

INTERIM FINANCIAL REPORT, Q1 2014

1 JANUARY – 31 MARCH 2014

Company Announcement no. 15/2014

28 May 2014

Solid first quarter of 2014 with volume growth of 15%. Full-year outlook maintained.

USD million	Q1 2014	Q1 2013	2013
Volumes (million tonnes)	7.7	6.7	29.2
Gross profit	56.7	58.4	218.8
Gross profit per tonne (USD/tonne)	7.4	8.7	7.5
Profit before tax (EBT)	14.9	21.5	83.5
Profit before tax (EBT) before special items	25.0	23.2	86.5
EBT before special items conversion ratio	44%	40%	40%
EBT before special items per tonne (USD/tonne)	3.3	3.5	3.0
Profit for the period	10.1	16.0	63.4
Profit for the period before special items and tax effect hereof	19.3	17.7	68.3

First quarter 2014 highlights

EBT before special items increased by 8% to USD 25.0 million (Q1 2013: USD 23.2 million) primarily due to increased earnings in Asia

- Marine fuel transaction volume increased by 15% to 7.7 million tonnes (Q1 2013: 6.7 million tonnes) mainly due to growth in Asia
- Gross profit was USD 56.7 million (Q1 2013: USD 58.4 million). First quarter 2013 was strong, positively affected by unrealised gains on derivative contracts used for risk management. Risk management derivatives are commercially linked to inventory and underlying marine fuel transactions, and changes in the fair value of these derivatives due to unrealised gains or losses may cause quarterly fluctuations in the gross profit
- Gross profit per tonne was 7.4 USD per tonne (Q1 2013: USD 8.7 per tonne). Gross profit per tonne has been very stable over the years, most recently at USD 7.5 per tonne in FY 2013 and FY 2012
- OW Bunker was successfully listed on NASDAQ OMX Copenhagen in March 2014. Special items comprise one-off costs of USD 10.1 million related to the IPO
- EBT before special items conversion ratio increased to 44% (Q1 2013: 40%), reflecting lower external costs and staff costs per tonne
- Profit for the period before special items and tax effect hereof reached USD 19.3 million (Q1 2013: USD 17.7 million) corresponding to an improvement of 9%
- Return on equity before special items and tax effect hereof was 33% (Q1 2013: 31%) and equity ratio was 15% (Q1 2013: 15%)
- 2014 full-year outlook maintained as previously announced in conjunction with the IPO

CEO Jim Pedersen commented:

"First quarter of 2014 was indeed a milestone in the history of OW Bunker with the successful listing of the company on NASDAQ OMX Copenhagen. Despite the intense IPO process, we are able to present solid results for the first quarter 2014. The 15% volume growth is mainly due to increased volumes in Asia, but also Americas did well."

Conference call

OW Bunker hosts a conference call at 10.30 am CET. Presentation material will be available on www.owbunker.com approx. one hour before the call. Please use the following numbers +45 3272 8019 (Denmark), +44 (0) 1452 555131 (UK/international) and +1 866 682 8490 (US – free dial-in).

Contact for further information

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About OW Bunker A/S

OW Bunker is a leading global independent marine fuel (bunker) company founded in Denmark in 1980 with operations in 29 countries, including the world's busiest and most important ports. OW Bunker acts as a physical distributor as well as reseller of marine fuel, and operates a global fleet of approx. 30 bunker vessels. OW Bunker also provides advanced risk management solutions aimed at controlling costs, minimising risk and protecting against market fluctuations. Headquartered in Nørresundby, Denmark, OW Bunker is listed on the NASDAQ OMX Copenhagen and has over 600 employees globally.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND KEY RATIOS

USD million	Q1 2014	Q1 2013	2013
INCOME STATEMENT			
Revenue	4,466.6	4,163.0	16,986.8
Gross profit	56.7	58.4	218.8
Special items	-10.1	-1.7	-3.0
Profit before tax (EBT)	14.9	21.5	83.5
Profit before tax (EBT) before special items	25.0	23.2	86.5
Profit for the period before special items and tax effect hereof	19.3	17.7	68.3
Profit for the period	10.1	16.0	63.4
BALANCE SHEET			
Total non-current assets	145.6	139.8	147.1
Total current assets	1,537.7	1,599.9	1,617.5
Total assets	1,683.3	1,739.7	1,764.6
Total equity	249.0	234.9	222.8
Total non-current liabilities	32.5	349.8	37.6
Total current liabilities	1,401.7	1,155.0	1,504.2
Net working capital, including bank credit facility for working capital purposes	127.9	113.0	122.1
Net interest bearing debt	472.6	411.1	503.7
Fixed assets acquired in the year	1.3	19.7	37.1
CASH FLOW			
Cash flow from operating activities	37.0	40.1	-14.8
Cash flow from investing activities	-1.3	-19.7	-35.9
Cash flow from financing activities	-6.4	-11.6	-35.9
Change in cash and cash equivalents	29.3	8.8	-86.7
FINANCIAL RATIOS			
Gross profit per tonne (USD)	7.4	8.7	7.5
Staff costs per tonne (USD)	2.4	2.6	2.5
Other external costs per tonne (USD)	1.4	1.8	1.2
EBT before special items per tonne (USD)	3.3	3.5	3.0
EBT before special items conversion ratio	44%	40%	40%
Equity ratio	15%	14%	13%
Return on equity (ROE) (*)	32.7%	30.9%	31.0%
OTHER			
Volume (million tonnes)	7.7	6.7	29.2
Growth in volume	15%	29%	32%
Number of employees, average	612	552	594
Number of employees, end of period	616	549	622
Share price end of period, DKK	170.0	n.a.	n.a.

For a definition of financial ratios refer to page 79 of the 2013 Annual Report. (*) Return on equity adjusted for special items and tax-effect hereof.

SELECTED CONSOLIDATED FINANCIAL HIGHLIGHTS AND KEY RATIOS IN DKK

Selected financial highlights are translated into DKK as additional information - the translation is based on the average exchange rate for the income statement and the exchange rate at the balance sheet date for balance sheet items.

DKK million	Q1 2014	Q1 2013	2013
INCOME STATEMENT			
Revenue	24,336.9	23,518.3	95,408.1
Gross profit	308.8	330.0	1,228.8
Profit before tax (EBT)	81.0	121.5	468.8
Profit before tax (EBT) before special items	136.2	131.3	485.7
Profit for the period before special items and tax effect hereof	105.0	100.0	383.6
Profit for the period	55.0	90.1	355.9
BALANCE SHEET			
Total equity	1,348.4	1,371.4	1,206.0
Net interest bearing debt	2,559.2	2,399.5	2,726.2

OPERATING AND FINANCIAL REVIEW FIRST QUARTER 2014

Volume

Volumes were 7.7 million tonnes in Q1 2014, an increase of 1.0 million tonne (15%) from 6.7 million tonnes in Q1 2013. The increase was primarily attributable to increased volumes in Asia.

Income statement

Gross profit

Gross profit was USD 56.7 million in Q1 2014, a decrease of USD 1.7 million (3%) from USD 58.4 million in Q1 2013, which was strong, positively affected by unrealised gains on derivatives used for risk management.

Although the derivatives used for risk management are commercially linked to the inventory and underlying marine fuel transactions, they do not meet the criteria for hedge accounting under IFRS.

Accordingly, changes in the fair value of these derivatives are recognised immediately in the income statement under "cost of goods sold". Since the value of these derivatives is marked to market at the end of each quarter, changes in the fair value of these derivative instruments as a result of unrealised gains or losses may cause quarterly fluctuations in the gross profit.

Gross profit per tonne

The gross profit per tonne was USD 7.4 in Q1 2014 compared to USD 8.7 in Q1 2013. The gross profit per tonne for full-year 2013 was USD 7.5.

Other external costs

Other external costs were USD 10.4 million, a decrease of USD 2.0 million (16%) from USD 12.4 million in 2013. The decrease was mainly related to lower costs in general, including lower provisions for bad debts in Q1 2014.

Other external costs per tonne fell to USD 1.4 in Q1 2014 from USD 1.8 in Q1 2013. Other external cost per tonne for full-year 2013 was USD 1.2.

Staff costs

Staff costs were USD 18.3 million, an increase of USD 1.0 million (6%) compared to USD 17.3 million in Q1 2013.

The increase was primarily attributable to a planned increase in the average number of employees.

Staff cost per tonne declined to USD 2.4 per tonne in Q1 2014 from USD 2.6 in Q1 2013. The improvement reflects the scalability in the business model. Staff cost per tonne for full-year 2013 was USD 2.5.

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment costs were USD 2.2 million in Q1 2014, an increase of USD 0.5 million (25%), as compared to USD 1.7 million in Q1 2013. The increase was driven by investments in 2013.

Special items

Special items amounted to a loss of USD 10.1 million in Q1 2014 compared to a loss of USD 1.7 million in Q1 2013. Special items for Q1 2014 are directly linked to the listing of the company on NASDAQ OMX Copenhagen and include costs to consultants, lawyers, auditors, banks and one-off staff compensation. The special items in 2013 consisted of one-off costs of USD 1.7 million related to various strategic alternatives explored.

Net financial costs

Net financials were negative at USD -0.8 million for Q1 2014 compared with USD -3.7 million in Q1 2013. The decrease in net financial cost was attributable to exchange rate gains and to an increase in interest income from customers using trade credit facilities.

Profit before tax (EBT)

Profit before tax (EBT) was USD 14.9 million in Q1 2014, a decrease of 31% from USD 21.5 million in Q1 2013. The decrease is caused by special items relating to the IPO.

EBT before special items increased 8% to 25.0 million in Q1 2014 from 23.2 million in Q1 2013, corresponding to an EBT per tonne of USD 3.3 in Q1 2014 against USD 3.5 in Q1 2013. The improved EBT before special items is primarily related to increased earnings in Asia. EBT per tonne for full-year 2013 was 3.0.

The conversion ratio (EBT before special items as % of gross profit) was 44% in Q1 2014, an increase from 40% in Q1 2013. The conversion ratio for full-year 2013 was 40%.

Income taxes

The income taxes were USD 4.8 million compared to USD 5.5 million in Q1 2013. The effective tax rate was 32% as compared to 26% in Q1 2013. The effective tax rate for Q1 2014 adjusted for non deductible special items was 23%. The effective tax rate for Q1 2013 adjusted for non deductible special items was 24%.

Profit for the period

Profit for the period ended at USD 10.1 million, a decrease of USD 5.9 million from USD 16.0 million in Q1 2013. Profit for Q1 2014 before special items including tax effect hereof was USD 19.3 million compared to USD 17.7 in Q1 2013 corresponding to an increase of 9%.

Balance sheet

The total balance sheet at 31 March 2014 was USD 1,683.3 million compared to USD 1,764.6 million at 31 December 2013. The assets consist primarily of relatively liquid current assets, such as trade receivables and commercially hedged inventories, representing 87% of total assets as at 31 March 2014.

Trade receivables amounted to USD 1,309.7 million representing 78% of total assets. As part of OW Bunker’s conservative credit risk management, more than 70% of receivables are insured.

Net working capital including the drawn bank credit facility for working capital purposes was at 31 March 2014 USD 127.9 million compared to USD 122.1 million at 31 December 2013.

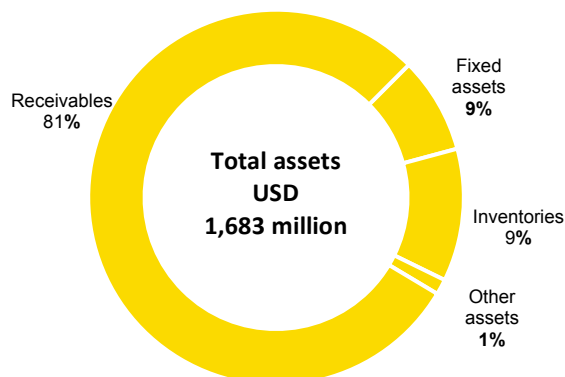
Requested payment of share capital of USD 20.3 million relates to the increase of share capital. The subscription was made to a price of DKK 145 per share in connection with the listing on NASDAQ OMX Copenhagen. The subscription was made on 27 March 2014 and paid in and registered by the Danish Business Authority on 2 April 2014.

As of 31 March 2014, total equity amounted to USD 249.0 million at 31 March 2014, corresponding to an equity ratio of 15%. In conjunction with the IPO the share capital was increased by USD 5.6 million and a total increase of equity of USD 20.8 million was made.

Borrowings were USD 466.1 million and consist of drawn bank credit facilities for working capital purposes and vessel loans.

BREAKDOWN OF TOTAL ASSETS

As at 31 March 2014



Fixed assets include intangible assets, property, plant and equipment and deferred tax asset.

Receivables include trade receivables (78% of total assets), other receivables, requirement for payment of share capital, current tax and prepayments.

Cash flows

Cash flow from operating activities

Cash flow from operating activities amounted to USD 37.0 million in Q1 2014 compared to USD 40.1 million in Q1 2013. Cash flow from operating activities was positively affected by a reduction of trade working capital and a reduction of other receivables and an increase of other payables.

Cash flow from investing activities

Cash flow from investing activities was USD -1.3 million in Q1 2014 compared to USD -19.7 million in Q1 2013. The investment in Q1 2013 related mainly to the acquisition of vessels.

Cash flow from financing

Cash flow used in financing activities was USD -6.4 million in Q1 2014, a change of USD 5.2 million as compared to cash flow from financing activities of USD -11.6 million for Q1 2013. A part (USD -3.7 million) of the negative cash flow relates to the purchase of treasury shares in connection with an expected employee share offering as also described in the prospectus published in connection with the IPO.

Liquidity reserve as at 31 March 2014 was USD 302.9 million which is the same level as compared to 31 December 2013.

Impact from seasonality

Seasonality does not have any major impact on the activities of OW Bunker.

Risk Management

The Board of Directors sets the overall framework for managing risks through Group risk policies. Please refer to the Annual Report for further details.

Key events in first quarter 2014

- In January, operations were launched in Colombia
- In March, expansion in April of physical operations in North America were announced
- In March, the launch in April of physical operations in Australia were announced
- In March, OW Bunker was successfully listed on NASDAQ OMX Copenhagen.

All key news can be found on the OW Bunker website.

Events after the balance sheet date

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

The Board of Directors has resolved to make a global employee share offering in the period from 9 June to 20 June 2014. OW Bunker has reserved up to 137,931 of own shares, corresponding to 0.4% of the share capital, for purchase by employees. Further details about the employee share offering can be found in Company Announcement 16/2014 dated 28 May 2014.

Outlook 2014

OW Bunker maintains the outlook for 2014 as communicated in conjunction with the IPO. We expect to continue to develop the business, strengthen our market position and further gain market share, and based on current market conditions and outlook, we believe we can grow volume by approximately 10% compared to 2013. We expect to continue to benefit from scale in its cost base and aim to increase profit for the year (before special items) at least in line with the growth in volume. The business mix assumed for also implies that OW Bunker's net financing days will decrease slightly.

This Interim Financial Report contains forward-looking statements. Any forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance, achievements or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, our actual financial condition, cash flows or results of operations could differ materially from what is described herein as anticipated, believed, estimated or expected.

Finance Calendar for the rest of 2014

Date	Event
29 August 2014	Interim Report H1 2014
20 November 2014	Interim Report Q3 2014

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved the Interim Financial Report of OW Bunker A/S for the period 1 January – 31 March 2014.

The Interim Financial Report, which has not been audited or reviewed by the Company auditor, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and Danish disclosure requirements for interim financial reports of listed companies.

In our opinion, the Interim Financial Report gives a true and fair view of the OW Bunker's assets, equity, liabilities and financial position at 31 March 2014 and of the results of the Group's activities and the cash flow for the three-month period ended 31 March 2014.

We also find that the Management's Review provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period, the general financial position of the Group and a description of the major risks and elements of uncertainty faced by the Group.

Nørresundby, 28 May 2014

BOARD OF DIRECTORS

Niels Henrik Jensen
Chairman

Søren Johansen
Deputy Chairman

Tom Behrens-Sørensen

Jakob Brogaard

Kurt K. Larsen

Petter Samlin

EXECUTIVE MANAGEMENT

Jim Pedersen
Chief Executive Officer

Morten Skou
Chief Financial Officer

APPENDIX 1: CONSOLIDATED INCOME STATEMENT

USD '000	Q1 2014	Q1 2013	2013
Revenue	4,466,629	4,162,974	16,986,802
Cost of goods sold	-4,383,190	-4,082,018	-16,667,232
Operating costs	-26,766	-22,550	-100,786
Gross profit	56,673	58,406	218,784
Other external costs	-10,406	-12,379	-34,570
Staff costs	-18,286	-17,289	-71,563
Depreciation, amortisation and impairment	-2,193	-1,749	-7,638
Special items	-10,130	-1,740	-3,008
Profit before interest and tax (EBIT)	15,658	25,249	102,005
Financial income	5,573	2,092	13,072
Financial costs	-6,363	-5,836	-31,609
Profit before tax (EBT)	14,868	21,505	83,468
Corporate income taxes	-4,772	-5,549	-20,096
Profit for the period	10,096	15,956	63,372
Profit attributable to:			
Owners of OW Bunker A/S	9,977	16,073	61,984
Non-controlling interests	119	-117	1,388
	10,096	15,956	63,372
Earnings per share of DKK 1 (USD)			
Earnings per share for the period	0.8	2.3	9.0
Diluted earnings per share for the period	0.8	2.2	8.7

Earnings per share and diluted earnings per share decrease mainly due to increased number of shares issued in connection with capital increases during March 2014.

Average numbers of shares are 12,504,502 in Q1 2014 (Q1 2013: 6,892,477). Numbers of shares at 31 March 2014 were 36,711,811.

APPENDIX 2: CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

USD '000	Q1 2014	Q1 2013	2013
Profit for the period	10,096	15,956	63,372
Other comprehensive income			
<i>Items that will be reclassified subsequently to income statement:</i>			
Foreign currency translation adjustments, foreign enterprises	41	143	572
Cash flow hedges:			
Fair value adjustment of cash flow hedges	233	868	7,407
Reclassification adjustments for amounts recognised in income statement	-128	-64	510
Income tax relating to items that will be reclassified to income statement	-26	-201	-1,980
Other comprehensive income	120	746	6,509
Total comprehensive income	10,216	16,702	69,881
Total comprehensive income attributable to:			
Owners of OW Bunker A/S	10,097	16,819	68,493
Non-controlling interests	119	-117	1,388
	<u>10,216</u>	<u>16,702</u>	<u>69,881</u>

APPENDIX 3: CONSOLIDATED BALANCE SHEET, ASSETS

USD '000	31 March 2014	31 March 2013	31 December 2013
Intangible assets	69,349	70,573	69,777
Property, plant and equipment	73,906	66,457	74,424
Deferred tax asset	1,824	1,863	2,406
Other receivables	507	874	516
Total non-current assets	145,586	139,767	147,123
Inventories	152,366	150,844	201,776
Trade receivables	1,309,675	1,330,741	1,354,105
Receivables from related parties	-	44,607	-
Current tax	3,348	1,680	2,475
Derivatives	8,044	14,912	9,649
Other receivables	21,037	27,322	27,215
Requested payment of share capital	20,327	-	-
Prepayments	10,217	12,736	8,443
Cash and cash equivalents	12,704	17,070	13,792
Total current assets	1,537,718	1,599,912	1,617,455
Total assets	1,683,304	1,739,679	1,764,578

APPENDIX 3: CONSOLIDATED BALANCE SHEET, EQUITY AND LIABILITIES

USD '000	31 March 2014	31 March 2013	31 December 2013
Share capital	6,832	1,256	1,256
Reserves	-6,774	-8,971	-3,208
Retained earnings	249,316	243,137	225,257
Equity shareholders in OW Bunker A/S	249,374	235,422	223,305
Non-controlling interests	-351	-479	-490
Total equity	249,023	234,943	222,815
Borrowings	27,750	325,460	29,251
Deferred tax liabilities	4,235	2,392	4,785
Provisions	556	665	668
Other payables	-	21,247	2,846
Total non-current liabilities	32,541	349,764	37,550
Borrowings	438,373	77,258	468,704
Payables to related parties	-	7,604	567
Provisions	348	146	206
Derivatives	11,906	5,754	11,890
Trade payables	860,367	981,933	947,542
Current tax	21,900	16,915	18,284
Other payables	68,846	65,362	57,020
Total current liabilities	1,401,740	1,154,972	1,504,213
Total liabilities	1,434,281	1,504,736	1,541,763
Total equity and liabilities	1,683,304	1,739,679	1,764,578

APPENDIX 4: CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD '000	Reserves				Retained earnings	Equity attributable to owners of OW Bunker A/S	Non-controlling interests	Total equity
	Share capital	Hedging reserve	Foreign currency translation reserve	Treasury shares				
1 January 2014	1,256	-264	-2,944	-	225,257	223,305	-490	222,815
Profit for the period	-	-	-	-	9,977	9,977	119	10,096
Other comprehensive income	-	79	41	-	-	120	-	120
Total comprehensive income for the period	-	79	41	-	9,977	10,097	119	10,216
Increase of share capital	5,576	-	-	-	15,238	20,814	-	20,814
Transaction cost of equity transactions	-	-	-	-	-1,177	-1,177	-	-1,177
Income tax relating to transaction cost of equity transactions	-	-	-	-	21	21	-	21
Treasury shares	-	-	-	-3,686	-	-3,686	-	-3,686
Minority adjustments	-	-	-	-	-	-	20	20
Transactions with shareholders	5,576	-	-	-3,686	14,082	15,972	20	15,992
Total at 31 March 2014	6,832	-185	-2,903	-3,686	249,316	249,374	-351	249,023
1 January 2013	-	-6,201	-3,516	-	227,064	218,603	-362	218,241
Profit for the period	-	-	-	-	16,073	16,073	-117	15,956
Other comprehensive income	-	603	143	-	-	746	-	746
Total comprehensive income for the period	-	603	143	-	16,073	16,819	-117	16,702
Minority adjustments	-	-	-	-	-	-	-	0
Transactions with shareholders	-	-	-	-	-	-	-	0
Total at 31 March 2013	-	-5,598	-3,373	-	243,137	235,422	-479	234,943

Treasury shares are purchased in connection with an expected employee share offering as described in in the prospectus published in connection with the IPO.

Share capital (DKK) 36,771,811
Number of shares 36,771,811
Share classes one class
ISIN code DK0060548386

APPENDIX 5: CONSOLIDATED CASH FLOW STATEMENT

USD '000	Q1 2014	Q1 2013	2013
Profit before interest and tax (EBIT)	15,658	25,249	102,005
Depreciation, amortisation and impairment	2,193	1,749	7,638
Other non-cash movements	605	-109	2,946
	18,456	26,889	112,589
Interest received	5,066	2,092	13,072
Interest paid	-5,856	-5,836	-31,609
Adjustments:			
Changes in working capital	21,303	17,084	-96,646
Income taxes paid	-1,976	-115	-12,238
Cash flow from operating activities	36,993	40,114	-14,832
Purchase of intangible assets	-5	-128	-37
Purchase of property, plant and equipment	-1,270	-19,579	-37,050
Sale of property, plant and equipment	-	-	1,157
Cash flow from investing activities	-1,275	-19,707	-35,930
Proceeds from borrowings	-	14,808	21,428
Repayment of borrowings	-1,483	-17,512	-22,226
Proceeds from finance arrangements with related parties	-	7,604	28,645
Repayment to finance arrangements with related parties	-567	-16,529	-
Purchase of treasury shares	-3,686	-	-
Paid in share capital	487	-	-
Special items expensed in equity	-1,177	-	-
Proceeds from carved out entities	-	-	161,105
Repayment of share premium and buy-back of shares	-	-	-224,896
Cash flow from financing activities	-6,426	-11,629	-35,944
Change in cash and cash equivalents	29,292	8,778	-86,706
Cash and cash equivalents as of 1 January	-448,857	-362,244	-362,244
Currency exchange gain/loss on cash and cash equivalents	-51	-5	93
Total cash and cash equivalents at 31 March	-419,616	-353,471	-448,857
Cash and cash equivalents			
Cash and cash equivalents	12,704	17,070	13,792
Drawn bank credit facilities	-432,320	-370,541	-462,649
Total	-419,616	-353,471	-448,857

Drawn bank credit facilities are included in borrowings. Borrowings consist of bank credit facilities and vessel loans.

APPENDIX 6: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING POLICIES

The Interim Financial Report has been presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and Danish disclosure requirements for listed companies.

Due to the corporate restructuring as described in the Annual Report 2013 note 30, the Group was not formally structured with bunker business as the only activity in the first quarter of 2013. However, in order to give a true and fair picture of the Group, and similar to the Annual Report of 2013, only the bunker business is included in the comparable figures. The accounting policies applied are consistent with those applied in the 2013 consolidated financial statements. The 2013 consolidated financial statements provide a full description of the accounting policies applied.

NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTS

For the preparation of the Interim Financial Report, Management makes various accounting estimates and judgements that affect the application of accounting policies and the recognition of assets, liabilities and income and expense items. Actual operating results may deviate from such estimates. Critical accounting estimates and judgements relates primarily to goodwill, property, plant and equipment, trade receivables and special items and are consistent with those applied in the 2013 consolidated financial statements.

NOTE 3 FAIR VALUE HIERARCHY – FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

To increase consistency and comparability in fair value measurements IFRS establishes a fair value hierarchy that categorises into three levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Financial instruments measured at fair value comprise only derivatives and can be specified as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). To a large extent level 2 is based on observable quoted prices, however, in some instances forward prices are not observable. In these situations we use the most liquid forward curves and derive a spread to the specific location. For options theoretical pricing models with implied volatilities from Ice (option smile) are used to calculate market prices. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to calculate the fair value of an instrument are observable, the instrument is included in Level 2;

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Our derivatives are classified in the fair value hierarchy as follows:

APPENDIX 6: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 (CONTINUED)

USD '000	Level 1	Level 2	Level 3	Total
31 March 2014				
Financial assets				
Risk management portfolio and commercial hedging	9,013	8,044	-	17,057
	9,013	8,044	-	17,057
Offsetting				
Margin deposits				-9,013
Total at 31 March				8,044
Financial liabilities				
Risk management portfolio and commercial hedging	-6,210	-5,577	-	-11,787
Derivatives used for hedging	-	-119	-	-119
Total at 31 March	-6,210	-5,696	-	-11,906
31 December 2013				
Financial assets				
Risk management portfolio and commercial hedging	25,880	9,243	-	35,123
	25,880	9,243	-	35,123
Offsetting				
Margin deposits				-25,474
Total at 31 December				9,649
Financial liabilities				
Risk management portfolio and commercial hedging	-249	-11,289	-	-11,538
Derivatives used for hedging	-	-352	-	-352
Total at 31 December	-249	-11,641	-	-11,890
31 March 2013				
Financial assets				
Risk management portfolio and commercial hedging	11,069	3,843	-	14,912
Total at 31 March	11,069	3,843	-	14,912
Financial liabilities				
Risk management portfolio and commercial hedging	-32,271	-5,754	-	-38,025
Derivatives used for hedging	-	0	-	0
	-32,271	-5,754	-	-38,025
Offsetting				
Margin deposits				32,271
Total at 31 March				-5,754

Level 1 consist of commodity swaps (exchange) and commodity futures (exchange).

Level 2 consist of commodity swaps (OTC), fixed price physical, options, currency swaps, forward exchange contracts and interest swaps.

There have been no transfers between level 1 and level 2 in the fair value hierarchy.