RE-ZIP ApS

P.O. Pedersens Vej 9, DK-8200 Aarhus N

Annual Report for 2024

CVR No. 41 38 50 14

The Annual Report was presented and adopted at the Annual General Meeting of the company on 11/6 2025

Thomas Fugl
Chairman of the general meeting

Contents

	Page
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company information	4
Management's Review	5
Financial Statements	
Income Statement 1 January - 31 December	7
Balance sheet 31 December	8
Statement of changes in equity	10
Notes to the Financial Statements	11

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of RE-ZIP ApS for the financial year 1 January - 31 December 2024.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2024 of the Company and of the results of the Company operations for 2024.

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

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

Aarhus N, 11 June 2025

Executive Board

Thomas Fugl
CEO

Bo Bach Boddum
CEO

Board of Directors

Martin Brygger Møller
Chairman

Thomas Høgenhaven

Astrid Haug

Brian Gøbel Poulsen

Mariana Gonzalez Lopez

Piotr Wojciech Pietrzak

Rünno Allikivi

Independent Auditor's report

To the shareholder of RE-ZIP ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2024 and of the results of the Company´s operations for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of RE-ZIP ApS for the financial year 1 January - 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

Material Uncertainty Related to Going Concern

We refer to Note 1 in the financial statements, which states that the company must raise additional liquidity in order to continue its operations. This situation gives rise to significant uncertainty that may cast substantial doubt on the company's ability to continue as a going concern.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

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

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.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

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

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

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

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 C, 11 June 2025

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Christian Roding
State Authorised Public Accountant
mne33714

Company information

The Company	RE-ZIP ApS P.O. Pedersens Vej 9 DK-8200 Aarhus N CVR No: 41 38 50 14 Financial period: 1 January - 31 December Municipality of reg. office: Aarhus N
Board of Directors	Martin Brygger Møller, chairman Thomas Høgenhaven Astrid Haug Brian Gøbel Poulsen Mariana Gonzalez Lopez Piotr Wojciech Pietrzak Rünno Allikivi
Executive Board	Thomas Fugl Bo Bach Boddum
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Management's review

Key activities

The company's main activity is to develop, sell, and operate a circular packaging concept, aiming to have a significant positive impact environment and on society as a whole in its business and operations.

Development in the year

The income statement of the Company for 2024 shows a loss of DKK 5,134,755, and at 31 December 2024 the balance sheet of the Company shows a positive equity of DKK 15,938,554.

During the fiscal year, the company completed several developments of the software platform, amongst others, an updated reusable packaging management system for partners and drop-points, an app for Shopify and a plugin for WooCommerce users, and not least, an updated reporting suit measuring reductions of waste, CO2, water etc.

Furthermore, the company has developed a web app to succeed the native app that will be launched in Q2 2025. All developments are intended to ease the transition to reusable packaging for E-Commerce and make it convenient and easy for online shoppers to return packaging.

The company launched two new products during the fiscal year: a self-standing automated box that makes packaging operations really fast and seamless, and a reusable paper bag that has been requested from various clothing e-commerce sites. As previously, the packaging is produced using the same fabrics currently used for single-use, securing reductions at the very first reuse. The new products are expected to increase conversion and traction.

The company experienced growth in the number of customers and sold packaging units during the fiscal year, amongst others, piloting with companies like Amazon and Decathlon. Despite increasing interest in reusable packaging, the company acknowledges that adopting circular packaging activities, is behavior-regulating for both retailers and consumers, and is taking longer than expected in different markets.

Internationally, the company continues cooperating with partners like Austria Post (AT), InPost (PL), and Raja Group (BE, NL, FR, DE) for sales and hub operations. In the fiscal year, the company applied for a change of partners in EU Life, directing funds to Raja Group France to increase traction in the French market, which was approved in 2025. As France is a lighthouse in Europe within reusable packaging, the company anticipates high growth in the market in the coming years.

The company has experienced increased interest from postal and courier companies around Europe. It currently works with logistic partners in 8 countries, but more are to follow, with a continued vision to offer a full pan-European return infrastructure by 2030.

For the Danish subsidiary RE-ZIP Denmark, customers and sales increased, though at a lower level than expected. RE-ZIP Denmark has worked hard to secure Closing Loops projects in 2024 to be initiated in Q2 2025 with more than 500.000 units being circulated via a variety of Danish webshops, and with local consolidation at dao shops throughout the country.

The EU legislation, Packaging and Packaging Waste Regulation (PPWR), was passed in the EU commission for all member states to implement into national legislation by August 2026 at the latest. In brief, PPWR demands all member states to reduce packaging waste severely, among other things, by imposing minimum requirements for circular packaging in the e-commerce sector of 40% by 2030 and 70% by 2040. This entails a massive opportunity for the company, and to meet the demands, most countries are expected to phase in intermediate requirements in the coming years to meet the 2030 targets.

In line with the company's articles of association to positively contribute to both society and the environment as a whole, the company's Life Cycle Assessments (LCAs) and ESG report, as well as the company's overall goals for environmental impact, are available on the company's website (https://rezip.com/for-impact/).

The company considers the results to below expectations.

Management's review

Capital resources

The company's capital resources consist of inventory amounting to DKK 108,021, receivables and prepayments totaling DKK 2,677,263, and cash at bank of DKK 8,954,764, less net current liabilities of DKK 718,455. As of 31 December 2024, the total capital resources amount to DKK 11,021,593, which supports the continued operations of the company. The company is in positive dialogue with current investors to do an internal investment round in 2025. As part of the agreement the company has initiated a more focused commercial strategy as well as a trim of the organization to extend the runway until 2nd half of 2027.

Reference is made to Note 1 'Going Concern' for a more detailed description of the capital resources

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Unusual events

The financial position at 31 December 2024 of the Company and the results of the activities and cash flows of the Company for the financial year for 2024 have not been affected by any unusual events.

Subsequent events

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

Income statement 1 January - 31 December

	Note	2024	2023
		DKK	DKK
Gross profit/loss	2	**3,689,549**	**-1,082,543**
Staff expenses	3	-7,282,450	-5,964,053
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-1,154,249	-889,785
Profit/loss before financial income and expenses		**-4,747,150**	**-7,936,381**
Financial income	4	228,351	58,081
Financial expenses	5	-615,956	-322,922
Profit/loss before tax		**-5,134,755**	**-8,201,222**
Tax on profit/loss for the year		0	602,309
Net profit/loss for the year		**-5,134,755**	**-7,598,913**

Distribution of profit

	2024	2023
	DKK	DKK
Proposed distribution of profit		
Retained earnings	-5,134,755	-7,598,913
	-5,134,755	**-7,598,913**

Balance sheet 31 December

Assets

	Note	2024	2023
		DKK	DKK
Completed development projects		802,699	1,090,177
Goodwill		2,500	8,500
Development projects in progress		3,441,431	2,200,661
Intangible assets	6	**4,246,630**	**3,299,338**
Other fixtures and fittings, tools and equipment		20,378	27,836
Property, plant and equipment	7	**20,378**	**27,836**
Investments in subsidiaries	8	2,358,199	1,614,243
Deposits	9	107,313	97,500
Fixed asset investments		**2,465,512**	**1,711,743**
Fixed assets		**6,732,520**	**5,038,917**
Finished goods and goods for resale		108,021	260,364
Inventories		**108,021**	**260,364**
Trade receivables		315,014	69,049
Receivables from group enterprises		591,039	407,283
Other receivables		1,725,102	977,010
Corporation tax receivable from group enterprises		0	285,103
Prepayments		46,108	84,258
Receivables		**2,677,263**	**1,822,703**
Cash at bank and in hand		**8,953,764**	**12,620,823**
Current assets		**11,739,048**	**14,703,890**
Assets		**18,471,568**	**19,742,807**

Balance sheet 31 December

Liabilities and equity

	Note	2024	2023
		DKK	DKK
Share capital		121,662	112,907
Reserve for development costs		3,310,421	2,566,853
Retained earnings		12,506,471	11,323,891
Equity		**15,938,554**	**14,003,651**
Credit institutions		227,513	465,407
Other payables		1,587,046	1,587,046
Deferred income		0	2,140,805
Long-term debt	10	**1,814,559**	**4,193,258**
Credit institutions	10	232,000	173,747
Trade payables		177,826	199,232
Payables to owners and Management		14,244	14,244
Other payables	10	294,385	1,075,867
Deferred income	10	0	82,808
Short-term debt		**718,455**	**1,545,898**
Debt		**2,533,014**	**5,739,156**
Liabilities and equity		**18,471,568**	**19,742,807**
Going concern	1		
Contingent assets, liabilities and other financial obligations	11		
Related parties	12		
Accounting Policies	13		

Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	112,907	2,566,853	11,323,891	14,003,651
Cash capital increase	8,755	0	7,060,903	7,069,658
Development costs for the year	0	743,568	-743,568	0
Net profit/loss for the year	0	0	-5,134,755	-5,134,755
Equity at 31 December	**121,662**	**3,310,421**	**12,506,471**	**15,938,554**

Notes to the Financial Statements

1. Going concern

The company continues to expect a negative cash flow. At present, it has secured sufficient liquidity to cover operations through December 2025 or January 2026. Management is actively engaged in discussions with investors to raise additional capital to meet liquidity needs through the next Annual General Meeting. These discussions, with both existing and potential new investors, are progressing positively, and management expects a satisfactory outcome.

Should the company be unable to secure the necessary funding, this could have significant implications for its future operations and the situation gives rise to significant uncertainty that may cast substantial doubt on the company's ability to continue as a going concern.

Based on this, it is management's assessment that the going concern assumption remains fulfilled.

2. Special items

	2024 DKK	2023 DKK
EU Life grants	3,756,586	442,595
	3,756,586	**442,595**

3. Staff expenses

	2024 DKK	2023 DKK
Wages and salaries	6,602,763	5,440,252
Pensions	577,589	450,247
Other social security expenses	82,172	73,554
Other staff expenses	19,926	0
	7,282,450	**5,964,053**
Average number of employees	**11**	**9**

4. Financial income

	2024 DKK	2023 DKK
Interest received from group enterprises	77,431	13,752
Other financial income	150,920	44,329
	228,351	**58,081**

	2024	2023
	DKK	DKK

5. Financial expenses

Impairment losses on financial assets	551,959	0
Other financial expenses	56,031	310,509
Exchange loss	7,966	12,413
	615,956	**322,922**

6. Intangible fixed assets

	Completed development projects	Goodwill	Develop-ment projects in progress
	DKK	DKK	DKK
Cost at 1 January	2,629,243	30,000	2,200,661
Additions for the year	0	0	2,094,083
Disposals for the year	-937,153	0	0
Transfers for the year	853,313	0	-853,313
Cost at 31 December	2,545,403	30,000	3,441,431
Impairment losses and amortisation at 1 January	1,539,066	21,500	0
Amortisation for the year	498,910	6,000	0
Reversal of impairment and amortisation of sold assets	-295,272	0	0
Impairment losses and amortisation at 31 December	1,742,704	27,500	0
Carrying amount at 31 December	**802,699**	**2,500**	**3,441,431**
Amortised over	3 years	5 years	0

The company's development projects concern software and packaging development, for the purpose of establishing and operating circular packaging infrastructure, with a particular focus on environmental awareness. The projects are proceeding as planned and are expected to be completed within a shorter number of years. Market research shows that the increased focus on this area is leading to increased demand for this type of products and solutions.

The company has chosen to recognize development projects, which as of 31 December 2024, are valued at TDKK 4,244. The recognition of development projects involves uncertainty in measurement and recognition due to significant regarding business case and the expected cash-flow from the development projects in the coming years.

7. Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 January	49,722
Cost at 31 December	49,722
Impairment losses and depreciation at 1 January	21,886
Depreciation for the year	7,458
Impairment losses and depreciation at 31 December	29,344
Carrying amount at 31 December	**20,378**
Amortised over	5-8 years

8. Investments in subsidiaries

	2024	2023
	DKK	DKK
Cost at 1 January	1,614,243	14,243
Additions for the year	743,956	1,600,000
Cost at 31 December	2,358,199	1,614,243
Carrying amount at 31 December	**2,358,199**	**1,614,243**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Owner-ship	Equity	Net profit/loss for the year
RE-ZIP DK ApS	Denmark	100%	239,769	-1,360,231
RE-ZIP Polska sp. z.o.o.	Polen	90%	-551,959	-365,587
RE-ZIP Packaging Ltd.	Storbritannien	80%	379,658	-228,151

9. Other fixed asset investments

	Deposits
	DKK
Cost at 1 January	97,500
Additions for the year	9,813
Cost at 31 December	107,313
Carrying amount at 31 December	**107,313**

10. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2024	2023
	DKK	DKK
Credit institutions		
After 5 years	0	0
Between 1 and 5 years	227,513	465,407
Long-term part	227,513	465,407
Other short-term debt to credit institutions	232,000	173,747
	459,513	**639,154**
Other payables		
After 5 years	0	0
Between 1 and 5 years	1,587,046	1,587,046
Long-term part	1,587,046	1,587,046
Other short-term payables	294,385	1,075,867
	1,881,431	**2,662,913**

	2024	2023
	DKK	DKK

10. Long-term debt

Deferred income		
After 5 years	0	0
Between 1 and 5 years	0	2,140,805
Long-term part	0	2,140,805
Other deferred income	0	82,808
	0	**2,223,613**

11. Contingent assets, liabilities and other financial obligations

Charges and security

Security for a debt to "Vækstfonden", at the amount of TDKK 481 at 31. december 2024 a floating charge has been issued in goodwill, domainnames, rights etc., trade receivables, finished goods and goods for resale and other fixtures and fittings, tools and equipment.

Rental and lease obligations

The company has entered into a lease agreement with a termination notice of 6 months, equivalent to TDKK 195.

Other contingent liabilities

The company has recognized grant funds from EU LIFE in the financial year. Since the EU has not yet completed the final review of the basis for the grant, it cannot be ruled out that a part of or all of the recognized grant may need to be repaid. If this is the case, it will result in a repayment. It is not possible to determine any potential repayment amount, but the received support totals TDKK 3,757, cf. note 2 on Special items. It is management's assessment that they fulfill the requirements for the grants and there can be no repayment.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to DKK 0. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

12. Related parties

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(6) of the Danish Financial Statements Act.

13. Accounting policies

The Annual Report of RE-ZIP ApS for 2024 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2024 are presented in DKK.

Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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

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

Notes to the Financial Statements

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

• delivery has been made before year end;

• a binding sales agreement has been made;

• the sales price has been determined; and

• payment has been received or may with reasonable certainty be expected to be received.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Expenses for raw materials and consumables

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

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with subsidiary company. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 5 years, determined on the basis of Management's experience with the individual business areas.

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3 year.

Property, plant and equipment

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

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

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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

Other fixtures and fittings, tools and equipment	5-8 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposit.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent and insurance premiums.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.