Discovery Networks Denmark ApS

H.C. Andersens Boulevard 1, DK-1553 København V

Annual Report for 1 January - 31 December 2017

CVR No 20 05 29 02

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 25/6 2018

Lene Rytter
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Discovery Networks Denmark ApS for the financial year 1 January - 31 December 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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.

Copenhagen, 22 June 2018

Executive Board

Christian Kemp
CEO

Board of Directors

Jozef Maarten Dijkstra Chairman	Christian Sonnefeld Jørgensen	Anders Christian Aagaard Antonsen

Independent Auditor's Report

To the Shareholder of Discovery Networks Denmark ApS

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Discovery Networks Denmark ApS for the financial year 1 January - 31 December 2017, 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Financials 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.

Independent Auditor's Report

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 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.

Hellerup, 22 June 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Allan Kamp Jensen
State Authorised Public Accountant
mne15126

Thomas Baunkjær Andersen
State Authorised Public Accountant
mne35483

Company Information

The Company	Discovery Networks Denmark ApS H.C. Andersens Boulevard 1 DK-1553 København V Telephone: + 45 70 10 10 10 Website: www.discoverynetworks.dk CVR No: 20 05 29 02 Financial period: 1 January - 31 December Municipality of reg. office: Copenhagen
Board of Directors	Jozef Maarten Dijkstra, Chairman Christian Sonnefeld Jørgensen Anders Christian Aagaard Antonsen
Executive Board	Christian Kemp
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Key figures					
Profit/loss					
Revenue	1,206,169	1,134,938	1,060,454	967,462	940,542
Gross profit/loss	936,300	872,815	861,332	837,253	798,972
Profit/loss before financial income and expenses	158,726	89,367	160,046	274,978	242,031
Net financials	3,897	663	(17,161)	(17,725)	3,782
Net profit/loss for the year	126,286	69,744	110,651	194,510	182,596
Balance sheet					
Balance sheet total	953,954	1,077,029	1,016,664	751,322	724,111
Equity	659,174	732,888	663,144	498,653	409,143
Investment in property, plant and equipment	4,614	2,596	13,203	17,736	9,145
Number of employees	185	193	195	185	165
Ratios					
Return on assets	16.6 %	8.3 %	15.7 %	36.6 %	33.4 %
Solvency ratio	69.1 %	68.0 %	65.2 %	66.4 %	56.5 %
Return on equity	18.1 %	10.0 %	19.0 %	42.9 %	45.5 %

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

Discovery Networks Denmark operates linear TV channels broadcasted into Denmark under UK Ofcom licenses. Furthermore, the company's activities consist of ad sales and sales of sponsorships.

The revenue consists of two primary elements: distribution revenue which is revenue from distributors (who sells TV packages to end-users) and sale of advertisements and sponsorships.

Moreover, the company supports the digital streaming services provided by Discovery Entertainment Ltd. directly to end users.

The majority of costs are content costs, which can be divided into use of sports rights, foreign acquisitions and local commissioning, as well as local personnel costs.

The Discovery's TV-channels includes Kanal 4, Kanal 5, 6'eren, 9'eren, ID, Discovery Channel, TLC, Eurosport 1 and 2 and Animal Planet.

Development in the year

The income statement of the Company for 2017 shows a profit of TDKK 126,286, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 659,174.

The past year and follow-up on development expectations from last year

The results for 2017 have exceeded management's expectations, mainly driven by a favorable market share development and strong advertisement sales. In management's opinion, the income statement and balance sheet with related notes provide all significant information to assess the Company's performance for the past year as well as the Company's financial position at year end.

Special risks - operating risks and financial risks

Operating risks

As the media industry shifts towards a more digital oriented landscape, generally a churn of linear subscribers is experienced. If this continues or worsens, it will have a negative impact on distribution revenues from linear TV packages.

Foreign exchange risks

Given that a substantial number of the Company's programs are acquired in foreign currency, results of operations, cash flows and equity are impacted by their exchange as well as interest rate developments. No foreign currency hedging is made.

Management's Review

Interest rate risks

As the Company has minimal interest-bearing debt, a change in the interest rate level will be without significant direct effect on earnings.

Strategy and objectives

Strategy

Over the past few years the Danish market, alongside the rest of the Nordic region, has experienced a decline in PUT (People Using Television) levels. Looking ahead, a continuation of this trend could put pressure on traditional revenue streams wherefore 2018 revenue and profit is expected slightly below the 2017 level.

External environment

The operation of the company has no impact on the external environment.

Statement of corporate social responsibility

The Company has not issued a CSR policy.

Statement on gender composition

The Board of Directors

The Board of Directors comprises of three individuals of the same gender. Consequently, there is no gender equality in the present board of directors.

The Board of Directors aims to have one female appointed as board member in 2022.

During the past year there has been no changes to the composition of the board of directors. Consequently, the gender equality in the board of directors remains unchanged which is the reason why the objective isn't met.

The Executive Board

The goal of gender equality is met in the Executive Board. Thus, no further is to be stated in this respect.

Subsequent events

In March 2018, the Company recorded a strategic impairment of TDKK 121,835 against its legacy content rights for foreign acquisitions and associated costs of discontinuation of certain life of series commitments following a restructuring.

Income Statement 1 January - 31 December

	Note	2017	2016
		TDKK	TDKK
Revenue	1	**1,206,169**	**1,134,938**
Other external expenses		(269,869)	(262,123)
Gross profit/loss		**936,300**	**872,815**
Staff expenses	2	(117,762)	(125,476)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	(659,500)	(657,972)
Other operating expenses		(312)	0
Profit/loss before financial income and expenses		**158,726**	**89,367**
Financial income	4	7,740	6,236
Financial expenses	5	(3,843)	(5,573)
Profit/loss before tax		**162,623**	**90,030**
Tax on profit/loss for the year	6	(36,337)	(20,286)
Net profit/loss for the year		**126,286**	**69,744**

Balance Sheet 31 December

Assets

	Note	2017	2016
		TDKK	TDKK
Content Rights, prepayments		108,535	166,769
Content Rights		371,220	450,004
Goodwill		20,617	23,318
Intangible assets	7	**500,372**	**640,091**
Plant and machinery		13,450	11,829
Other fixtures and fittings, tools and equipment		146	3,928
Leasehold improvements		3,332	4,893
Property, plant and equipment in progress		0	32
Property, plant and equipment	8	**16,928**	**20,682**
Fixed assets		**517,300**	**660,773**
Trade receivables		49,112	268,752
Receivables from group enterprises		9,651	15,782
Other receivables		12,277	13,487
Prepayments	9	5,026	2,906
Receivables		**76,066**	**300,927**
Cash at bank and in hand		**360,588**	**115,329**
Currents assets		**436,654**	**416,256**
Assets		**953,954**	**1,077,029**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		TDKK	TDKK
Share capital		2,000	2,000
Retained earnings		657,174	670,888
Proposed dividend for the year		0	60,000
Equity		**659,174**	**732,888**
Provision for deferred tax	11	3,987	28,655
Other provisions	12	6,886	6,811
Provisions		**10,873**	**35,466**
Lease obligations		0	368
Long-term debt	13	**0**	**368**
Lease obligations	13	368	673
Trade payables		116,476	149,554
Payables to group enterprises		37,727	74,236
Corporation tax, joint taxation		76,608	16,359
Other payables		52,728	67,485
Short-term debt		**283,907**	**308,307**
Debt		**283,907**	**308,675**
Liabilities and equity		**953,954**	**1,077,029**
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Fee to auditors appointed at the general meeting	16		
Accounting Policies	17		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	2,000	670,888	60,000	732,888
Ordinary dividend paid	0	0	(60,000)	(60,000)
Extraordinary dividend paid	0	(140,000)	0	(140,000)
Net profit/loss for the year	0	126,286	0	126,286
Equity at 31 December	**2,000**	**657,174**	**0**	**659,174**

Notes to the Financial Statements

1 Revenue

The company's activities and revenue consist only of one operating segment, management manages and measures the company’s revenue and financial performance based heron. The company generates and operates only on the Danish market.

2 Staff expenses

	2017	2016
	TDKK	TDKK
Wages and salaries	109,109	116,662
Pensions	7,488	7,312
Other social security expenses	1,165	1,627
Other staff expenses	0	(125)
	117,762	**125,476**
Average number of employees	**185**	**193**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2017	2016
	TDKK	TDKK
Amortisation of intangible assets	650,287	632,925
Depreciation of property, plant and equipment	8,368	9,070
Impairment of intangible assets	845	15,977
	659,500	**657,972**

4 Financial income

	2017	2016
Exchange gains	7,740	6,236
	7,740	**6,236**

Notes to the Financial Statements

5 Financial expenses

	2017	2016
	TDKK	TDKK
Other financial expenses	1,709	1,061
Exchange loss	2,134	4,512
	3,843	**5,573**

6 Tax on profit/loss for the year

	2017	2016
	TDKK	TDKK
Current tax for the year	76,608	19,531
Deferred tax for the year	(24,668)	755
Adjustment of deferred tax concerning previous years	(15,603)	0
	36,337	**20,286**

7 Intangible assets

	Content Rights, prepayments	Content Rights	Goodwill
	TDKK	TDKK	TDKK
Cost at 1 January	166,769	1,293,025	27,019
Additions for the year	274,463	236,950	0
Disposals for the year	0	(1,009,016)	0
Transfers for the year	(332,697)	332,697	0
Cost at 31 December	108,535	853,656	27,019
Impairment losses and amortisation at 1 January	0	843,022	3,700
Impairment losses for the year	0	845	0
Amortisation for the year	0	647,585	2,702
Reversal of amortisation of disposals for the year	0	(1,009,016)	0
Impairment losses and amortisation at 31 December	0	482,436	6,402
Carrying amount at 31 December	**108,535**	**371,220**	**20,617**

Notes to the Financial Statements

8 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	41,219	2,155	9,813	32
Additions for the year	4,614	0	0	0
Transfers for the year	32	0	0	(32)
Cost at 31 December	45,865	2,155	9,813	0
Impairment losses and depreciation at 1 January	25,684	1,933	4,920	0
Depreciation for the year	6,731	76	1,561	0
Impairment losses and depreciation at 31 December	32,415	2,009	6,481	0
Carrying amount at 31 December	**13,450**	**146**	**3,332**	**0**
Including assets under finance leases amounting to	363	0	0	0

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

10 Distribution of profit

	2017	2016
	TDKK	TDKK
Extraordinary dividend paid	140,000	0
Retained earnings	(13,714)	69,744
	126,286	**69,744**

	2017	2016
	TDKK	TDKK

11 Provision for deferred tax

	2017	2016
Provision for deferred tax at 1 January	28,655	27,900
Amounts recognised in the income statement for the year	(24,668)	755
Provision for deferred tax at 31 December	**3,987**	**28,655**

12 Other provisions

	2017	2016
Other provisions	6,886	6,811
	6,886	**6,811**

13 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:

Lease obligations

	2017	2016
Between 1 and 5 years	0	368
Long-term part	0	368
Within 1 year	368	673
	368	**1,041**

Notes to the Financial Statements

14 Contingent assets, liabilities and other financial obligations

	2017	2016
	TDKK	TDKK
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	10,003,146	9,470,897
Between 1 and 5 years	26,870,515	22,019,156
	36,873,661	**31,490,053**

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Groups Danish Companies. The total amount of corporation tax payable is disclosed in the Annual Report of Discovery Communications Nordic ApS, which is the management company of the joint taxation purposes. Moreover, the Danish 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 Company's liability.

The Company is claiming damages by means of litigations. The claims may have a material financial effect on the Company but are subject to significant uncertainty as to the outcome and timing of the effect. At present, it is not possible to make and estimate in this respect.

Contractual agreements

At 31 December 2017, the Company has entered into contracts regarding future programme rights, which are not recognised in the balance sheet. The contingencies hereof amount to a total liability of DKK 650,678 thousand, of which DKK 287,991 thousand falls due within 1 year and DKK 0 thousand falls due after 5 years.

Notes to the Financial Statements

15 Related parties

	Basis
Controlling interest	
Discovery Communications Nordic ApS H.C.Andersens Boulevard 1 1553 Copenhagen V Denmark	Shareholder

Transactions

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)(7) of the Danish Financial Statements Act.

The Company have in the financial year 2017 carried out transactions with related parties in accordance with the Groups Transfer Pricing policies.

Consolidated Financial Statements

The Company does not prepare consolidated financial statements pursuant to section 112 (1) of the Danish Financial Statements Act. The Company's ultimate parent, which prepares consolidated financial statements into which the Comapny is consolidated as a subsidiary, is Discovery Communications Inc, 1, Discovery Pl, Silver Spring, MD 20910, USA.

Name	Place of registered office
Discovery Communication Inc.	USA

The Group Annual Report of Discovery Communications Inc. may be obtained at the following address

Discovery Communications Inc
1 Discovery Pl, Silver Spring
MD 20910
USA

Notes to the Financial Statements

16 Fee to auditors appointed at the general meeting

Disclosure on fees paid to auditors appointed at the annual general meeting is omitted in accordance with section 96 (3) of the Danish financial Statements Act.

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Discovery Networks Denmark ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Discovery Communication Inc., the Company has not prepared a cash flow statement.

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.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

Notes to the Financial Statements

17 Accounting Policies (continued)

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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. Exchange differences 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.

Income Statement

Revenue

Revenue from the sale of TV commercials and transmission is recognised in the income statement when the delivery and transfer of risk has been made before year end.

Other external expenses

Other external expenses comprise costs incurred in respect of sales, advertising, administation, office premises, bad debt losses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Financial income and expenses

Financial income and expenses comprise interest income and expense, finanse lease payments, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

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

The Company is jointly taxed with its Danish group enterprises. Discovery Communications Nordic ApS acts as management company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill is amortised over a period of 10 years.

Goodwill is amortised over the expected economic useful life, measured by reference to an assessment of, among other factors as the nature of the market position of the business, the stability of the industry and earnings, the market position of the acquired entity and what is considered as normal in the media business.

Notes to the Financial Statements

17 Accounting Policies (continued)

Programme rights comprise acquired programme rights, programmes ordered and prepayments of programmes.

Programme rights are recognised when the license period has begun and are measured at cost less accumulated amortisation and impairment. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Amortisations equal the consumption of programme rights and begin at the date of the first broadcast, depending on the number of broadcasts permitted or planned, respectively. Amortisations are made using a diminishing balance method based on the number of broadcasts calculated based on a standardized pattern of consumption. For programme rights intended for only one broadcast, the total value is amortised at the date of the broadcast.

Amortization periods are reassed annually

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.

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:

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

17 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$