BEIERHOLM
VI SKABER BALANCE

Plastix A/S

Gammel Landevej 3, 7620 Lemvig

CVR no. 34 88 06 46

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 05.06.24

Ole Raft
Dirigent

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Company information etc.

The company

Plastix A/S
Secondary firm name: Plastic.net A/S
Gammel Landevej 3
7620 Lemvig
Tel.: 97 82 20 00
Registered office: Lemvig
CVR no.: 34 88 06 46
Financial year: 01.01 - 31.12

Executive Board

Hans Axel Kristensen

Board of Directors

Bernardus Antonius Josephus Merkx
Ole Raft
Birgit Kjærside Storm

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

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

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Plastix A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

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

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

Lemvig, June 5, 2024

Executive Board

Hans Axel Kristensen

Board of Directors

Bernardus Antonius Josephus Merkx	Ole Raft	Birgit Kjærside Storm

Independent auditor’s report

To the Shareholders of Plastix A/S

Opinion

We have audited the financial statements of Plastix A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's financial position at 31.12.23 and of the results of the company's operations for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Emphasis of matter

Without modifying our opinion, we draw attention to the information in note 1 in the financial statement, which describes uncertainty regarding the recognition and measurement of the development projects in the company. We agree with the management in describing the conditions for recognition. Therefore our conclusion has not been modified regarding the valuation of the development projects

Statement on the management’s review

Management is responsible for the management’s review.

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

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

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

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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, June 5, 2024

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Flemming Laigaard
State Authorized Public Accountant
MNE-no. mne29497

Primary activities

Plastix’ activities consist in trade, production, technology R&D and other related activities within industrial recycling of plastic waste.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit/loss of DKK -37,907,513 against DKK -24,699,544 for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 38,641,806.

The capacity utilization in 2023 did not reach break-even level. Continued efforts and resources have been directed towards further development of the company’s products, buildings and industry processes, which the management assess to be necessary to secure Plastix’ market position and capabilities in the Green Plastics market.

The company’s owners have during 2023 increased the company’s capital by DKK 38 Mio. The financial results for 2023 is as expected under the circumstances.

Outlook

The demand of Green Plastics is expected to rise during 2024 and the Company’s long term supply of products is growing. The management expects to enter into binding frame agreements with international buyers for volumes equal to the Company’s long term production capacity.

Subsequent events

The company’s owners have after the end of the financial year contributed with further financial support. No further significant events have occurred which affect the financial position.

Income statement

Note		2023 DKK	2022 DKK
	Revenue	**22,249,506**	**42,879,524**
	Work performed for own account and capitalised	2,628,240	3,569,446
	Other operating income	290,332	518,818
	Costs of raw materials and consumables	-3,044,725	-19,308,564
	Other external expenses	-13,055,868	-12,002,822
	Gross profit	**9,067,485**	**15,656,402**
2	Staff costs	-23,830,518	-23,146,512
	Loss before depreciation, amortisation, write-downs and impairment losses	**-14,763,033**	**-7,490,110**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-16,455,162	-16,342,869
	Other operating expenses	-929,956	0
	Operating loss	**-32,148,151**	**-23,832,979**
	Income from equity investments in group enterprises	185,110	201,625
3	Financial income	39,083	26,700
4	Financial expenses	-7,331,099	-3,333,738
	Loss before tax	**-39,255,057**	**-26,938,392**
	Tax on loss for the year	1,347,544	2,238,848
	Loss for the year	**-37,907,513**	**-24,699,544**

Proposed appropriation account

	2023 DKK	2022 DKK
Retained earnings	-37,907,513	-24,699,544
Total	**-37,907,513**	**-24,699,544**

Balance sheet

ASSETS

Note		31.12.23 DKK	31.12.22 DKK
	Completed development projects	73,793,741	80,116,208
	Development projects in progress	6,413,997	7,601,267
5	**Total intangible assets**	**80,207,738**	**87,717,475**
	Land and buildings	36,126,698	36,511,272
	Plant and machinery	12,620,984	16,792,173
	Other fixtures and fittings, tools and equipment	1,973,184	2,239,214
6	**Total property, plant and equipment**	**50,720,866**	**55,542,659**
	Deposits	11,400	11,400
	Total investments	**11,400**	**11,400**
	Total non-current assets	**130,940,004**	**143,271,534**
	Raw materials and consumables	6,774,101	5,375,847
	Manufactured goods and goods for resale	13,172,757	4,898,073
	Total inventories	**19,946,858**	**10,273,920**
	Trade receivables	3,638,037	2,688,272
	Income tax receivable	1,443,788	2,238,848
	Other receivables	920,378	1,973,299
	Total receivables	**6,002,203**	**6,900,419**
	Cash	**44,252**	**133,527**
	Total current assets	**25,993,313**	**17,307,866**
	Total assets	**156,933,317**	**160,579,400**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.23 DKK	31.12.22 DKK
	Share capital	26,666,007	26,666,007
	Reserve for development costs	63,738,196	68,419,631
	Retained earnings	-51,762,397	-18,536,319
	Total equity	**38,641,806**	**76,549,319**
8	Payables to other credit institutions	23,163,539	28,470,662
8	Lease commitments	680,301	860,639
8	Other payables	0	328,561
8	Deferred income	449,808	506,034
	Total long-term payables	**24,293,648**	**30,165,896**
8	Short-term part of long-term payables	6,441,256	3,755,648
	Payables to other credit institutions	29,462,160	29,139,909
	Prepayments received from customers	0	205,448
	Trade payables	3,163,120	5,006,521
	Other payables	54,931,327	15,756,659
	Total short-term payables	**93,997,863**	**53,864,185**
	Total payables	**118,291,511**	**84,030,081**
	Total equity and liabilities	**156,933,317**	**160,579,400**

9 Contingent liabilities
10 Charges and security

Statement of changes in equity

Figures in DKK	Share capital	Reserve for developmen t costs	Retained earnings	Total equity
Statement of changes in equity for 01.01.22 - 31.12.22				
Balance as at 01.01.22	23,607,183	70,338,395	-18,696,715	75,248,863
Capital increase	3,058,824	0	22,941,176	26,000,000
Transfers to/from other reserves	0	-1,918,764	1,918,764	0
Net profit/loss for the year	0	0	-24,699,544	-24,699,544
Balance as at 31.12.22	26,666,007	68,419,631	-18,536,319	76,549,319
Statement of changes in equity for 01.01.23 - 31.12.23				
Balance as at 01.01.23	26,666,007	68,419,631	-18,536,319	76,549,319
Transfers to/from other reserves	0	-4,681,435	4,681,435	0
Net profit/loss for the year	0	0	-37,907,513	-37,907,513
Balance as at 31.12.23	26,666,007	63,738,196	-51,762,397	38,641,806

1. Uncertainty concerning recognition and measurement

In the financial statements for 2023, it is important to note the following uncertainty as regards recognition and measurement as it has had a significant influence on the assets and liabilities recognised in the financial statements:

The development of products and processes for the processing of waste plastics for plastic granules, which can be used in industrial production, continues to be satisfactory. Based on the customers current interest in the produced raw materials and prototype productions at the customers using the company's raw materials, a breakthrough in the sale of the products is expected during 2024. The development pro-ject has great potential and Plastix has, through the product development, including the machine development, created a unique foundation and competence within innovative processing met-hods for recycled plastic. Based on the world-wide need for the company's products and the scaling possibilities with new turn-key projects, there are no indications of impairment. The market penetration is slower than assumed, but the potential remains unchanged, which the management believes is supported by the current revenue development.

The book value DKK 81,830k is expected by the management to be recoverable in future gross margin on the developed products and solutions. Under this assumption, the value is maintained without impairment.

	2023 DKK	2022 DKK

2. Staff costs

Wages and salaries	20,865,117	20,493,340
Pensions	1,736,735	1,613,466
Other social security costs	805,133	570,084
Other staff costs	423,533	469,622
Total	23,830,518	23,146,512
Average number of employees during the year	45	48

3. Financial income

Interest, group enterprises	7,890	16,375
Other interest income	-303	10,325
Other financial income	31,496	0
Other financial income	31,193	10,325
Total	39,083	26,700

4. Financial expenses

Other interest expenses	7,331,099	3,333,738
Total	7,331,099	3,333,738

5. Intangible assets

Figures in DKK	Completed development projects	Development projects in progress
Cost as at 01.01.23	101,142,646	7,601,267
Additions during the year	0	4,917,624
Disposals during the year	-2,028,039	0
Transfers during the year to/from other items	6,104,894	-6,104,894
Cost as at 31.12.23	105,219,501	6,413,997
Amortisation and impairment losses as at 01.01.23	-21,026,437	0
Amortisation during the year	-10,804,931	0
Reversal of amortisation of and impairment losses on disposed assets	405,608	0
Amortisation and impairment losses as at 31.12.23	-31,425,760	0
Carrying amount as at 31.12.23	73,793,741	6,413,997

Development projects relate to the development of products within the Companyøs core business. The projects are progressing accortding to plan throught the use of the resources allocated by management to the development.

6. Property, plant and equipment

Figures in DKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.01.23	39,155,088	40,578,513	6,709,951
Additions during the year	552,104	22,695	253,639
Cost as at 31.12.23	39,707,192	40,601,208	6,963,590
Depreciation and impairment losses as at 01.01.23	-2,643,815	-23,786,339	-4,470,739
Depreciation during the year	-936,679	-4,193,885	-519,667
Depreciation and impairment losses as at 31.12.23	-3,580,494	-27,980,224	-4,990,406
Carrying amount as at 31.12.23	36,126,698	12,620,984	1,973,184
Carrying amount of assets held under finance leases as at 31.12.23	0	2,614,815	0

7. Equity investments in group enterprises

Figures in DKK	Equity investments in group enterprises
Cost as at 01.01.23	500,000
Cost as at 31.12.23	500,000
Depreciation and impairment losses as at 01.01.23	-500,000
Depreciation and impairment losses as at 31.12.23	-500,000
Carrying amount as at 31.12.23	0

Name and registered office:	Ownership interest
Subsidiaries:	
Retrawl ApS, Lemvig	100%
Retrawl South Africa LTD, South Africa	100%

8. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.23	Total payables at 31.12.22
Payables to credit institutions	6,150,060	10,860,000	29,313,599	31,844,177
Lease commitments	291,196	0	971,497	1,242,772
Other payables	0	0	0	328,561
Deferred income	0	0	449,808	506,034
Total	6,441,256	10,860,000	30,734,904	33,921,544

9. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 37 months and total lease payments of DKK 371k.

10. Charges and security

The company has issued mortgage deeds registered to the mortgagor in the total amount of DKK 13.360k secured upon land and buildings with a carrying amount of DKK 36.127k. The mortgage deeds registered to the mortgagor comprise a total of DKK 47.752k provided as security for debt to credit institutions.

As security for debt to credit institutions of DKK 47.752k, a company charge of DKK 11.000k has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and agricultural stock, trade receivables as well as fuels and other ancillary materials. The total carrying amount of the comprised assets is DKK 121.350k.

11. Accounting policies

GENERAL

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

The accounting policies have been applied consistently with previous years.

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

Basis of recognition and measurement

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

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.
On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

LEASES

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

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

11. Accounting policies - continued -

INCOME STATEMENT

Revenue

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

Work performed for own account and capitalised

Work performed for own account and capitalised comprises cost of sales, wages and salaries and other internal expenses incurred during the year and included in the cost of self-constructed or self-produced intangible assets and property, plant and equipment.

Other operating income

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

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Property costs

Property costs comprise costs relating to property management, including repair and maintenance costs, real property taxes, insurance, overhead costs and other costs.

Other external expenses

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

Staff costs

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

11. Accounting policies - continued -

Depreciation, amortisation and impairment losses

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

	Useful lives, years	Residual value DKK
Completed development projects	10	
Buildings	50	10,000,000
Plant and machinery	10	0
Other plant, fixtures and fittings, tools and equipment	5	0

Land is not depreciated.

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

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

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Income from equity investments in group entreprises

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

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

11. Accounting policies - continued -

Other net financials

Interest income and interest expenses, the interest element of finance lease payments etc. are recognised in other net financials.

Tax on profit/loss for the year

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

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

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

11. Accounting policies - continued -

BALANCE SHEET

Intangible assets

Completed development projects and development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost.

Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

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

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

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

Gains and losses on the disposal of intangible assets

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

Property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

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

Cost comprises the purchase price and expenses resulting directly from the purchase until

11. Accounting policies - continued -

the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

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

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

Equity investments in group entreprises

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

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

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

Equity investments with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value.

Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Gains or losses on disposal of equity invest-ments are determined as the difference between

11. Accounting policies - continued -

the disposal consideration and the carrying amo-unt of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income state-ment under income from equity investments.

Impairment losses on fixed assets

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

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

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

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

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

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

Inventories

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

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

The cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs. Interest on loans arranged to finance production is not included in the cost.

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

11. Accounting policies - continued -

Receivables

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

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

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

Cash

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

Equity

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

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

Current and deferred tax

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

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

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities.

In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

11. Accounting policies - continued -

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

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

Payables

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

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.