

Discovery Networks Denmark ApS

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

Annual Report for 2015

CVR No 20 05 29 02

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company
on April 7, 2016



Lene Rytter
Chairman

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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 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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
7 April 2016

Executive Board



Christian Kemp
CEO

Board of Directors

Deirdre Forbes
Chairman

Dominic Peter Coles



Anders Antonsen

Jan Rene Reipuert Christiansen



Christian Sonnefeld Jørgensen

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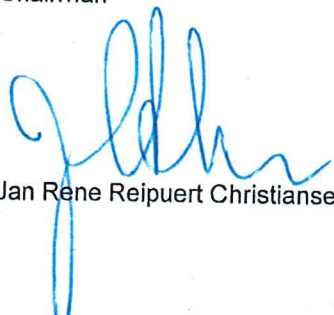
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7 April 2016

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CEO

Board of Directors

Deirdre Forbes
Chairman



Jan Rene Reipuert Christiansen

Dominic Peter Coles



Christian Sonnefeld Jørgensen



Anders Antonsen

Independent Auditor`s Report on the Financial Statements

To the Shareholder of Discovery Networks Denmark ApS

Report on Financial Statements

We have audited the Financial Statements of Discovery Networks Denmark ApS for the financial year 1 January – 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management`s Responsibility 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 Statement 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 and error.

Auditor`s Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in Financial Statements. The procedures selected depend on the auditor`s judgment, including the assessment of risk the risks of material misstatements of Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company`s preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimate made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

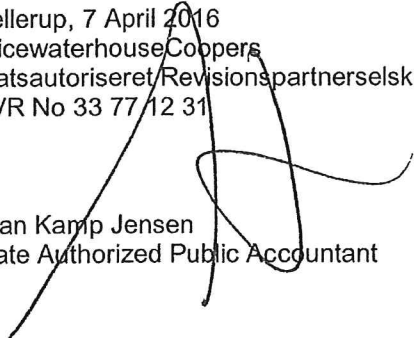
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and the results of the Company operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 7 April 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Allan Kamp Jensen
State Authorized Public Accountant



Company Information

The Company

Discovery Networks Denmark ApS
H.C Andersens Boulevard 1
DK 1553 Kobenhavn 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 registration office: Copenhagen

Board of Directors

Deirdre Forbes- Chairman
Dominic Peter Coles
Anders Christian Aagaard Antonsen
Jan Rene Reipuert Christiansen
Christian Sonnefeld Jørgensen

Executive Board

Christian Kemp

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK 2900 Hellerup

Financial Highlights

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

	2015 DKK (000)	2014 DKK (000)	2013 DKK (000)	2012 DKK (000)	2011 DKK (000)
<u>Profit / Loss</u>					
Revenue	1,049,598	967,462	940,542	928,461	849,627
Profit/loss before financial income and expenses	159,746	274,978	242,031	264,040	222,805
Net financials	(17,157)	(17,725)	3,782	(1,188)	(7,653)
Net profit/loss for the year	110,503	194,510	182,596	196,696	160,932
<u>Balance Sheet</u>					
Balance sheet total	961,535	751,322	724,111	665,701	443,530
Equity	609,156	498,653	409,143	393,722	197,026
Investment in property, plant and equipment	13,203	17,736	9,145	9,618	7,648
Number of employees	195	185	165	139	143
<u>Ratios %</u>					
Return on assets	16.6%	36.6%	33.4%	39.7%	50.2%
Solvency ratio	63.4%	66.4%	56.5%	59.1%	44.4%
Return on equity	19.9%	42.9%	45.5%	66.6%	138.1%

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

Review

The Annual Report of Discovery Networks Denmark ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Main Activities

The Company's activities consists mainly of broadcasting TV channels. The revenue consists of primarily two elements: Distribution Revenue which is revenue from Distributors (who sells TV packages to end-users) and Ad Sale Revenue which means selling commercial air time.

Both revenue streams are based on the penetration of the TV channels owned by the company, E.g. Kanal 5, Kanal 4, Discovery and TLC.

Moreover, the company operates a streaming service called "Dplay" which sells the content directly to end users.

The larger part of the costs is comprised of content costs. This can be divided into sports programs, foreign acquisition and local programming.

Development in the year

The income statement of the Company for 2015 shows a profit of DKK 110,503,406 and at 31 December 2015 the balance of the Company shows equity of DKK 609,156,499.

During 2015 the Company took over Canal 8 Sport and Canal 9 as well as the responsibility for handling advertising and distribution of the Danish Eurosport channels. This has increased the revenue compared to 2014.

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

The results are in line with management expectations. The Board of Directors does, however, expect the profit before tax for 2016 to exceed the 2015 figure. 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

End user churn

We currently see a development of people down-sizing their TV-packages. If this continues or worsens it is a risk to both the Affiliate and Ad Sale income stream.

Foreign exchange risks

As a large number of the Company's programme are purchased in foreign currencies, results of operations, cash flows and equity are affected by the exchange and interest rate developments of a number of currencies. No foreign currency hedging is made.

Interest rate risks

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

Review

Strategy and objectives

Outlook

Hours spent watching TV is decreasing in the Danish market as well as in most western countries and this will put a pressure on both Distribution and Ad Sale revenue. Due to acquisitions of Eurosport and Canal 9 we expect higher revenue in 2016 offset by higher contents costs due to an increase in content investments including sports rights.

The Company expects to continue seeing a considerable positive liquidity in 2016, which will primarily be spent to reduce the Company's debt.

Diversity

Taking into account the wish to have the most qualified person holding a given position at any time, it is the Company's policy to work for having more female candidates in order to increase the underrepresented gender share of shareholder-elected members of the Board of Directors to at least one member in 2017. At present, all shareholders-elected members are men.

Moreover, when recruiting and promoting for executive positions, the Company will ensure that at least one qualified female candidate is always discussed. The current management team comprises three men and one woman, and a target of 25% by the end of 2017 is also pursued for the management team.

External environment

The Company has not prepared any CSR policies.

Intellectual capital resources

It is essential to the Company's continued growth to be able to attract and retain creative and competent employees within programme, sales and marketing as well as in-house services. It is the Company's aim to retain and attract employees through the framework established by the Company for these efforts.

Subsequent events

February 8, 2016 Discovery Communication Nordic ApS acquired 100 % of the share capital in Eurosport Denmark ApS from Eurosport Television AB.

In accordance with the re-organization plan of the Discovery Group structure the plan is to carry through a merger between Eurosport Denmark ApS and Discovery Networks Denmark ApS with Discovery Networks Denmark ApS as the surviving company before end of June 2016. The plan is that the merger should take legal effect per May 1, 2016 and take accounting and tax effect as of January 1, 2016.

Income statement 1 January - 31 December

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
Revenue		1,049,598,209	967,462,157
Other Operating Income		200,000	33,622
Other External Expenses		(190,535,847)	(130,243,001)
Gross profit / loss		<u>859,262,362</u>	<u>837,252,778</u>
Staff Expenses	1	(130,874,923)	(122,934,255)
Depreciation, amortisation and impairment assets and property, plant and equipments	2	(568,641,434)	(439,340,970)
Profit / loss before financial income and expenses		<u>159,746,005</u>	<u>274,977,553</u>
Financial Income	3	2,056,112	2,294,440
Financial expenses	4	(19,213,520)	(20,019,369)
Profit / loss before tax		<u>142,588,596</u>	<u>257,252,624</u>
Tax on profit / loss for the year	5	(32,085,190)	(62,742,249)
Net profit/ loss for the year		<u>110,503,406</u>	<u>194,510,375</u>

Distribution of profit

	<u>2015</u>	<u>2014</u>
	DKK	DKK
Proposed distribution of profit		
Retained earnings	110,503,406	194,510,375
	<u>110,503,406</u>	<u>194,510,375</u>

Balance Sheet

	<u>Note</u>	<u>31-12-2015</u>	<u>31-12-2014</u>
		DKK	DKK
Assets			
Goodwill		22,613,525	-
Content Rights, prepayments		155,706,353	139,818,027
Content Rights		390,142,901	334,309,617
Intangible assets	6	<u>568,462,779</u>	<u>474,127,644</u>
Land and buildings		-	1,500,000
Plant and Machinery		20,229,670	17,903,873
Other fixtures and fittings, tools and equipment		665,913	1,971,532
Leasehold improvements		5,642,866	3,299,797
Asset under construction		850,486	-
Property, plant and equipment	7	<u>27,388,935</u>	<u>24,675,202</u>
Fixed assets		<u>595,851,714</u>	<u>498,802,846</u>
Trade receivables		224,036,205	172,213,726
Receivables from group enterprises		28,859,307	21,752,360
Other receivables		8,691,459	11,416,720
Prepayments		11,472,540	7,169,930
Receivables		<u>273,059,511</u>	<u>212,552,736</u>
Cash at bank and in hand		92,623,662	39,966,115
Current assets		<u>365,683,174</u>	<u>252,518,851</u>
Assets		<u>961,534,887</u>	<u>751,321,697</u>

Balance Sheet

	<u>Note</u>	<u>31-12-2015</u>	<u>31-12-2014</u>
		DKK	DKK
Liabilities and equity			
Share capital		2,000,000	2,000,000
Retained earnings		607,156,499	496,653,092
Equity	8	<u>609,156,499</u>	<u>498,653,092</u>
Provision for deferred tax		27,900,000	9,785,749
Other provisions		6,831,660	-
Provisions		<u>34,731,660</u>	<u>9,785,749</u>
Payables to group enterprises		22,366,985	-
Lease obligations	9	884,474	-
Long term debt		<u>23,251,459</u>	<u>-</u>
Trade payables		156,998,244	109,314,535
Payables to group enterprises		58,026,327	-
Corporation tax, joint taxation		13,970,938	62,129,242
Other payables		64,809,817	71,439,079
Lease obligations	9	589,943	-
Short term debt		<u>294,395,270</u>	<u>242,882,856</u>
Debt		<u>317,646,729</u>	<u>242,882,856</u>
Liabilities and equity		<u>961,534,887</u>	<u>751,321,697</u>
Contingent assets, liabilities and other financial obligations	10		
Fee to auditors appointed at the general meeting	11		
Related parties and ownership	12		

Notes to the Annual Report

1 Staff Expenses

	<u>2015</u>	<u>2014</u>
	DKK	DKK
Wages and salaries	123,061,392	118,717,362
Pensions	5,494,902	2,790,074
Other social security expenses	2,318,628	1,426,819
	<u>130,874,923</u>	<u>122,934,255</u>

Average number of employees	195	185
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Remuneration to the Executive Board has not been disclosed in accordance with section 98 B (3) of the Danish Financial Statements Act.

2 Depreciation, amortization and impairment of intangible assets and property, plant and equipment

	<u>2015</u>	<u>2014</u>
	DKK	DKK
Depreciation of intangible assets	545,116,671	429,227,952
Depreciation of property, plant and equipments	8,989,650	10,113,017
Impairment of intangible assets	14,535,113	-
	<u>568,641,434</u>	<u>439,340,969</u>

3 Financial Income

	<u>2015</u>	<u>2014</u>
	DKK	DKK
Other financial Income	-	49,110
Exchange gains	2,056,112	2,245,330
	<u>2,056,112</u>	<u>2,294,440</u>

Notes to the Annual Report

4 Financial Expenses

	<u>2015</u>	<u>2014</u>
	DKK	DKK
Other financial expenses	837,442	2,530,924
Exchange loss	18,376,078	17,488,444
	<u>19,213,520</u>	<u>20,019,368</u>

5 Tax on profit/loss for the year

	<u>2015</u>	<u>2014</u>
	DKK	DKK
Current tax for the year	13,970,938	40,376,882
Deferred tax for the year	18,114,252	22,365,376
	<u>32,085,190</u>	<u>62,742,258</u>

6 Intangible assets

	<u>Content Rights, prepayments</u>	<u>Content Rights</u>	<u>Goodwill</u>
	DKK	DKK	DKK
Cost at 1 January	139,818,026	591,701,924	-
Adjustment for the beginning of the year	-	94,934,857	-
Additions for the year	189,354,138	449,695,585	24,058,372
Disposals for the year	-	(79,274,908)	-
Transfers for the year	(173,465,811)	173,465,811	-
Cost at 31 December	<u>155,706,353</u>	<u>1,230,523,268</u>	<u>24,058,372</u>
Impairment losses and amortisation at 1 January	-	257,392,306	-
Adjustment for the beginning of the year	-	94,934,857	-
Amortisation for the year	-	545,116,671	1,444,847
Reversal of amortisation of disposals	-	(57,063,467)	-
Impairment losses and amortisation at 31 December	<u>-</u>	<u>840,380,368</u>	<u>1,444,847</u>
Carrying amount at 31 December	<u>155,706,353</u>	<u>390,142,901</u>	<u>22,613,525</u>

Notes to the Annual Report

7 Property, plant and equipment

	Land and Buildings	Plant and Machinery	Other fixtures and fittings, tools and equipment	Leasehold Improvements	Asset Under Construction
	DKK	DKK	DKK	DKK	DKK
Cost at 1 January	1,500,000	25,471,594	6,890,131	5,193,923	-
Additions for the year		8,586,568	117,138	3,649,190	850,486
Disposals	(1,500,000)				
Transfers		4,715,059	(4,715,059)	-	-
Cost at 31 December	<u>-</u>	<u>38,773,221</u>	<u>2,292,210</u>	<u>8,843,113</u>	<u>850,486</u>
Impairment losses and amortisation at 1 January	-	7,567,721	4,918,599	1,894,126	-
Derecognition for the year	-	7,269,419	414,111	1,306,120	-
Reversal of impairment and depreciation of sold assets					
Transfers	-	3,706,412	(3,706,412)	-	-
Impairment losses and depreciation at 31 December	<u>-</u>	<u>18,543,552</u>	<u>1,626,298</u>	<u>3,200,246</u>	<u>-</u>
Carrying amount at 31 December	<u>-</u>	<u>20,229,669</u>	<u>665,912</u>	<u>5,642,867</u>	<u>850,486</u>
Including assets under finance leases amounting to	-	1,607,896	-	-	-

8 Equity

	Share Capital	Retained Earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
At 1 January 2015	2,000,000	496,653,093	-	498,653,093
Net profit for the year	-	110,503,406	-	110,503,406
At 31 December 2015	<u>2,000,000</u>	<u>607,156,499</u>	<u>-</u>	<u>609,156,499</u>

Notes to the Annual Report

The nominal value of share capital of the Company is DKK 2,000,000 divided into 2,000 shares of nominal value of DKK 1,000 each. All shares are fully issued and paid up. One share of DKK 1,000 holds one vote. The share capital is owned 100 % by DISCOVERY Networks Denmark Holding ApS (cvr no. 12372787).

There have been no changes in the share capital during the last 5 years.

9 Lease obligations

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

The debt falls due for payment as specified below

	<u>2015</u> DKK	<u>2014</u> DKK
Between 1 and 5 years	884,474	-
Within 1 year	589,943	-
	<u>1,474,417</u>	<u>-</u>

10 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

	<u>2015</u> DKK	<u>2014</u> DKK
Within 1 year	10,466,543	9,318,810
Between 1 and 5 years	3,930,269	11,338,588
After 5 years	-	600,000
	<u>14,396,812</u>	<u>21,257,398</u>

Contractual agreements

At 31 December 2015, the Company has entered into contracts regarding future programming rights, which are not recognized in the balance sheet. The contingencies hereof amount to a total liability DKK 1,386m of which DKK 448m falls due within one year and DKK 43m falls due after 5 years.

Contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income from the income year 2013 and onwards.

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.

For other contracts the total liability amounts to DKK 4.6m.

Notes to the Annual Report

11 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.

12 Related parties and ownership

Controlling interest

Discovery Communications Nordic ApS H.C. AndersenS Boulevard 1 1553 Kobenhavn V Denmark	Shareholder
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Accounting Policies

Basis of Preparation

The Annual Report of Discovery Networks Denmark ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C

The Company has committed to disclose revenue distributed on business segments in accordance with section 96(1), sentence 3 of the Danish Financial Statements Act as the disclosure of such information could cause significant damage to the company.

The accounting policies applied remain unchanged from last year.

The Annual Report for 2015 is presented in DKK.

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 Communications Inc., the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized costs are recognized.

Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized 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 recognized 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.

Danish Kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognized 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.

The remaining lease obligation is capitalized and recognized 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 recognized in the income statement on a straight-line basis over the lease term.

Accounting Policies

Translation policies

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 recognized 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 transaction date rates are recognized in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue from the sale of TV services and commercial time is recognised in the income statement when delivery and transfer of risk has been made before year end and that the income can be measured reliably and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other external expenses

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

Staff expenses

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

Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses comprise amortization, 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.

Financial income and expenses

Financial income and expenses comprise interest income and expense, finance lease payments, gain and losses on payables and transactions denominated in foreign currencies, amortization 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 deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized 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 Danish enterprises in proportion to their taxable incomes.

Accounting Policies

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortization. Goodwill is amortized on a straight-line basis over its useful life, which is assessed at 5 years.

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.

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. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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.

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operation costs, respectively.

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 amortization and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

Accounting Policies

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

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 recognized 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 realized, 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 recognized in the income statement or in equity if the deferred tax relates to items recognized in equity.

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

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

Accounting Policies

Financial Highlights

Explanation of financial ratios

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$