

## **Risk management**

Acomo and its group subsidiaries are incurring general business and specific trading risks in their daily trading activities. In the Acomo corporate organization, the management and Supervisory Board share the ultimate responsibilities to manage and control the risks associated with the business, to achieve the group's financial objectives, to ensure compliance with the corporate governance policies and the law in general and to ensure proper financial reporting. The main risks associated with the trading activities of the group, as well as the systems to manage and control these risks, are described below. This enumeration is not exhaustive and there is no absolute guarantee against future losses or failures. Within the Acomo group, all managers and traders are responsible for risk management as an integral part of their day-to-day activities and decisions. The effectiveness thereof is strengthened by a high level of individual and collective sense of responsibility which is part of the Company's culture.

Daily risk management is further ensured by a system of internal reporting and controls of the activities and results. These measures and procedures are aimed at providing a reasonable level of assurance that the significant risks have been identified and, as much as possible, managed in compliance with applicable laws and regulations. Embedded in these processes is a system of financial reporting to provide reasonable assurance its accuracy and completeness. Based on its review of the risk management and control systems, to the best of their knowledge, the management and Supervisory Board are of the opinion that these systems have been effective and that they remain adequate considering the needs and activities of the Company in the future.

### **1. Price risk and financial risk**

The Company's results are influenced by changes in the prices of commodities. In addition, the Company's cash flows are exposed to fluctuations in interest rates and foreign exchange rates, mainly US- dollar. The exposure to foreign exchange rates is related to activities engaged by the Company in US-dollar, which are a significant portion of its revenues and costs. The forex risk policy of the Company is based on hedging all related US-dollar risks on a continuing basis. This primarily relates to stocks traded in US-dollars, financial assets and liabilities in US-dollars and future gross margins relating to sold stocks. Variations in interest rates affect the market value of financial assets and liabilities and the level of net financial exposure.

### **2. Credit risk**

Credit risk represents the Company's exposure to incur a loss in the event of non-performance by counterparties. Credit risk related to the ordinary course of trade activities is managed by the Company on the basis of standard procedures of evaluation and entrusting of trade partners. The Company provides for the non-performance by a counterparty, if any. Where useful, the Company is covered by a credit risk insurance. As at 31 December 2008 the Company was not subject to an important credit risk. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally diversified.

### **3. Liquidity risk**

Liquidity risk is the risk that suitable sources of funding for the Company may not be available. In the current situation the Company believes it has access to sufficient funding to meet currently foreseeable borrowing requirements.

### **4. Performance risk**

Performance risk relates to a situation that (generally extreme) price developments of commodities could cause suppliers or customers not to fulfill their contractual obligations. These risks are closely monitored by continuous assessment of the financial position of the respective party, by maintaining long-term relationships and by spreading purchases and sales over a large number of parties.

### **5. Risks and the financial crisis in 2008**

All the above-mentioned risks occurred simultaneously and to an increased degree due to the violent financial and economic crisis which spread worldwide in the second half of the year. Mainly, the group experienced large and abrupt price declines for many commodities and was confronted with increased customer credit and contract performance risks. These factors are intrinsic of the trade in commodities. The strong price volatility, both upwards and downwards, has contributed to the results of the group in the past year, thanks to a correct and professional anticipation of market movements. The economic slowdown adversely affects consumer demand and industrial production, and therefore demand for commodities. A prolonged period of low prices and volatility may affect future turnover and profit levels. The other risks were the object of higher management attention through our normal and tested risk management systems, the outcome of which being globally satisfactory. Losses on debtors or for counterparty defaults remained under control and are included in these results. The economic developments also had positive consequences in the form of lower interest rates. Furthermore, the group did not experience difficulties arising from the credit crisis and had no shortage of funds. We enjoy the continued confidence from our bankers thanks to our solid financial position and profitable track record. The decline of the commodity prices also reduced the Group's credit needs.