash and bank balances	215,355	157,094
Short-term funds	93,373	93,311
<b>Cash and short-term funds</b>	<b>308,728</b>	<b>250,405</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### SUMMARY OF ACCOUNTING POLICIES COVERING THE CONSOLIDATED FINANCIAL STATEMENTS

##### GENERAL INFORMATION

UIE is incorporated under the laws of The Commonwealth of The Bahamas and its shares are publicly traded on Nasdaq Copenhagen. UIE is a holding company which primarily invests in companies in the agro-industrial sector. UIE exercises long-term and active ownership via involvement at board level and via close dialogue with the management about operational and strategic issues.

The following is a summary of the significant accounting policies adopted by UIE and its subsidiaries, collectively referred to in these consolidated financial statements as the "Group". Accounting policies applied to the consolidated financial statements as a whole are described below. Significant accounting policies covering specific accounts are placed in the notes to which they relate.

##### BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

These consolidated financial statements are expressed in USD, as this is UIE's functional and presentation currency. All values are rounded to the nearest thousand USD '000 where indicated.

UIE's consolidated financial statements are prepared under the historical cost basis, except as noted in the various accounting policies.

##### CHANGE IN ACCOUNTING POLICIES

The Group has with effect from 1 January 2017 implemented the standards and interpretations that became effective in the EU from 2017. None of these standards and interpretations have had material impact on profit or loss, assets, liabilities or equity.

##### DEFINING MATERIALITY

The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

#### BASIS OF CONSOLIDATION

Subsidiaries are enterprises controlled by UIE. Control exists when UIE has the power, directly or indirectly, to govern the financial and operating policies of an enterprise to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements for the subsidiaries are prepared for the same accounting period as UIE, using consistent accounting policies.

On consolidation, intragroup balances and intragroup transactions are eliminated in full.

These consolidated financial statements include the accounts of UIE and its subsidiary companies as listed on the following page.

#### FOREIGN EXCHANGE TRANSLATION

##### TRANSACTIONS AND BALANCES

Foreign currency transactions are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are recognised in the Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

##### GROUP COMPANIES

The assets and liabilities of foreign operations are translated into USD at the rate of exchange prevailing at the reporting date and their Income Statements are translated at exchange rates prevailing at the dates of their transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the Consolidated Income Statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated based on the exchange rate at the reporting date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

	Country of incorporation	Equity interest	
		2017	2016
<b>Subsidiaries:</b>			
MVSB	Malaysia	100%	100%
IPS	Bahamas	100%	100%
UIE Malta	Malta	100%	100%
UIE Inv.	Malta	100%	100%
UIE (IS)	Denmark	100%	100%
UP	Malaysia	48%	47%
<b>Subsidiaries of UP:</b>			
Unitata Berhad	Malaysia	100%	100%
Butterworth Bulking Installation Sdn. Bhd.	Malaysia	100%	100%
Bernam Advisory Services Sdn. Bhd.	Malaysia	100%	100%
Berta Services Sdn. Bhd.	Malaysia	100%	100%
PT. Surya Sawit Sejati	Indonesia	95%	95%
PT. Sawit Seberang Seberang <sup>1</sup>	Indonesia	93%	93%
Bernam Agencies Sdn. Bhd.	Malaysia	100%	100%
United International Enterprises (M) Sdn. Bhd. <sup>1</sup>	Malaysia	100%	100%
<b>Associates/Joint ventures of UP:</b>			
Bernam Bakery Sdn. Bhd. <sup>1</sup>	Malaysia	30%	30%
UniFuji Sdn. Bhd. <sup>2</sup>	Malaysia	50%	50%

1) Dormant.

2) Joint venture.

UIE has assessed that although it holds less than 50% of UP's voting shares, de facto control exists as defined under IFRS 10.

The main factor that contributes to UP being considered a subsidiary of UIE is that the shares held by non-

UIE related shareholders in UP are widely dispersed, and therefore UIE related shareholders have a greater ability to control votes at shareholder meetings.

Information regarding non-controlling interest in UP is specified below:

#### NON-CONTROLLING INTEREST

USD '000	2017	2016
Principal place of business	Malaysia	Malaysia
Proportion of ownership	52.2%	52.7%
Profit attributable to non-controlling interest	48,438	42,745
Accumulated non-controlling interests of the subsidiary at 31 December	338,619	290,344
NCI share of non-current assets	199,289	171,066
NCI share of current assets	164,237	139,249
Dividends paid to non-controlling interest	29,459	28,050



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### **IMPAIRMENT OF NON-FINANCIAL ASSETS**

At each reporting date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication of those assets having suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of an asset's fair value less cost to sell and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs, and prorated to the costs of the asset by reference to the cost of the cash-generating unit.

An impairment loss is charged to the Income Statement immediately.

Reversal of impairment losses recognised in prior years are recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset (that would have been determined, net of amortisation and depreciation) had no impairment loss been recognised. The reversal is immediately recognised in the Income Statement.

#### **GOVERNMENT GRANTS**

Grants that compensate the Group for replanting expenses incurred are credited against pre-cropping expenditure and are amortised over the economic life of the crop.

Grants received as incentives by the Group are recognised as income in the periods when the incentives are receivable or/and when there is reasonable assurance that the grant will be received.

#### **OTHER ACCOUNTING POLICIES**

The descriptions of accounting policies in the notes form part of the overall description of accounting policies. Description of financial accounting policies are included in the following notes:

- Revenue (section 1)
- Staff costs (section 1)
- Inventories (section 1)
- Impairment (section 2)
- Bearer plants (section 2)
- Biological assets (section 2)
- Research and development costs (section 2)
- Land use rights (section 2)
- Strategic and portfolio investments (section 3)
- Cash and short-term deposits (section 3)
- Investment in joint ventures (section 3)

- Taxation (section 4)
- Impairment of trade receivables (section 4)

#### **USE OF ESTIMATES**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in these Consolidated Financial Statements and the accompanying notes. These estimates are based on historical experience, other relevant information available at the reporting date and expectation of future events that are believed to be reasonable under the circumstances and as such, actual results could differ from those estimates.

In the process of applying the Group's accounting policies, management has made estimates and assumptions related to the following:

- Biological assets (section 2.3)
- Property, plant and equipment (section 2.4)

#### **STANDARDS ISSUED, BUT NOT YET EFFECTIVE**

The standards and interpretations that are issued, but not effective, up to the date of issuance of the Group's financial statements are as follows: IFRS 9, IFRS 15, IFRS 16, IFRS 17, amendments to IFRS 2 and IFRS 4, amendments to IAS 40 and amendments to IFRS 10 and IAS 28.

The standards that could have the most impact are:

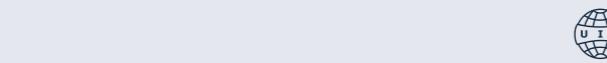
#### **• IFRS 9 'Financial Instruments', effective 1 January 2018**

IFRS 9 'Financial Instruments', replacing IAS 39, introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. IFRS 9 will have no significant impact on its statement of financial position and equity.

#### **(a) Classification and measurement**

The Group will have no significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. The Group will continue measuring at fair value all financial assets and liabilities currently held at fair value.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### **Trade receivables**

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of these trade receivables. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

#### **(b) Impairment**

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that, based on its assessment on the market information currently available and the reputation and the past credit history of the counterparties with which the Group traded, expected credit loss on its trade receivables will not be significant.

#### **(c) Hedge accounting**

The Group does not apply hedge accounting and does not intend to do so at the moment.

#### **• IFRS 15 'Revenue from contracts with customers, effective 1 January 2018'**

IFRS 15 'Revenue from contracts with customers', replacing IAS 11 and 18, establish a comprehensive framework, a five-step model, to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2017, the Group performed a detailed assessment of IFRS 15.

The Group carries on the business of oil palm and coconut cultivation and processing on its plantations in Peninsular Malaysia and Indonesia, refining of palm oil, manufacturing of edible oils, fats, cocoa

butter substitute, trading in crude palm oil and palm kernel, handling and storage of vegetable oil, and molasses and investment holding.

#### **(a) Sale of goods**

For contracts with customers in which the sale of crude palm oil, palm kernel, coconuts, refined palm oil, palm kernel and coconut products is generally expected to be the only performance obligation; adoption of IFRS 15 does not impact the Group's revenue and profit or loss.

#### **(b) Rendering of services**

The Group's bulking installation provides storage tank rental services. The Group concluded that the services are satisfied over periods of one month each given that the customer simultaneously receives and consumes the benefits provided by the Group.

#### **(c) Advances received from customers**

Generally, the Group receives only short-term advances from its customers. They are presented as part of trade and other payables.

Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts. However, the Group decided to use the practical expedient provided in IFRS 15, and will not adjust the promised amount of the consideration for the effects of significant financing components in the contracts, where the Group expects, at contract inception, that the period between the Group transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, the Group will not account for financing components.

#### **• IFRS 16 'Leases', effective 1 January 2019**

IFRS 16 'Leases', replacing IAS 17, changes recognition of leases to be capitalised in the balance sheet. The vast majority of leases in the UIE Group is pre-paid leasehold land, thus already capitalised. Minor leases of operational equipment is not expected to have a significant impact on profit or loss, assets, liabilities or equity.

In the opinion of the management, none of the new standards and interpretations will materially affect UIE's recognition and measurement of assets and liabilities in annual reports in the coming financial years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 1: OPERATING ACTIVITIES

Section 1 covers note disclosures which provide insight and specifications related to the Group's operating activities, including segment information, revenue and revenue split. Operating income contains a share of results in equity accounted investments, changes in fair value of investments in equities, interest income and dividend income.

### 1.1 SEGMENTAL INFORMATION AND REVENUE

The segment reporting includes the following two segments:

- UIE
- UP

**UIE:** a holding company which primarily invests in companies in the agro-industrial sector. UIE exercises long-term and active ownership via involvement at board level and via close dialogue with the management about operational and strategic issues.

In the UIE segment, the investment in UP is measured by UIE's share of UP's net profit (equity accounting), and the other investments are measured by changes in the fair value of the investments.

**UP:** a company incorporated in Malaysia and its shares are publicly traded on Bursa Malaysia. Its primary business activity is cultivation and processing of oil palms and coconuts on plantations in Malaysia as well as palm oil cultivation and processing in Indonesia and the manufacturing and processing of oils and fats in Malaysia.

In the UP segment, the results, assets and liabilities are based on translation of UP's reported figures from Malaysian Ringgit to USD.

### RECOGNITION AND MEASUREMENT IN THE SEGMENT REPORTING

The recognition and measurement in segment reporting generally follow accounting policies according to IFRS, except for areas described below.

In the UIE segment, the following areas deviate from the Consolidated Financial Statements:

- The investment in UP is recognised using the equity method. The measurement of the net assets and the result from UP excludes the impact of the purchase price allocation performed according to IFRS 10 and IFRS 13

The following notes are presented in section 1 "Operating activities":

- Segmental information and revenue
- Staff costs and key management personnel compensation
- Inventory

- The measurement of biological assets and bearer plant exclude the re-measurement of fresh fruit bunches (FFB) and coconuts according to IAS 41

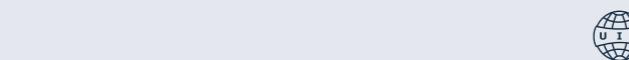
In the UP segment, the following areas deviate from the Consolidated Financial Statements:

- The figures exclude the impact of the purchase price allocation performed according to IFRS 10 and IFRS 13
- The measurement of biological assets and bearer plant exclude the re-measurement of FFB and coconuts according to IAS 41

Further information on the recognition and measurement principles is provided in the Group's accounting policies.

### DIFFERENCE BETWEEN BUSINESS REPORTING AND CONSOLIDATED FINANCIAL STATEMENTS

Both of the segments exclude the fair value adjustments of UP's assets, related to the retrospective acquisition accounting of UP in 2003 and the adoption of IAS 41, which are recognised in UIE's consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 1: OPERATING ACTIVITIES – CONTINUED

USD '000	UIE	UP	Total	Adjustments to IFRS	Eliminations	UIE consolidated
<b>INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017</b>						
Revenue	-	343,517	343,517	-	-	343,517
Other income	156	8,755	8,911	-	-	8,911
Changes in fair value of MSAB	21,606	-	21,606	-	-	21,606
Changes in fair value of Greenbridge	(1,515)	-	(1,515)	-	-	(1,515)
Dividend income MSAB	824	-	824	-	-	824
Results from investing activities - portfolio	2,270	-	2,270	-	-	2,270
Share of results of equity-accounted investments	43,072	(24)	43,048	-	(43,072)	(24)
<b>Total operating income</b>	<b>66,413</b>	<b>352,248</b>	<b>418,661</b>	<b>-</b>	<b>(43,072)</b>	<b>375,589</b>
Operating expenses	(3,055)	(241,631)	(244,686)	61	-	(244,625)
Interest income	952	6,084	7,036	-	-	7,036
Interest expense	(4)	(5)	(9)	-	-	(9)
Foreign exchange adjustment	3,497	-	3,497	-	-	3,497
Profit before tax	67,803	116,696	184,499	61	(43,072)	141,488
Income tax	(273)	(25,293)	(25,566)	146	-	(25,420)
<b>Net profit</b>	<b>67,530</b>	<b>91,403</b>	<b>158,933</b>	<b>207</b>	<b>(43,072)</b>	<b>116,068</b>
<b>Profits attributable to</b>						
Owners of the Company	67,530	90,991	158,521	100	(90,991)	67,630
Non-controlling interests	-	412	412	107	47,919	48,438
<b>STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2017</b>						
<b>Assets</b>						
Cash & short-terms funds	98,301	210,427	308,728	-	-	308,728
Other current assets	16,213	104,206	120,419	-	-	120,419
Strategic investments	478,837	-	478,837	-	(332,688)	146,149
Other non-current assets	137	381,786	381,923	37,586	7,094	426,603
<b>Total assets</b>	<b>593,488</b>	<b>696,419</b>	<b>1,289,907</b>	<b>37,586</b>	<b>(325,594)</b>	<b>1,001,899</b>
<b>Liabilities and shareholders' equity</b>						
Total liabilities	2,208	76,937	79,145	9,883	-	89,028
Shareholders' equity:						
Equity attributable to owners	591,280	617,823	1,209,103	13,243	(648,094)	574,252
Non-controlling interest	-	1,659	1,659	14,460	322,500	338,619
<b>Total shareholders' equity</b>	<b>591,280</b>	<b>619,482</b>	<b>1,210,762</b>	<b>27,703</b>	<b>(325,594)</b>	<b>912,871</b>
<b>Total liabilities and shareholders' equity</b>	<b>593,488</b>	<b>696,419</b>	<b>1,289,907</b>	<b>37,586</b>	<b>(325,594)</b>	<b>1,001,899</b>
<b>STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017</b>						
Net cash generated from operating activities	6,553	132,356	138,909	-	-	138,909
Net cash (used in)/generated from investing activities	25,593	(69,682)	(44,089)	-	(26,477)	(70,566)
Net cash used in financing activities	(33,243)	(61,800)	(95,043)	-	26,477	(68,566)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 1: OPERATING ACTIVITIES – CONTINUED

USD '000	UIE	UP	Total	Adjustments to IFRS	Elimi- nations	UIE con- solidated
<b>INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016</b>						
Revenue	-	296,409	296,409	-	-	296,409
Other income	134	17,114	17,248	-	-	17,248
Changes in fair value of MSAB	(9,062)	-	(9,062)	-	-	(9,062)
Changes in fair value of Greenbridge	2,133	-	2,133	-	-	2,133
Dividend income MSAB	730	-	730	-	-	730
Results from investing activities - portfolio	93	-	93	-	-	93
Share of results of equity-accounted investments	37,631	-	37,631	-	(37,631)	-
<b>Total operating income</b>	<b>31,659</b>	<b>313,523</b>	<b>345,182</b>	<b>-</b>	<b>(37,631)</b>	<b>307,551</b>
Operating expenses	(2,557)	(219,159)	(221,716)	715	-	(221,001)
Interest income	508	6,489	6,997	-	-	6,997
Interest expense	-	(5)	(5)	-	-	(5)
Foreign exchange adjustment	(380)	-	(380)	-	-	(380)
Profit before tax	29,230	100,848	130,078	715	(37,631)	93,162
Income tax	(229)	(21,024)	(21,253)	347	-	(20,906)
One-off settlement of tax position	9,948	-	9,948	-	-	9,948
<b>Net profit</b>	<b>38,949</b>	<b>79,824</b>	<b>118,773</b>	<b>1,062</b>	<b>(37,631)</b>	<b>82,204</b>
<b>Profits attributable to Owners of the Company</b>						
Non-controlling interests	-	79,506	118,455	(41,365)	(37,631)	39,459
		318	318	42,427	-	42,745

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016

<b>Assets</b>						
Cash & short-terms funds	96,400	154,005	250,405	-	-	250,405
Other current assets	20,377	110,419	130,796	-	-	130,796
Strategic investments	405,287	-	405,287	-	(279,448)	125,839
Other non-current assets	133	326,799	326,932	40,985	-	367,917
<b>Total assets</b>	<b>522,197</b>	<b>591,223</b>	<b>1,113,420</b>	<b>40,985</b>	<b>(279,448)</b>	<b>874,957</b>
<b>Liabilities and shareholders' equity</b>						
Total liabilities	1,807	63,493	65,300	9,134	-	74,434
Shareholders' equity:						
Equity attributable to owners	520,390	526,467	1,046,857	(387,135)	(149,543)	510,179
Non-controlling interest	-	1,263	1,263	418,986	(129,905)	290,344
<b>Total shareholders' equity</b>	<b>520,390</b>	<b>527,730</b>	<b>1,048,120</b>	<b>31,851</b>	<b>(279,448)</b>	<b>800,523</b>
<b>Total liabilities and shareholders' equity</b>	<b>522,197</b>	<b>591,223</b>	<b>1,113,420</b>	<b>40,985</b>	<b>(279,448)</b>	<b>874,957</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

Net cash (used in)/generated from operating activities	(2,429)	51,609	49,180	-	-	49,180
Net cash (used in)/generated from investing activities	20,962	12,004	32,966	-	(24,252)	8,714
Net cash used in financing activities	(24,312)	(52,308)	(76,620)	-	24,252	(52,368)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 1: OPERATING ACTIVITIES – CONTINUED

## REVENUE SPLIT

USD '000	2017	2016
Sales proceeds of produced stocks	96,525	85,387
Sales proceeds of finished goods	246,652	210,659
Rendering of services	340	363
<b>Total</b>	<b>343,517</b>	<b>296,409</b>

## GEOGRAPHICAL SEGMENTS

In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets:

USD' 000	Malaysia	Indonesia	United States	Europe	Other	Total
<b>2017</b>						
Revenue	158,459	44,214	13,861	112,169	14,814	343,517
Total assets	669,881	66,357	1,936	259,774	3,951	1,001,899
Capital expenditures	38,854	2,329	-	-	-	41,183

USD' 000	Malaysia	Indonesia	United States	Europe	Other	Total
<b>2016</b>						
Revenue	113,021	40,759	29,640	108,265	4,724	296,409
Total assets	536,881	69,810	14,153	254,035	78	874,957
Capital expenditures	28,371	2,533	-	-	-	30,904

## MAJOR CUSTOMERS

Revenue from one major customer amounted to USD 224 million (2016: USD 190 million), arising from sales by the palm oil refining segment.

## ACCOUNTING POLICY

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

## (I) SALE OF GOODS

Revenue from sale of produce stocks and finished goods is recognised when the significant risk and rewards of ownership of the produce stocks and finished goods have passed to the buyer.

## (II) REVENUE FROM SERVICES

Revenue from services is recognised when services are rendered.

## (III) DIVIDEND INCOME

Dividend income is recognised when the right to receive payment has been established.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 1: OPERATING ACTIVITIES – CONTINUED

#### 1.2 STAFF COSTS AND KEY MANAGEMENT PERSONNEL COMPENSATION

##### STAFF COSTS

USD '000	2017	2016
Number of employees	6,832	5,933
Wages and salaries	33,850	30,772
Pension costs		
- defined contribution plans	1,515	1,562
- defined benefit plans	738	573
Other social security costs	411	353
Other staff costs	4,104	4,127
Total staff costs	40,618	37,387

##### REMUNERATION OF KEY MANAGEMENT PERSONNEL AND DIRECTORS

Remuneration of UIE's key management personnel is as follows:

USD '000	2017	2016
Remuneration, excl. pension	1,359	1,221
Pension	133	132
Total	1,492	1,353

#### 1.3 INVENTORY

The Group's inventory relates to the operating segment UP.

USD '000	2017	2016
Agricultural produce stocks	4,825	7,343
Estate stores	6,872	6,061
Raw materials	2,880	5,681
Finished goods	22,922	22,336
Consumables	1,254	921
Total	38,753	42,342

##### ACCOUNTING POLICY

Agricultural produce stocks are stated at net realisable value at the reporting date.

All other inventories are valued at the lower of cost and estimated net realisable value. Cost includes the actual cost of materials, labour and appropriate production overheads and is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 2: CAPITAL EMPLOYED

The Group's main operating activities are performed through UP, which has significant biological assets, land and buildings, as its primary activity is cultivation and processing of palm oil and coconuts.

This section describes the Group's employment of capital, which includes inter alia, the Group's biological assets, land use rights and property plant and equipment.

The following notes are presented in section 2 "Capital employed":

- Goodwill
- Bearer plants
- Biological assets
- Property, plant and equipment
- Land use rights
- Capital expenditure

#### 2.1 GOODWILL

Goodwill relates to plantations acquired through business combinations, which is allocated to a single cash generating unit, UP.

The Group performed its annual impairment test in December 2017 and 2016. In the impairment test, the discounted future cash flows were compared with the carrying amount of the cash generating unit. Based on the impairment test, no impairment was recognised in 2017 and 2016.

#### 2.2 BEARER PLANTS

USD '000	2017	2016
<b>Cost</b>		
On 1 January	209,536	206,215
Additions	9,277	10,657
Disposals	(445)	(67)
Transfers	-	-
Exchange differences	18,836	(7,269)
<b>On 31 December</b>	<b>237,204</b>	<b>209,536</b>

##### Accumulated amortisations

On 1 January	105,324	102,091
Amortisation for the year	7,671	7,529
Disposals	-	-
Exchange differences	10,507	(4,296)
<b>On 31 December</b>	<b>123,502</b>	<b>105,324</b>

**Net book value on 31 December 113,702 104,212**

##### RESEARCH AND DEVELOPMENT COSTS

All general research and development costs are expensed as incurred.

##### ACCOUNTING POLICIES

Bearer assets comprise palm and coconut trees which are measured at cost less depreciation and impairment. The cost comprises pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is amortised at maturity of the palm at the following rates which are deemed as the useful economic lives of the crop.

##### PRE-CROPPING EXPENDITURE

Oil palm	over 20 years
Coconut palm	over 30 years



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 2: CAPITAL EMPLOYED – CONTINUED

## 2.3 BIOLOGICAL ASSETS

## Reconciliation of carrying amount of fresh fruit bunches

USD '000	2017	2016
Carrying amount at 1 January	6,301	5,038
Gain arising from changes in fair value less costs to sell attributable to physical changes and prices	772	1,481
Exchange differences	684	(218)
Net book value at 31 December	7,757	6,301
FFB production in tonnes	957,472	793,759

**ACCOUNTING POLICIES**

Biological assets are measured at fair value less cost of sale.

**ESTIMATES**

Management estimates the fair value of biological assets growing on bearer assets. The fair value measurement is performed on a recurring basis (level 3). The main inputs to the valuation model are unobservable, as they comprise production volume, extraction rates, CPO prices and prices per nut, etc. A change of 10% in price would impact profit or loss (before tax) by USD 0.8 million in 2017 (2016: USD 0.8 million).

The change in fair value of the biological assets in each accounting period is recognised in the income statements.

The key assumptions used to determine the fair value are as follows:

	December 2017	December 2016
--	---------------	---------------

Oil palms	43,646	44,488
Area (Ha)		
Average FFB selling price (USD/tonnes)	133	144

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 2: CAPITAL EMPLOYED – CONTINUED

## 2.4 PROPERTY, PLANT AND EQUIPMENT

2017	USD '000	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Capital work-in-progress	Total
<b>Cost</b>							
On 1 January 2017	110,269	44,798	66,201	160,061	15,986	397,315	
Additions	-	-	3,488	26,088	2,058	31,634	
Disposals	-	-	(25)	(498)	(2,748)	(3,271)	
Reclassification	-	-	490	12,508	(12,998)	-	
Exchange differences	11,972	4,863	5,718	18,356	870	41,779	
<b>On 31 December 2017</b>	<b>122,241</b>	<b>49,661</b>	<b>75,872</b>	<b>216,515</b>	<b>3,168</b>	<b>467,457</b>	
<b>Accumulated depreciations</b>							
On 1 January 2017	-	14,182	36,468	106,782	-	157,432	
Depreciation	-	917	2,176	9,661	-	12,754	
Disposals	-	-	(20)	(339)	-	(359)	
Exchange differences	-	1,595	3,677	11,855	-	17,127	
<b>On 31 December 2017</b>	<b>-</b>	<b>16,694</b>	<b>42,301</b>	<b>127,959</b>	<b>-</b>	<b>186,954</b>	
<b>Net book value on 31 December 2017</b>							
	<b>122,241</b>	<b>32,967</b>	<b>33,571</b>	<b>88,556</b>	<b>3,168</b>	<b>280,503</b>	





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 2: CAPITAL EMPLOYED – CONTINUED

2016

	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Capital work-in-progress	Total
USD '000						
<b>Cost</b>						
On 1 January 2016	115,265	46,827	66,399	163,767	6,674	398,932
Additions	-	-	1,642	6,291	11,999	19,932
Disposals	-	-	-	(4,055)	-	(4,055)
Write-offs	-	-	-	(156)	-	(156)
Reclassification	-	-	293	1,312	(1,605)	-
Exchange differences	(4,996)	(2,029)	(2,133)	(7,098)	(1,082)	(17,338)
<b>On 31 December 2016</b>	<b>110,269</b>	<b>44,798</b>	<b>66,201</b>	<b>160,061</b>	<b>15,986</b>	<b>397,315</b>
<b>Accumulated depreciations</b>						
On 1 January 2016	-	13,907	35,851	106,361	-	156,119
Depreciation	-	949	2,094	7,824	-	10,867
Disposals	-	-	-	(1,793)	-	(1,793)
Write-offs	-	-	-	(43)	-	(43)
Exchange differences	-	(674)	(1,477)	(5,567)	-	(7,718)
<b>On 31 December 2016</b>	<b>-</b>	<b>14,182</b>	<b>36,468</b>	<b>106,782</b>	<b>-</b>	<b>157,432</b>
<b>Net book value on 31 December 2016</b>	<b>110,269</b>	<b>30,616</b>	<b>29,733</b>	<b>53,279</b>	<b>15,986</b>	<b>239,883</b>

## ESTIMATES

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment, which could trigger an impairment review, include evidence of obsolescence or physical damage, a significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, and significant adverse industry or economic changes. Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and cash operating units, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and result in changes to the recoverable amounts of assets and impairment losses needed.

## ACCOUNTING POLICY

Property, plant and equipment ("PPE") are measured at cost less depreciation and any impairment loss. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

In general, construction of major investments are self-financed and thus, no material borrowing costs are capitalised.

If significant parts of one item of PPE have different useful lives, they are accounted for as separate items of PPE.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 2: CAPITAL EMPLOYED – CONTINUED

Depreciation is provided under the straight line method to residual value over the estimated useful life as follows:

Buildings	2.0%-5.0% p.a.
Bulking installations	5.0% p.a.
Railways	4.0% p.a.
Rolling stock	7.1% p.a.
Plant and machinery	5.0%-20.0% p.a.
Furniture and office equipment	10.0%-20.0% p.a.
Motor vehicles, tractors and implements	12.5%-25.0% p.a.
Aircrafts	5.0% p.a.
Long-term leases	55-99 years

Freehold land and capital work-in-progress are stated at cost less any accumulated impairment losses.

The residual value of useful life and depreciation method are reviewed each financial year to ensure that the amount, method and period of depreciation are consistent with previous estimates.

## 2.5 LAND USE RIGHTS

USD '000	2017	2016
On 1 January	8,067	7,896
Additions	289	335
Amortisation for the year	(160)	(174)
Exchange differences	234	10
<b>On 31 December</b>	<b>8,430</b>	<b>8,067</b>

## ACCOUNTING POLICY

Land use rights are initially measured at cost. Subsequently, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms, which are up to 99 years.

## 2.6 CAPITAL EXPENDITURE

USD '000	2017	2016
Capital expenditure approved by the Directors, but not contracted	28,691	2,622
Capital expenditure contracted, but not provided for	4,361	49,062
<b>33,052</b>	<b>51,684</b>	

## ACCOUNTING POLICY

Capital expenditure is accounted for when the asset or service are transferred to the Group. If the contract becomes onerous, a provision is recognised.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 3: INVESTMENT ACTIVITIES

#### 3.1 STRATEGIC AND PORTFOLIO INVESTMENTS

UIE's investment activities comprise strategic investments and portfolio investments relating to free funds.

When making strategic investments, UIE has an active ownership policy through involvement at board level and via close dialogue with the management about operational and strategic issues. Its current portfolio is built around the world of vegetable oils. The current strategic investments mainly consist of the following three companies:

- UP is a company incorporated in Malaysia and its shares are publicly traded on Bursa Malaysia. Its primary business activity is cultivation and processing of oil palms and coconuts on plantations in Malaysia as well as palm oil cultivation and processing in Indonesia and the manufacturing and processing of oils and fats in Malaysia. UP is fully consolidated. See page 88 for further information.
- MSAB is a company incorporated in Sweden and its shares were publicly traded on Nasdaq Stockholm until January 2018. MSAB is a holding company focusing upon long-term industrial development. MSAB's current portfolio primarily consists of investments in six publicly listed companies.

- Greenbridge is an investment partnership in which UIE has committed to invest up to SEK 200 million - Remaining commitment as per 31 December 2017: SEK 137.8 million (USD 16.8 million). The purpose and objective of Greenbridge is to invest in and have an industrial focus on high-tech and/or software related companies and establish a portfolio of a limited number of core holdings and to support the development and expansion of these investments during the course of 5-10 years, leading to the initiation of an IPO.

UIE invests a small portion of its free funds in a portfolio of money market instruments, debt instruments, derivatives and equity instruments.

The following notes are presented in section 3 "Investment activities":

- Strategic and portfolio investments
- Joint venture
- Cash and short-term deposits

#### Joint venture

In 2017, UP entered into a newly established 50:50 joint venture with Fuji Oil. This joint venture is constructing a refinery with a solvent fractionation plant for the production of value-added palm fractions for the specialty fats and chocolate industry.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 3: INVESTMENT ACTIVITIES – CONTINUED

#### STRATEGIC AND PORTFOLIO INVESTMENTS

USD '000	2017	2016
<b>Portfolio investments</b>		
Total portfolio investments at fair value	15,974	11,216
<b>Strategic investments</b>		
MSAB (indirectly owned via S&P)	138,380	116,774
Greenbridge	7,769	9,065
Total strategic investments at fair value	146,149	125,839

USD '000	2017	2016
<b>MSAB (indirectly owned via S&amp;P)</b>		
Investment on 1 January	116,774	125,836
Fair value changes during the year	21,606	(9,062)
Fair value on 31 December	138,380	116,774

Greenbridge	2017	2016
Investment on 1 January	9,065	3,774
Investment during the year	219	3,158
Fair value changes during the year	(1,515)	2,133
Fair value on 31 December	7,769	9,065

#### CHANGE IN FAIR VALUE OF STRATEGIC INVESTMENTS

USD '000	2017	2016
MSAB (indirectly owned via S&P)	21,606	(9,062)
Greenbridge	(1,515)	2,133
Total change in fair value of strategic investment	20,091	(6,929)

In November 2017, UIE exchanged its shares in MSAB with shares in a newly formed unlisted company, Schörling & Partners AB ("S&P"). As a consequence of the transaction, UIE's indirect shareholding in MSAB increased marginally. Before the transaction, UIE owned 1.65% of the shares in MSAB whereas UIE now owns 1.78% of the shares in S&P. However, as S&P obtained debt to buy out minority shareholders at a price equal to net asset value, the net asset value of UIE's investment was not affected by the transaction.

#### ACCOUNTING POLICY

Investments in quoted equities, bonds, foreign currency futures, options and all other investments, other than associated companies, are classified at fair value through profit or loss. They are measured at fair value with reference to share prices, broker prices, the underlying net assets of the Company or subsequent selling prices.

Investments in unquoted equities classified at fair value through profit or loss are measured at fair value using valuation techniques based on market conditions existing at each reporting date.

Investment in quoted equities and bonds is recorded on the trade-date basis. Fair value adjustments on quoted equities and bonds, together with the realised gains and losses on investments, are reflected in the Consolidated Income Statement as net gain or loss on investments.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 3: INVESTMENT ACTIVITIES – CONTINUED

## 3.2 JOINT VENTURE

USD '000	2017	2016
Cost on 1 January	-	-
Addition	6,990	-
Exchange rate adjustments	423	-
Cost on 31 December	7,413	-

Share of results of equity-accounted investments:		
1 January	-	-
Share of result	(24)	-
Exchange rate adjustments	(1)	-
31 December	(25)	-

Value on 31 December	7,388	-
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Share of capital commitments in a joint venture		
Country of incorporation	Equity and voting interest	
	2017	2016
Joint venture		
UniFuji Sdn. Bhd.	Malaysia	50%
		50%

Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment is set out below:

USD '000	2017	2016
Current assets	1,326	-
Non-current assets	21,466	-
Current liabilities &		
Non-current liabilities	8,016	-
Equity	14,776	-
The Group's carrying amount of the investment	7,388	-

## ACCOUNTING POLICIES

The Group's investment in joint ventures are accounted for using the equity method. The consolidated Financial Statements include the Group's share of the total comprehensive income on the equity accounted basis. The equity method of accounting for investments in joint ventures adjusts the original cost of the investment to recognise the Group's proportionate share of the increases or decreases in the underlying comprehensive income of the investee companies subsequent to the date of investment therein less any distributions received. Goodwill relating to joint ventures is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The share of profit from joint ventures is shown on the face of the Consolidated Income Statement and other movements in comprehensive income are shown in the Consolidated Statement of Comprehensive Income.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss for the Group's investment in the investee. An impairment loss is recognised if the carrying value of the investment exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 3: INVESTMENT ACTIVITIES – CONTINUED

## 3.3 CASH AND SHORT-TERM DEPOSITS

## Cash and short-term deposits in:

USD '000	2017	2016
UIE	98,301	96,400
UP	117,054	60,694
Total	215,355	157,094

Cash at bank held by the Group on 31 December is as follows:

USD '000	2017	2016
Currency		
USD	57,246	85,722
MYR	129,660	60,694
DKK	20,248	1,383
SEK	523	137
Other	7,678	9,158
Total	215,355	157,094

## Short-term funds on 31 December are as follows:

Currency	USD '000	Interest Rate <sup>1</sup>
2017		
MYR	93,373	3.26%
Total	93,373	

2016	MYR	93,311	3.58%
Total		93,311	

1) Average weighted interest rate.

## ACCOUNTING POLICY

Cash and cash equivalents comprise cash at bank and short-term deposits which qualify as cash equivalents.

Short-term funds are investments in income trust funds in Malaysia. The trust funds invest in highly liquid assets which are readily convertible to cash with insignificant changes in value.

Interest income is determined based on the effective interest rate method.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 4: OTHER DISCLOSURES

The notes presented in this section are relevant for the overall understanding of financial statements, but are not relevant for the key themes in the financial statements.

The following notes are presented in section 4 "Other disclosures":

- Auditors' remuneration
- Taxation
- Share capital and other reserves
- Capital management
- Pension – defined benefit plans
- Financial instruments
- Related parties

#### 4.1 AUDITORS' REMUNERATION

	USD '000	2017	2016
Audit fees		242	212
Tax advisory		2	3
Other advisory		31	5
Total		275	220

No additional fees for non-audit services were paid to the auditors.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 4: OTHER DISCLOSURES - CONTINUED

#### 4.2 TAXATION

##### INCOME TAX

	USD '000	2017	2016
Income tax	22,078	19,450	
Movement in deferred tax	2,986	1,444	
Adjustments relating to prior years	356	12	
One-off settlement of tax position	-	(9,948)	
<b>Total</b>	<b>25,420</b>	<b>10,958</b>	

##### USD '000

	2017	2016
Profit before tax	141,488	93,162
Tax rate, Malaysia <sup>1</sup>	24.0%	24.0%
Tax at the applicable rate	33,957	22,359
Non-taxable income	(7,155)	(2,142)
Expenses not deductible for tax purposes	1,667	1,244
Adjustment regarding utilisation of double deduction for research reinvestment allowance	(3,541)	(567)
Overprovision of deferred tax in prior years	38	(473)
Overprovision of income tax in prior years	318	485
Effect of taxation on temporary differences excluding on initial recognition	-	-
One-off settlement of tax position	-	(9,948)
Other	136	-
<b>Tax expense for the year</b>	<b>25,420</b>	<b>10,958</b>
<b>Effective tax rate</b>	<b>18.0%</b>	<b>11.8%</b>

In 2016, current tax includes an income of USD 9.9 million related to Maximum Vista Sdn. Bhd (MVS). Prior to 2016, MVS had a tax claim against the Malaysian Tax Authorities, which, due to uncertainties, was not recognised as a tax receivable. A settlement agreement was made with the Malaysian Tax Authorities and the receivable was received in February 2017.

##### DEFERRED TAX

	USD '000	2017	2016
On 1 January		34,805	34,815
Recognised in profit or loss		3,024	1,444
Exchange differences		3,997	(1,454)
<b>On 31 December</b>	<b>41,826</b>	<b>34,805</b>	

Presented after appropriate offsetting as follows:

	USD '000	2017	2016
Deferred tax assets	(871)	(2,346)	
Deferred tax liabilities	42,697	37,151	
<b>Total</b>	<b>41,826</b>	<b>34,805</b>	

1) for presentation purposes, the statutory Malaysian tax rate has been applied as the main operating activities are located in Malaysia.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

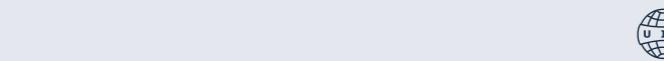
## SECTION 4: OTHER DISCLOSURES - CONTINUED

## DEFERRED TAX LIABILITIES

USD '000	Accelerated capital allowances	Others	Total
On 1 January 2017	37,151	-	37,151
Recognised in profit or loss	631	785	1,416
Exchange differences	4,083	47	4,130
On 31 December 2017	41,865	832	42,697
On 1 January 2016	37,968	-	37,968
Recognised in profit or loss	904	-	904
Exchange differences	(1,721)	-	(1,721)
On 31 December 2016	37,151	-	37,151

## DEFERRED TAX ASSETS

USD '000	Unutilised tax Retirement losses and benefit reinvestment obligations	allowances	Others	Total
On 1 January 2017	(749)	-	(1,597)	(2,346)
Recognised in profit or loss	(51)	-	1,659	1,608
Exchange rate differences	(56)	-	(77)	(133)
On 31 December 2017	(856)	-	(15)	(871)
On 1 January 2016	(717)	(42)	(2,394)	(3,153)
Recognised in profit or loss	(125)	42	623	540
Exchange rate differences	93	-	174	267
On 31 December 2016	(749)	-	(1,597)	(2,346)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 4: OTHER DISCLOSURES - CONTINUED

## ACCOUNTING POLICY

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

The Group recognises a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except to the extent that both of the following conditions are satisfied:

- (i) The Group is able to control the timing of the reversal of the temporary differences; and
- (ii) it is probable that the temporary differences will not reverse in the foreseeable future.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 4: OTHER DISCLOSURES - CONTINUED

#### 4.3 SHARE CAPITAL AND OTHER RESERVES

The authorised share capital on 31 December 2017 and 2016 was USD 100 million divided into 10 million shares of USD 10 each.

##### ISSUED AND FULLY PAID CAPITAL

No. of USD 10 shares	2017	2016
----------------------	------	------

<b>Balance</b>		
On 1 January	3,555,575	3,555,575
Cancellation of treasury shares	-	-
<b>Balance on 31 December</b>	<b>3,555,575</b>	<b>3,555,575</b>

USD '000	2017	2016
----------	------	------

<b>Balance</b>		
On 1 January	35,556	35,556
Cancellation of treasury shares	-	-
<b>Balance on 31 December</b>	<b>35,556</b>	<b>35,556</b>

##### SHARE PREMIUM

The share premium on 31 December 2017 and 2016 was USD 9.2 million. Share premium comprises the surplus over the par value of the shares arising on the issue of shares in prior years.

##### TREASURY SHARES

UIE holds 121,593 (2016: 75,822) of its own shares on 31 December 2017.

No. of USD 10 shares	USD '000
----------------------	----------

Balance on 1 January 2017	75,822	13,646
Shares acquired in 2017	45,771	9,207
Shares cancelled in 2017	-	-
<b>Balance on 31 December 2017</b>	<b>121,593</b>	<b>22,853</b>

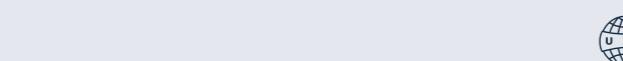
Balance on 1 January 2016	-	-
Shares acquired in 2016	75,822	13,646
Shares cancelled in 2016	-	-
<b>Balance on 31 December 2016</b>	<b>75,822</b>	<b>13,646</b>

##### ACCOUNTING POLICY

The purchase price of UIE shares acquired is deducted from equity as "treasury shares", and the sales proceeds from the subsequent sale of these shares are credited against the purchase price. No gain or loss is recognised in the Consolidated Income Statement on the purchase, sale, issue or cancellation of UIE's own equity instruments. On the cancellation of shares, the treasury shares are reduced by the percentage of treasury shares being cancelled and the par value of cancelled shares is offset against share capital. Share premium is reduced by the percentage of shares being cancelled relative to total shares with the balance being offset against retained earnings.

##### TRANSLATION OF FOREIGN OPERATIONS RESERVE

The change in foreign currency translation represents the differences arising on translation to USD of the Group's investment in and advances to associated and subsidiary companies, which is included in other reserves in the Consolidated Statement of Changes in Equity.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 4: OTHER DISCLOSURES - CONTINUED

#### DIVIDENDS

##### DIVIDEND DECLARED IN RESPECT OF FINANCIAL YEAR 2017

At the forthcoming Annual General Meeting on 26 April 2018, an ordinary dividend of USD 5.50 per share in respect of the financial year 2017 will be proposed for shareholders' approval.

The total dividend will amount to USD 19.6 million.

##### DIVIDEND DECLARED AND PAID IN RESPECT OF FINANCIAL YEAR 2016

An ordinary dividend of USD 4.00 per share and special final dividend of USD 1.00 per share were declared and paid to shareholders in respect of the financial year 2016.

USD '000	2017	2016
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Final dividend declared and paid in respect of previous financial year excluding treasury shares:

Ordinary dividend	13,880	3,555
Special final dividend	3,470	7,111

Total dividends paid	17,350	10,666
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Distribution is not subject to any particular restrictions and is not subject to any tax payments.

##### EARNINGS PER SHARE

The earnings per share values have been calculated based on the average number of shares outstanding after subtracting the shares that UIE holds in itself, resulting in an average of 3,456,837 (2016: 3,530,313) shares outstanding during the year.

As the Group does not have any outstanding warrants, share options or similar instruments, the diluted earnings per share have not been presented.

#### 4.4 CAPITAL MANAGEMENT

The primary objective of UIE's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. UIE manages its capital structure and makes adjustments to it in light of changes in economic conditions.

##### DIVIDEND POLICY

The objective of UIE's dividend policy is, subject to the requirements of its investment programme, to distribute 50% of dividends received from its investments to shareholders. In the interest of maintaining a stable dividend trend, the actual distribution percentage may fluctuate from one year to the next.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 4: OTHER DISCLOSURES - CONTINUED

#### 4.5 PENSION - DEFINED BENEFIT PLANS

Certain subsidiary companies pay retirement benefits to their eligible employees in accordance with the terms of employment and practices. These plans are generally of the defined benefit type, where benefits are based on employees' years of service and on predetermined rates or average final remuneration. Furthermore, they are unfunded.

From the financial year 2011 onwards, the subsidiaries in Indonesia provided employee benefits under the Labour Law No. 13. No formal independent actuarial valuations have been undertaken to value the Group's obligations under these plans, but these are estimated by the Group.

The obligations of the Group are based on the following actuarial assumptions:

%	2017	2016
Discount rate in determining the actuarial present value of the obligations	6.0 - 7.5	6.0 - 7.5
The average rate of increase in future earnings	4.0 - 10.0	4.0 - 10.0
Turnover of employees	10.0 - 20.0	10.0 - 20.0

#### SENSITIVITY ANALYSIS

	Group	
USD '000	2017	2016
Discount rate increase by 1%	(369)	(345)
Discount rate decrease by 1%	427	392
The average rate of increase in future earnings increase by 1%	200	149
The average rate of increase in future earnings decrease by 1%	(184)	(142)
Turnover of employee increase by 1%	(31)	(30)
Turnover of employees decrease by 1%	20	17

The amounts recognised in the statements of financial position are determined as follows:

USD '000	2017	2016
Present value of unfunded defined benefit obligations	3,607	3,121
On 1 January	3,121	2,762
Provision during the year	738	573
Reversal during the year	(430)	-
Paid during the year	(64)	(126)
Exchange difference	242	(88)
On 31 December	3,607	3,121

Analysed as:

Current	240	167
Non-current:		
Later than 1 year but not later than 2 years	127	81
Later than 2 years but not later than 5 years	493	565
Later than 5 years	2,747	2,308
Total non current	3,367	2,954
Total current and non-current	3,607	3,121



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 4: OTHER DISCLOSURES - CONTINUED

#### 4.6 FINANCIAL INSTRUMENTS

The Group is exposed to the following risks:

	UIE Segment	UP Segment	Group
<b>Market risks</b>			
Share price risk	Significant	Low	Significant
Foreign currency risk	Significant	Medium	Significant
Interest rate risk	Medium	Medium	Medium
Commodity price risk	Low	High	High
<b>Credit risk</b>		Significant	Significant
<b>Liquidity risk</b>		Minimal	Minimal

#### RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

##### (A) MARKET RISK

In the ordinary course of business, the Group is exposed to a variety of market risks, which include share and commodity price risks and foreign currency risks. The Group has implemented a risk management policy, which stipulates the acceptable exposure thresholds for market risk, and this has not changed in 2017.

##### SHARE PRICE RISK

Share price risk is the risk that the value of the investments (strategic and portfolio) will fluctuate due to changes in share prices. The Group's exposure to share price risk is considered to be significant.

The Group's primary investment is in MSAB (indirectly owned via S&P), whose underlying investments are denominated in SEK. The foreign currency transaction risk related to this investment is described below and is significant.

MSAB has a carrying value of USD 138.4 million (2016: USD 116.8 million). MSAB's six major investments are listed on Nasdaq Stockholm.

Portfolio investments are in shares and fixed income products, which are listed on recognised stock exchanges. All investments are actively monitored by the management with regular oversight by the Board of Directors.

A 10% change in the price of investments would result in an impact of approximately USD 16 million to the Income Statement (2016: USD 14 million).

During the year, the Group entered into commodity futures and forward exchange contracts. Control and monitoring procedures include, amongst others, setting of trading limits and the manner and timing of management reporting. Such derivative trading is also under the close supervision of a director. These control procedures are periodically reviewed and enhanced, where necessary, in response to changes in market condition.

The financial risk management policy is allocated into managing risks arising from UIE's investing activities and UP's operating activities.

At 31 December 2017, financial assets totalled approximately USD 536 million (2016: USD 463 million) of which USD 309 million (2016: USD 250 million) is cash at bank and fixed deposits and USD 162 million (2016: USD 137 million) is the strategic and portfolio investments (primarily investments in MSAB).

On 31 December 2017, financial liabilities totalled USD 39 million (2016: USD 30 million). The main risks associated with the two primary categories of financial assets are credit risk and market risk.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 4: OTHER DISCLOSURES - CONTINUED

## COMMODITY SALES

Risks arise from fluctuations in the price of palm and palm kernel oil as well as foreign exchange rates. The Group uses forward currency contracts and commodity futures contracts to manage some of the transaction exposure. Control and monitoring procedures include, amongst others, setting of trading limits and management reporting. These contracts are not designated as cash flow or fair value hedges and are entered into periods consistent with currency transaction exposure and fair value changes exposure.

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date, extending to January 2020 (2016: December 2017).

During the financial year, the Group recognised a gain of USD 2.5 million (2016: loss of USD 2.7 million) arising from fair value changes of derivative contracts. The fair value changes are attributable to changes in commodity prices and forward exchange rates. The instruments recognised at 31 December comprise:

	2017		2016		
	Contract/ notional amount	Assets	Contract/ notional amount	Assets	
USD '000					
<b>Non-hedging derivatives:</b>					
<b>Current</b>					
Forward currency contracts	85,042	3,669	-	62,819	37
Commodity futures contracts	199,346	1,333	(2,881)	104,721	733
Total derivatives	5,846	(3,157)	-	770	(3,230)

If the value stated for the derivatives had been 3% higher/lower at the reporting date, with all other variables held constant, the Group's profit net of tax would have been USD 59,000 (2016: USD 43,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading/hedging commodity future contracts, and the Group's retained earnings would have been higher/lower by the same amount, arising as a result of an increase/decrease in the fair value of the aforementioned commodity futures contracts. As at the reporting date, the impact of changes in the commodity futures market, with all other variables held constant, is immaterial to the Group's profit net of tax and equity.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## SECTION 4: OTHER DISCLOSURES - CONTINUED

## FOREIGN CURRENCY RISK

## TRANSACTION RISK

Foreign currency transaction risk is the risk that the fair value or future cash flows of a financial instrument (primarily investments in MSAB and Greenbridge as well as cash at bank) will fluctuate because of changes in foreign exchange rates.

The significant foreign currency exposure as at 31 December comprises the following:

USD '000	DKK	2017		2016	
		SEK	MYR	DKK	SEK
Cash and bank balances	20,248	523	129,661	1,383	137
Short-term funds	-	-	93,373	-	-
Strategic investments	-	146,149	-	-	125,839
<b>Total</b>	<b>20,248</b>	<b>146,672</b>	<b>223,034</b>	<b>1,383</b>	<b>125,976</b>
					154,005

The sensitivity of the Group's net profit to a 10% change in MYR, DKK and SEK foreign exchange rates against the functional currency of the Group (USD), with all other variables held constant, is USD 39.0 million (2016: USD 28.1 million).

## UP'S OPERATING ACTIVITIES

Approximately 65% (2016: 68%) of UP's sales are denominated in foreign currencies whilst almost 66% (2016: 57%) of costs are denominated in the respective

## INVESTMENT ACTIVITIES

Foreign currency risks arising from investing activities relates to investments in shares (portfolio and strategic investments), fixed income products and cash at bank.

functional currencies of UP's entities. UP's trade receivable and trade payable balances at the reporting date have similar exposures.

At 31 December 2017, UP hedged 100% (2016: 100%) and 0% (2016: 13%) of its foreign currency denominated sales and purchases, respectively, for which firm commitments existed at the reporting date, extending to January 2020 (2016: December 2017).

The Group had entered into forward currency contracts with the following notional amounts and maturities:

USD '000	Maturities			Total notional amount
	Within 1 year	1 year up to 5 years		
<b>On 31 December 2017:</b>				
Forwards used to hedge				
Receivables	85,042	14,090		99,132
Payables	-	-		-
<b>On 31 December 2016:</b>				
Forwards used to hedge				
Receivables	57,847	-		57,847
Payables	4,972	-		4,972



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 4: OTHER DISCLOSURES - CONTINUED

#### FOREIGN CURRENCY TRANSLATION RISK

Translation risk relates to the translation of equity and other comprehensive income of subsidiaries and associates denominated in currencies other than USD being the currency in which the Group prepares its financial statements.

The Group's main subsidiary, UP, prepares its financial statements in MYR, and the Group is exposed to the risk of the fluctuation of MYR to USD as well as to IDR as a result of UP's investment in Indonesia. The Group's exposure to revenue and assets in currencies other than USD is set out in note 1.1 on segment reporting.

The sensitivity of the Group's net profit and equity to a 10% change in USD/MYR, with all other variables held constant, is USD 9.2 million (2016: 8.0 million) and USD 64.7 million (2016: USD 56.0 million), respectively. Excluding NCI, the impact on net profit and equity to a 10% change in USD/MYR, with all other variables held constant, is USD 4.3 million (2016: USD 4.3 million) and USD 32.5 million (2016: USD 26.9), respectively.

#### INTEREST RATE RISK

The Group has exposure to interest rate risk arising from floating rate debt instruments, as the Group's fixed deposits are short-term.

At the reporting date, if interest rates had been 1 percentage point higher/lower, with all other variables held constant, the Group's net profit would have been USD 3.1 million (2016: USD 2.5 million) higher/lower, arising as a result of higher/lower interest income from deposits, and the Group's retained earnings would have been USD 3.1 million (2016: USD 2.5 million) higher/lower. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market movements.

#### (B) CREDIT RISK

The Group has an unavoidable exposure to credit risk arising from trade receivables and deposits as well as derivative receivables from financial institutions. The Group has implemented a risk management policy, which stipulates the acceptable exposure thresholds for credit risk.

#### TRADE RECEIVABLES

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness.

Except for the amount due from a major customer of the palm oil refinery unit, the Group has no other significant concentrations of risk that may arise from exposures to a single debtor or to a group of debtors. Trade receivables are monitored on an ongoing basis via management reporting procedures. The credit terms granted to the Group's customers are 10 to 75 days.

#### FINANCIAL INSTITUTIONS

Credit risk of commodity futures contracts arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group has a gain position. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market prices.

The Group is exposed to credit risk on its cash at bank and fixed deposits. The Group manages its credit risk by ensuring that deposits are either placed with SIFI banks (Systemically Important Financial Institution) and/or highly rated banks. The Group assesses the ratings of the banks routinely.

At 31 December 2017, the Group is primarily exposed to three banks with deposits of USD 163 million corresponding to 53% (2016: USD 135 million corresponding to 54%) of the total deposits and the highest exposure to one bank is not more than USD 89 million or 29% (2016: USD 52 million corresponding to 21%).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 4: OTHER DISCLOSURES - CONTINUED

#### DETERMINATION OF FAIR VALUE

(a) In estimating the fair values of financial instruments, the following assumptions and bases were applied:

(i) cash, fixed deposits, negotiable papers issued by licensed banks, short-term funds invested in income trust funds, trade receivables, trade and other payables are all measured at amortised cost, which is close to their fair values.

(ii) investments in quoted equities are determined based on quoted prices in active markets and derivatives and debt instruments are determined by discounted cash flow models, which are based on observable market data, such as interest and currency rates, which approximate to their fair values. The measurement of fair value is performed on a recurring basis.

(iii) the carrying value of unquoted available-for-sale financial assets and unquoted strategic investments are estimated by discounting future cash flows using rates currently available for investments in similar industries and with similar risks, which approximates to fair value. The measurement of fair value is performed on a recurring basis.

As such, the carrying amounts recorded at the reporting date for the above financial instruments are not considered to be significantly different from their fair values.

#### MAXIMUM EXPOSURE TO CREDIT RISK

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial asset recognised in the statements of financial position, including derivatives with positive fair values.

#### CREDIT RISK CONCENTRATION PROFILE

At the reporting date, the majority of the Group's trade receivables of USD 42 million (2016: USD 39 million) were due from the palm oil refining segment, of which approximately 87% (2016: 94%) were due from one major customer.

#### FINANCIAL INSTRUMENTS - OTHER DISCLOSURES

The carrying amount of financial instruments by category is presented below:

USD '000	2017	2016
Financial assets measured at fair value through profit and loss	167,970	137,825
Loans, receivables and cash and cash equivalents	368,467	325,447
Financial liabilities measured at fair value through profit/loss	(3,157)	(3,230)
Financial liabilities measured at amortised cost	(36,231)	(27,292)
<b>Total</b>	<b>497,049</b>	<b>432,750</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 4: OTHER DISCLOSURES - CONTINUED

#### FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques that use inputs, which have a significant effect on the recorded fair value and that are not based on observable market data.

#### ASSETS/(LIABILITIES) MEASURED AT FAIR VALUE

31 December 2017

USD '000	Total	Level 1	Level 2	Level 3
<b>Fair value through profit or loss:</b>				
Quoted equities	15,974	15,974	-	-
Unquoted equities	146,149	-	138,380	7,769
Commodity futures contracts	(1,824)	(1,824)	-	-
Forward currency contracts	4,513	4,513	-	-
Biological assets	7,757	-	-	7,757

31 December 2016

USD '000	Total	Level 1	Level 2	Level 3
<b>Fair value through profit or loss:</b>				
Quoted equities	127,990	127,990	-	-
Unquoted equities	9,065	-	-	9,065
Commodity futures contracts	693	693	-	-
Forward currency contracts	(3,153)	-	(3,153)	-
Biological assets	6,301	-	-	6,301



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SECTION 4: OTHER DISCLOSURES - CONTINUED

#### 4.7 RELATED PARTIES

UIE has the following shareholder holding more than a five percent interest:

- Brothers Holding Ltd.

Brothers Holding Ltd. has received USD 8.4 million in dividend in 2017.

There have been no transactions with related parties during 2017 and 2016.

#### KEY MANAGEMENT PERSONNEL

Key management personnel comprises the Board of the Directors and the Managing Director. The compensation paid to key management personnel is specified in disclosure 1.2.

Related parties also include companies in which these persons have significant interests.

The subsidiary, International Plantation Services Limited, has during the year provided asset management services to the Chairman Carl Bek-Nielsen and Deputy Chairman Martin Bek-Nielsen, for the amount of USD 49,198.



UNITED INTERNATIONAL ENTERPRISES LIMITED

# PARENT COMPANY FINANCIAL STATEMENTS



UNITED INTERNATIONAL ENTERPRISES LIMITED

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UNITED INTERNATIONAL ENTERPRISES LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

USD '000	Note	2017	2016
Operating expenses	1, 2	(3,063)	(2,042)
Profit from operations before financial items		(3,063)	(2,042)
Changes in fair value of MSAB		-	(2,985)
Share of results in subsidiary companies	4	67,333	32,264
Interest income subsidiary company		-	4,011
Results from investing activities - portfolio		1,992	14
Finance income		520	345
Foreign exchange gain		866	7,892
Interest expense subsidiary company		(18)	(40)
<b>Profit for the year</b>		<b>67,630</b>	<b>39,459</b>

## OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

USD '000	2017	2016
Profit for the year	67,630	39,459
<b>Items that are or may be reclassified to the Income Statement</b>		
Foreign currency translation	31,214	(14,267)
<b>Total comprehensive income</b>	<b>98,844</b>	<b>25,192</b>
<b>Total comprehensive income attributable to</b>		
Reserve for net revaluation under the equity method	72,069	(4,794)
Retained earnings	26,775	29,986
<b>Total comprehensive income</b>	<b>98,844</b>	<b>25,192</b>



UNITED INTERNATIONAL ENTERPRISES LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

USD '000	Note	2017	2016
<b>Assets</b>			
<b>Current assets:</b>			
Cash and bank balances	3	75,264	84,480
Trade and other receivables		132	185
Portfolio investments		14,303	10,215
<b>Total current assets</b>		<b>89,699</b>	<b>94,880</b>
<b>Non-current assets:</b>			
Property, plant and equipment	26	77	
Investments in subsidiaries	4	518,420	439,669
<b>Total non-current assets</b>		<b>518,446</b>	<b>439,746</b>
<b>Total assets</b>		<b>608,145</b>	<b>534,626</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Due to subsidiary company		1,955	1,434
Trade and other payables		1,796	1,085
<b>Total current liabilities</b>		<b>3,751</b>	<b>2,519</b>
<b>Equity:</b>			
Share capital		35,556	35,556
Share premium		9,159	9,159
Treasury shares		(22,853)	(13,646)
Retained earnings		382,372	372,948
Reserve for revaluation under the equity method		200,160	128,090
<b>Total equity</b>		<b>604,394</b>	<b>532,107</b>
<b>Total liabilities and shareholders' equity</b>		<b>608,145</b>	<b>534,626</b>



## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

USD '000	Share capital	Share premium	Treasury shares	Revaluation to equity method	Retained profits	Total
<b>2017</b>						
On 1 January 2017	35,556	9,159	(13,646)	128,090	372,948	532,107
Profit for the year	-	-	-	40,704	26,926	67,630
Foreign currency translation	-	-	-	31,365	(151)	31,214
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,069</b>	<b>26,775</b>	<b>98,844</b>
Treasury shares purchased	-	-	(9,207)	-	-	(9,207)
Dividends	-	-	-	-	(17,350)	(17,350)
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>(9,207)</b>	<b>-</b>	<b>(17,350)</b>	<b>(26,557)</b>
<b>On 31 December 2017</b>	<b>35,556</b>	<b>9,159</b>	<b>(22,853)</b>	<b>200,159</b>	<b>382,373</b>	<b>604,394</b>
<b>2016</b>						
On 1 January 2016	35,556	9,159	-	132,884	353,628	531,227
Profit for the year	-	-	-	9,338	30,121	39,459
Foreign currency translation	-	-	-	(14,132)	(135)	(14,267)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,794)</b>	<b>29,986</b>	<b>25,192</b>
Treasury shares purchased	-	-	(13,646)	-	-	(13,646)
Dividends	-	-	-	-	(10,666)	(10,666)
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>(13,646)</b>	<b>-</b>	<b>(10,666)</b>	<b>(24,312)</b>
<b>On 31 December 2016</b>	<b>35,556</b>	<b>9,159</b>	<b>(13,646)</b>	<b>128,090</b>	<b>372,948</b>	<b>532,107</b>



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

USD '000	2017	2016
<b>Cash flow from operations</b>		
Payment of operating expenses	(3,063)	(2,042)
Movement in working capital balances	1,285	(821)
Net cash used in operations	(1,778)	(2,863)
<b>Cash flows from financing</b>		
Dividend paid	(17,350)	(10,666)
Purchases of treasury shares	(9,207)	(13,646)
Interest income from deposits and fixed income products	854	345
Net cash used in financing	(25,703)	(23,967)
<b>Cash flows from investments</b>		
Interest received/paid from subsidiary	(18)	(40)
Acquisition of UP shares	(6,682)	-
Capital increase in UIE Malta	-	(1,100)
Dividends from subsidiary companies	26,629	22,927
Dividends from portfolio investments	128	99
Purchase and sale of portfolio investments, net	(2,527)	(500)
Net cash generated from investments	17,530	21,386
Decrease in cash position	(9,951)	(5,444)
Cash position, beginning of year	84,480	90,326
Foreign exchange adjustment	735	(402)
<b>Cash position, end of year</b>	<b>75,264</b>	<b>84,480</b>



## NOTES TO FINANCIAL STATEMENTS

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## NOTES

## 1. AUDITORS' REMUNERATION

USD '000	2017	2016
Audit fees	98	78
Tax advisory	-	1
Other advisory	23	3
Total	121	82

No additional fees for non-audit services were paid to the auditors.

## 2. STAFF COSTS AND KEY MANAGEMENT PERSONNEL COMPENSATION

## REMUNERATION OF KEY MANAGEMENT PERSONNEL AND DIRECTORS

UIE's only employee is the Managing Director and his total remuneration for 2017 was USD 856,000 (2016: USD 495,000), including pension of USD 51,000 (2016: USD 49,000). The Managing Director's salary is paid in DKK.

Remuneration to the Board of Directors is described in note 1.2 to the Consolidated Financial Statements.



## NOTES – CONTINUED

## 3. CASH AND CASH EQUIVALENTS

**CASH AT BANK HELD BY UIE ON 31 DECEMBER WAS AS FOLLOWS:**

Currency	2017 USD '000	2016 USD '000
USD	54,970	80,457
SEK	251	137
MYR	135	2,515
DKK	18,884	887
Other	1,024	484
Total	75,264	84,480

## 4. INVESTMENTS IN SUBSIDIARIES

USD '000	2017	2016
Cost on 1 January	311,579	66,455
Additions during the year	6,682	245,124
Exchange rate differences	-	-
Cost on 31 December	318,261	311,579
Share of result on 1 January	128,090	132,884
Share of result during the year	67,333	32,264
Dividends received	(26,629)	(22,927)
Exchange rate differences	31,365	(14,131)
Share of result on 31 December	200,159	128,090
Book value	518,420	439,669

For further information about subsidiaries, reference is made to the descriptions in section 3.1 to the Consolidated Financial Statements.



## NOTES – CONTINUED

## 5. OTHER DISCLOSURES

For the following notes, reference is made to the Consolidated Financial Statements:

- Strategic and portfolio investments (Note 3.1, pages 62-63)
- Share capital and other reserves (Note 4.3, pages 70-71)
- Capital management (Note 4.4, page 71)
- Financial instruments (Note 4.6, pages 73-78)
- Related parties (Note 4.7, page 79)

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## BASIS OF PREPARATION

The Danish Financial Statements Act requires that IFRS-preparers develop a present parent company financial statements.

The separate financial statements of UIE have been prepared in accordance with IFRS, as adopted by EU.

These separate financial statements are expressed in USD, as this is UIE's functional and presentation currency. All values are rounded to the nearest thousand USD '000 where indicated.

UIE's separate financial statements are prepared under the historical cost basis, except as noted in the various accounting policies.

## INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are measured in UIE's financial statements using the equity method. UIE's financial statements include UIE's share of the total comprehensive income on the equity accounted basis. The equity method of accounting for investments in subsidiaries adjusts the original cost of the investment to recognise UIE's proportionate share of the increases or decreases in the underlying comprehensive income of the investee companies subsequent to the date of investment therein less any distributions received. Goodwill relating to subsidiaries is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The share of profit from subsidiaries is shown on the face of the income statement and other movements in comprehensive income is shown in the statement of comprehensive income.

After application of the equity method, UIE determines whether it is necessary to recognise an additional impairment of loss for the Company's investment in the investee. An impairment loss is recognised if the carrying value of the investment exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use.



UNITED INTERNATIONAL ENTERPRISES LIMITED

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED INTERNATIONAL ENTERPRISES LIMITED

### OPINION

We have audited the consolidated financial statements and the parent company financial statements of United International Enterprises Limited for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these rules.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2017. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

### REVENUErecognition

(Refer to section 1.1 on page 52 in the financial statements)

Revenue from sale of finished goods recognised by the Group during the year amounted to USD 344 million. Given the nature of the manufacturing operations of the Group, we identified revenue recognition in respect of sale of finished goods to be an area of audit focus as we consider the high volume of transactions for numerous types of finished goods produced by the Group to be a possible cause of higher risk of material misstatements in the timing and amount of revenue recognised. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

**HOW OUR AUDIT ADDRESSES THIS MATTER**

Our audit procedures for revenue recognition included testing the Group's internal controls over timing and amount of revenue recognised. We inspected the terms of significant sales contracts to determine the point of transfer of significant risk and rewards. We have independently obtained third party confirmation of sales for the year from a key customer. We have also inspected documents which evidenced the delivery of goods to customers. We also focused on testing the recording of sales transactions close to the year end, including credit notes issued after year end, to establish whether the transactions were recorded in the correct accounting period.

**BEARER PLANTS**

(Refer to section 2.2 on page 57 in the financial statements)

During the current financial year ended 31 December 2017, the Company capitalised a total of pre-cropping (i.e replanting) expenditure of USD 9 million as part of its bearer plants. Due to the significance of the expenditure incurred, we consider this to be an area requiring audit focus. Specifically, we focused our audit efforts to determine whether the capitalisation of pre-cropping expenditure was made in accordance with the Group's policy and whether any expenditure incurred ought to be expensed to the income statement.

**HOW OUR AUDIT ADDRESSES THIS MATTER**

Our audit procedures to address this area of focus included amongst others:

- (a) testing the effectiveness of the internal controls at estate level in respect of recording and categorization of pre-cropping expenditure. We inspected documents such as contracts with suppliers to support the expenditure incurred such as land clearing, seedling, labour and manuring costs;
- (b) testing the allocation of expenditure by fields categorised by matured and immature fields;
- (c) testing whether the expenditure incurred on matured fields were appropriately expensed to the income statement; and
- (d) performing substantive analytical procedures by setting expectations of the estimated pre-cropping expenditure for each stage of pre-cropping (using historical and industry data) and comparing our expectations to the actual results.

**OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**MANAGEMENT'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS.**

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance as to 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 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.

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



UNITED INTERNATIONAL ENTERPRISES LIMITED

#### 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

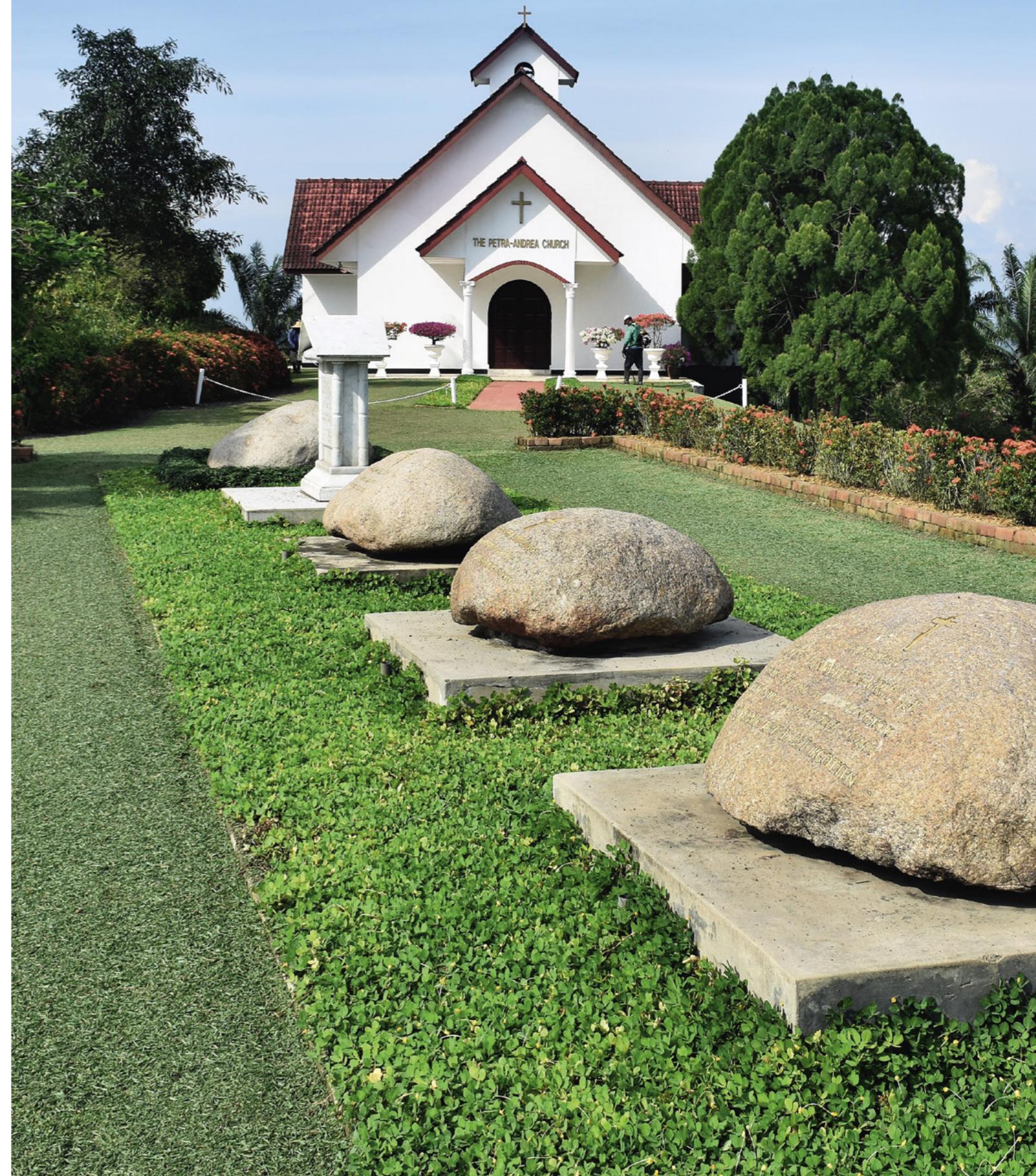
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young  
Chartered Accountants

Kuala Lumpur, Malaysia  
5 March 2018



UNITED INTERNATIONAL ENTERPRISES LIMITED





# BOARD OF DIRECTORS

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**Mr. Carl Bek-Nielsen**

Chairman  
Chief Executive Director of United Plantations Berhad

**BOARD MEMBER**

- United Plantations Berhad (Deputy Chairman)
- Melker Schörling AB
- Unitata Berhad (Chairman)

**OTHER COMMERCIAL DUTIES**

- Director-in-Charge of Unitata Berhad
- The Malaysian Palm Oil Council
- The Malaysian Palm Oil Association
- The Co-Chairman of The Round Table for Sustainable Palm Oil (RSPO)

**SPECIAL COMPETENCES**

- Experience and knowledge of culture as well as business environment in South East Asia
- International management and operational experience within the palm oil as well as refining industries
- Experience as board member in international and listed companies

**Mr. Martin Bek-Nielsen**

Deputy Chairman  
Executive Director (Finance and Marketing) of United Plantations Berhad

**BOARD MEMBER**

- United Plantations Berhad
- Unitata Berhad

**OTHER COMMERCIAL DUTIES**

- Commercial Director of Unitata Berhad
- Chairman of the MPOA Working Committee – Marketing and Promotion

**SPECIAL COMPETENCIES**

- Experience and knowledge of culture as well as business environment in South East Asia
- Experience as board member in international and listed companies
- Experience in commercial aspects within the edible oil industry, predominantly palm oil

**Mr. John A. Goodwin**

Former Managing Director of United International Enterprises Limited

Audit Committee (Chairman)

**SPECIAL COMPETENCES**

- International management and investment banking experience
- Experience as board member in international and listed companies
- Experience in commercial aspects within the edible oil industry

**Mr. Bent Mahler**

Managing Director, Citoforte Asia Pacific Pte Ltd.

**SPECIAL COMPETENCES**

- International business development and general management experience/expertise within agro-industrial business-to-business enterprises, in Asia Pacific and the Middle East in particular
- Hands-on oil palm plantation development and management experience

**Mr. Jørgen Balle**

Advisor, Frode Laursen Group of Companies

**BOARD MEMBER**

- Bach Salicath Holding A/S
- UIE Investment Services A/S
- Frode Laursen AB
- IN-STORE A/S

**SPECIAL COMPETENCES**

- Professional expertise in the global vegetable oil industry, finance and Nordic FMCG market and logistics
- Organisational leadership and change management
- Strategic analyses and strategy implementation

**Mr. Frederik Steen Westenholz**

Chief Sales Officer, Environment Solutions ApS

**BOARD MEMBER**

- Environment Solutions ApS
- Eagle Rocks A/S
- FW ApS (Director)
- Bellamy International ApS (Director)
- Keytrade ApS (Director)

**SPECIAL COMPETENCES**

- International sales, marketing and finance experience
- Experience as board member and Chairman in international public listed companies
- Strategic analyses and strategy implementation

**Mr. Harald Sauthoff**

Board Director, United International Enterprises Ltd.

**SPECIAL COMPETENCES**

- Business management, organisational leadership and change management experience in the chemical industry
- Commercial experience in the global vegetable oil industry
- Sustainability strategy development and stakeholder management with focus on the palm oil industry

Name	Born in	Gender	Board member since	Term expires	Position	Independent/Non-independent	No. of shares
Carl Bek-Nielsen	1973	M	1998	2018	Chairman	Non-independent	61,196
Martin Bek-Nielsen	1975	M	2003	2018	Deputy Chairman	Non-independent	20,174
Brothers Holding Limited	-	-	-	-	-	-	1,689,574
John A. Goodwin	1944	M	1983	2018	Board member	Non-independent	-
Bent Mahler	1960	M	2011	2018	Board member	Independent	11
Jørgen Balle	1964	M	2013	2018	Board member	Independent	-
Frederik Steen Westenholz	1971	M	2015	2018	Board member	Independent	230
Harald Sauthoff	1955	M	2017	2018	Board member	Independent	-



# COMPANY INFORMATION

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## COUNTRY OF INCORPORATION

The Commonwealth of The Bahamas

## BOARD OF DIRECTORS

Carl Bek-Nielsen, Chairman  
Martin Bek-Nielsen, Deputy Chairman  
John A. Goodwin  
Bent Mahler  
Jørgen Balle  
Frederik Steen Westenholz  
Harald Sauthoff

## AUDIT COMMITTEE

John A. Goodwin, Chairman  
Jørgen Balle  
Appalanaidu Ganapathy

## MANAGING DIRECTOR

Ulrik Juul Østergaard

## COMPANY SECRETARY

Alison Treco

## REGISTERED OFFICE

2nd Floor, One Montague Place  
East Bay Street  
Nassau, Bahamas

## COPENHAGEN REPRESENTATIVE OFFICE

International Plantation  
Services Limited  
Plantations House  
49 H.C. Andersens Boulevard, 3rd Floor  
1553 Copenhagen V, Denmark  
Phone: +45 33933330

## AUDITORS

Ernst & Young  
Kuala Lumpur, Malaysia

## ATTORNEYS

McKinney, Bancroft & Hughes  
Nassau, Bahamas

## BANKERS

Bech-Bruun  
Copenhagen, Denmark  
  
Shearn Delamore & Co.  
Kuala Lumpur, Malaysia  
  
Hongkong & Shanghai Banking Corp.

## CONTACT PERSON

Ulrik Juul Østergaard  
Phone: +45 33933330  
E-mail: uie-info@plantations.biz

## LINKS

[www.uie.dk](http://www.uie.dk)  
[www.unitedplantations.com](http://www.unitedplantations.com)  
[www.melkerschorlingab.com](http://www.melkerschorlingab.com)

## COMPANY ABBREVIATIONS

Company Name	Abbreviation
Greenbridge Investment Limited Partnership	Greenbridge
International Plantation Services Limited	IPS
Maximum Vista Sdn. Bhd.	MVSB
Melker Schörling AB	MSAB
Schörling & Partners AB	S&P
PT. Surya Sawit Sejati PT	SSS1
PT. Sawit Seberang Seberang PT	SSS2
UIE Malta Holding Limited	UIE Malta
UIE Investments Limited	UIE Inv.
UIE Investment Services A/S	UIE (IS)
<b>United International Enterprises Limited</b>	<b>UIE or the Company</b>
United Plantations Berhad	UP

## CURRENCY ABBREVIATIONS

Currency	Abbreviation
Danish Kroner	DKK
Euros	EUR
Indonesian Rupia	IDR
Malaysian Ringgits	MYR
Swedish Kroner	SEK
United States Dollars	USD

## OTHER ABBREVIATIONS

Others Abbreviation	
Annual General Meeting	AGM
Cash Generating Units	CGU
Corporate Social Responsibility	CSR
Crude Palm Oil	CPO
Fresh Fruit Bunches	FFB
High Carbon Stock	HCS
Indonesian Sustainable Palm Oil	ISPO
Integrated Pest Management Programme	IPM
International Accounting Standards	IAS
International Financial Reporting Standards as adopted by the EU	IFRS
Life Cycle Assessment	LCA
Malaysian Palm Oil Association	MPOA
Malaysian Palm Oil Board	MPOB
Non-controlling interests	NCI
Palm Kernel	PK
Palm Kernel Oil	PKO
Roundtable for Sustainable Palm Oil	RSPO



# DEFINITIONS

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## DEFINITIONS

Earnings per share	Net profit for the period attributable to equity holders of the company Weighted average number of shares, excluding treasury shares
Book value per share	Equity at the end of the period, excluding minority interests Number of shares at the end of the period, excluding treasury shares
Return on equity	Net profit for the year attributable to equity holders of the company Average equity, excluding minority interests
Solvency ratio	Equity at the end of the period Total assets at the end of the period

## COMPARATIVE FIGURES

The USD comparatives are expressed at the foreign exchange rates that applied at the date on which these were originally reported. (All figures are converted at average exchange rates for the period/year except balance sheet figures, which are converted at period/year end exchange rates.)

## STATEMENT BY THE BOARD OF DIRECTORS AND THE MANAGEMENT

The Board of Directors and the Management have today discussed and approved the Annual Report of the Company for the period 1 January - 31 December 2017.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

In our opinion, the consolidated financial statements and the parent financial statement give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2017, and of the results of the Group's and the Company's operations and cash flow for the period 1 January - 31 December 2017.

In our opinion, the Directors' Report gives a true and fair account of the developments in the operations and financial circumstances of the Group and the Company, of the results for the period and of the financial position of the Group and the Company. It also gives a fair account of the significant risks and uncertainty factors that may affect the Group and the parent company.

The Annual Report is recommended for approval by the Annual General Meeting.

Kuala Lumpur, 5 March 2018

## BOARD OF DIRECTORS

	Carl Bek-Nielsen Chairman		Martin Bek-Nielsen Deputy Chairman		John A. Goodwin		Bent Mahler
	Jørgen Balle		Frederik Steen Westenholz		Harald Sauthoff		

## MANAGEMENT

	Ulrik Juul Østergaard Managing Director
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