BEIERHOLM
VI SKABER BALANCE

SkyBrands A/S

Roskildevej 6, 7100 Vejle

CVR no. 31 34 84 55

Annual report for 2024

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 18.03.25

Michael Beck
Dirigent

Table of contents

Company information etc.

The company

SkyBrands A/S
Roskildevej 6
7100 Vejle
Danmark
Tel.: 75 72 50 50
E-mail: info@skybrands.net
Registered office: Vejle kommune
CVR no.: 31 34 84 55
Financial year: 01.01 - 31.12

Executive Board

Thomas Larsen
Michael Beck

Board of Directors

Søren Bach, chairman
Hans Nielsen
Stig Løkke Pedersen

Auditors

Beierholm
Godkendt Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.24 - 31.12.24 for SkyBrands A/S.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.24 and of the results of the company's activities for the financial year 01.01.24 - 31.12.24.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Vejle, March 18, 2025

Executive Board

Thomas Larsen	Michael Beck

Board of Directors

Søren Bach Chairman	Hans Nielsen	Stig Løkke Pedersen

Independent auditor's report

To the Shareholder of SkyBrands A/S

Opinion

We have audited the financial statements of SkyBrands A/S for the financial year 01.01.24 - 31.12.24, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including material accounting policy information. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's financial position at 31.12.24 and of the results of the company's operations for the financial year 01.01.24 - 31.12.24 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, it is our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required by law and regulations.

Based on the work we have performed, we conclude that the management’s review is in accordance with the financial statements and has been prepared in accordance with the requirements of Danish Financial Statements Act. We did not identify any material misstatement of the management’s review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Plan and perform the audit of the financial statements to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units as a basis for expressing an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed. We remain solely responsible for our audit opinion.

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.

Aarhus, March 18, 2025

Beierholm
Godkendt Revisionspartnerselskab
CVR no. 32 89 54 68

Casper Jensby
State Authorised Public Accountant
MNE-no. mne36181

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2024	2023	2022	2021	2020
Profit/loss					
Operating profit	9,598	8,174	10,856	3,022	-340
Total net financials	-1,863	929	794	-8,147	4,679
Profit for the year	5,529	7,239	9,207	-5,805	3,416
Balance					
Total assets	43,347	49,103	45,873	49,466	55,819
Investments in property, plant and equipment	55	128	0	43	30
Equity	17,357	11,646	4,905	-3,633	18,017

Ratios

	2024	2023	2022	2021	2020
Profitability					
Return on equity	38%	87%	14%	-81%	19%
Equity ratio					
Solvency ratio	40%	24%	11%	-7%	32%
Liquidity and financing					
Liquidity ratio	206%	200%	173%	93%	146%
Others					
Number of employees (average)	18	18	18	15	14

Ratios definitions

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Solvency ratio: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Liquidity ratio: $\frac{\text{Current assets x 100}}{\text{Short-term payables}}$

Primary activities

The main activity of SkyBrands A/S involves commercial operations in branded home and apparel textile products. The Group designs, produces (through subcontractors), and sells branded home and apparel textile products, where brands are licensed from brand owners such as Warner Bros or Universal. SkyBrands A/S owns 100% of the shares in the subsidiary SkyBrands GmbH (collectively referred to as the "Group" or "SkyBrands").

Development in activities and financial affairs

The income statement for the period 01.01.24 - 31.12.24 shows a profit/loss of DKK 5,529k against DKK 7,239k for the period 01.01.23 - 31.12.23. The balance sheet shows equity of DKK 17,357k.

SkyBrands A/S achieved an operating profit of DKK 9,874k, up from DKK 8,260k in 2023. This increase was mainly driven by higher revenue in the apparel division. Despite global uncertainty and cautious buying behavior from retailers, the company successfully attracted interest in its products through strategic efforts, leading to sales growth.

On the other hand, the German home textiles division has been affected by the stagnating economy in Germany, resulting in a significant drop in orders. This led to a loss of DKK 2,226k for SkyBrands GmbH, compared to a profit of DKK 947k in 2023. As a result, all home textile activities will now be managed from the Danish office.

The company has focused heavily on developing new products and improving processes to meet future demands and stay competitive.

Outlook

Despite economic and geopolitical uncertainty, SkyBrands A/S remains positive about the future. With a strong selection of licenses and products, the company expects to grow in both the apparel and home textiles divisions.

With a solid order backlog for 2025, SkyBrands A/S anticipates a pre-tax profit between DKK 7,000k - 8,000k in the coming year.

Financial risks

Foreign currency risks

SkyBrands A/S operates sales operations across Europe, procurement across Europe and Asia, and reports and pays royalties to brand owners quarterly. SkyBrands A/S purchases mainly in USD and reports and pays royalties in USD and EUR, while sales are typically in DKK, USD, or EUR. This exposes SkyBrands A/S to the risk of currency fluctuations. SkyBrands A/S operates under a defined financial policy, which includes a policy on currency, to manage any currency-related risks. This is primarily effectuated through the use of financial instruments to cover all expected turnover, procurement, and royalty cash flows for the coming 12 months at any given point in time. SkyBrands A/S does not speculate on currency fluctuations from a group perspective.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note		2024 DKK '000	2023 DKK '000
	Gross profit	**23,484**	**21,987**
1	Staff costs	-13,674	-13,727
	Profit before depreciation, amortisation, write-downs and impairment losses	**9,810**	**8,260**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-212	-86
	Operating profit	**9,598**	**8,174**
2	Income from equity investments in group enterprises	-2,266	947
3	Financial income	2,116	2,694
	Financial expenses	-1,713	-2,712
	Profit before tax	**7,735**	**9,103**
	Tax on profit for the year	-2,206	-1,864
	Profit for the year	**5,529**	**7,239**

Proposed appropriation account

Extraordinary dividend for the financial year	0	800
Proposed dividend for the financial year	2,000	0
Retained earnings	3,529	6,439
Total	**5,529**	**7,239**

Balance sheet

ASSETS

Note		31.12.24 DKK '000	31.12.23 DKK '000
	Completed development projects	583	739
4	**Total intangible assets**	**583**	**739**
	Other fixtures and fittings, tools and equipment	164	166
	Total property, plant and equipment	**164**	**166**
	Deposits	469	467
	Total investments	**469**	**467**
	Total non-current assets	**1,216**	**1,372**
	Manufactured goods and goods for resale	4,847	4,249
	Total inventories	**4,847**	**4,249**
	Trade receivables	22,569	22,802
	Receivables from group enterprises	13,505	9,713
	Other receivables	222	992
	Prepayments	941	1,204
	Total receivables	**37,237**	**34,711**
	Cash	**47**	**8,771**
	Total current assets	**42,131**	**47,731**
	Total assets	**43,347**	**49,103**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.24 DKK '000	31.12.23 DKK '000
	Share capital	1,000	1,000
	Reserve for development costs	456	577
	Retained earnings	13,901	10,069
	Proposed dividend for the financial year	2,000	0
	Total equity	**17,357**	**11,646**
	Provisions for deferred tax	311	334
	Total provisions	**311**	**334**
5	Payables to other credit institutions	4,500	12,500
5	Other payables	724	710
	Total long-term payables	**5,224**	**13,210**
5	Short-term part of long-term payables	1,500	1,500
	Payables to other credit institutions	1,816	0
	Trade payables	12,079	16,499
	Income taxes	2,229	1,767
	Other payables	2,831	4,147
	Total short-term payables	**20,455**	**23,913**
	Total payables	**25,679**	**37,123**
	Total equity and liabilities	**43,347**	**49,103**

6 Contingent liabilities
7 Charges and security
8 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for developmen t costs	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.24 - 31.12.24					
Balance as at 01.01.24	1,000	577	10,069	0	11,646
Other changes in equity	0	0	182	0	182
Transfers to/from other reserves	0	-121	121	0	0
Net profit/loss for the year	0	0	3,529	2,000	5,529
Balance as at 31.12.24	1,000	456	13,901	2,000	17,357

Notes

	2024 DKK '000	2023 DKK '000

1. Staff costs

	2024 DKK '000	2023 DKK '000
Wages and salaries	12,506	12,693
Pensions	576	488
Other social security costs	43	41
Other staff costs	549	505
Total	13,674	13,727
Average number of employees during the year	18	18

2. Income from equity investments in group enterprises

	2024 DKK '000	2023 DKK '000
Share of profit or loss of group enterprises	-2,266	947
Total	-2,266	947

3. Financial income

	2024 DKK '000	2023 DKK '000
Interest, group enterprises	1,291	1,320
Other financial income	825	1,374
Total	2,116	2,694

4. Intangible assets

Figures in DKK '000	Completed development projects
Cost as at 01.01.24	778
Cost as at 31.12.24	778
Amortisation and impairment losses as at 01.01.24	-39
Amortisation during the year	-156
Amortisation and impairment losses as at 31.12.24	-195
Carrying amount as at 31.12.24	583

Completed development projects consist of a new ERP/IT setup to ensure a better and more efficient process flow. The investment is providing the basis for future growth.

5. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.24	Total payables at 31.12.23
Payables to credit institutions	1,500	0	6,000	14,000
Other payables	0	591	724	710
Total	1,500	591	6,724	14,710

6. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of up to 45 months and total lease payments of DKK 1.141k.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total tax liability for the jointly taxed companies at the balance sheet date has not yet been determined. For further information, please see the financial statements of the management company Skybrands Holding A/S.

7. Charges and security

As security for debt to credit institutions of DKK 7,816k, a company charge has been provided comprising other plant, fixtures and fittings, tools and equipment, inventories and trade receivables. The total carrying amount of the comprised assets is DKK 27,580k.

The company has also provided the above mentioned company charge of DKK 10,000k as security for debt to credit institutions of subsidiary entreprise. At the balance sheet date, debt of subsidiary entreprise to credit institutions amounts to DKK 5k.

The company has provided a charge over shares in Skybrands GmbH, nominal value EUR 40k, as security for debt to credit institutions. At the balance sheet date, debt to credit institutions amounts to DKK 7,816k. The carrying amount of the charged assets totals DKK 0k.

The company's receivables from subsidiary enterprise has been provided as security for debt to credit institutions. The carrying amount of the asset provided as security totals DKK 12,264k.

The company has provided af charge over shares in Skybrands GmbH for debt to credit institutions of group companies. At the balance sheet date, debt of group companies amounts to DKK 5k.

8. Related parties

The company is included in the consolidated financial statements of the parent Skybrands Holding A/S, Vejle.

9. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

In accordance with section 110 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

9. Accounting policies - continued -

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

9. Accounting policies - continued -

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, other operating income and cost of sales and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

9. Accounting policies - continued -

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK '000
Completed development projects	5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group entreprises

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

9. Accounting policies - continued -

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Completed development projects and development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

9. Accounting policies - continued -

Property, plant and equipment

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the ‘Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Equity investments with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

9. Accounting policies - continued -

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

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

9. Accounting policies - continued -

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

9. Accounting policies - continued -

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.