WODEN

WODEN A/S

BALTICAGADE 12 A, 8000 AARHUS C

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2020

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 14 April 2021

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Carl Erik Skovgaard

CVR NO. 35 24 03 49

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COMPANY DETAILS

Company	Woden A/S Balticagade 12 A 8000 Aarhus C CVR No.: 35 24 03 49 Established: 1 May 2013 Registered Office: Aarhus C Financial Year: 1 January - 31 December
Board of Directors	Carl Erik Skovgaard, chairman Kathrine Merete Vester Holm Carsten Vester Holm Thomas Tygesen Claus Tygesen
Executive Board	Carsten Vester Holm
Auditor	BDO Statsautoriseret revisionsaktieselskab Kystvejen 29 8000 Aarhus C
Bank	Sydbank Peberlyk 4 6200 Aabenraa
Law Firm	DLA Piper Denmark Advokatpartnerselskab Hack Kampmanns Plads 2 8000 Aarhus C

BOARD OF DIRECTORS STATEMENT AND MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Woden A/S for the financial year 1 January - 31 December 2020.

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 at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Aarhus C, 31 March 2021

Executive Board

Carsten Vester Holm

Board of Directors

Carl Erik Skovgaard Chairman	Kathrine Merete Vester Holm	Carsten Vester Holm
Thomas Tygesen	Claus Tygesen	

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Woden A/S

Opinion
We have audited the Financial Statements of Woden A/S for the financial year 1 January - 31 December 2020, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of 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 assets, liabilities and financial position of the Company at **31 December 2020** and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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’ 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 skepticism 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, we conclude that 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 Management's Review.

Aarhus, 31 March 2021

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Morten Trap Olesen
State Authorised Public Accountant
MNE no. mne35625

MANAGEMENT COMMENTARY

Principal activities
WODEN was established in 2013 and has since the beginning experienced continuous growth. WODEN is an internationally oriented shoe company where export to more than 30 countries globally account for more than 75% of the sales. Staying true to our Scandinavian heritage has allowed us to focus on our core values: creating durable quality shoes with a well-thought-out design and a sustainable approach. We do that by concentrating on craftsmanship, functionality and a perfect fit.

WODEN is headquartered in Aarhus, Denmark, from where 30 employees handle sales, logistics, customer service, design, marketing, finance and digital activities. WODEN also has an office in Asia with three employees, from where sourcing, production flows and quality control is handled. Our shoes are today sold in more than 1.000 stores worldwide.
With a revenue growth of 32% this fiscal year we have emphasized that WODEN A/S continue to be internationally scalable. With a strategic focus on solid cost management, investments for the future, sustainable initiatives and development of a strong organizational foundation 2020 proved to be profitable.

The result is by the management categorized as very satisfactory.

Development in activities and financial and economic position
Due to a fantastic effort from the entire WODEN organisation in times of crisis, we experienced growth in all main markets. Covid-19 certainly made its' impact, but we found new ways and new solutions. We were able to make rapid decisions, adapt to new market situations, finding flexible solutions together with our partners and customers and implement strategic changes faster than ever.

During 2020 we have invested significantly in developing our organisational structure ready for the future. We have built a strong international sales set up, we have made our first company acquisition, introduced new product lines and a wider product range as well as we have increased our digital presence. Finally, we have invested heavily in our own logistic set up.

Expanding with WODEN GMBH and WODEN UK Ltd.
In 2020 WODEN established WODEN GMBH to strengthen our sales set up in the DACH region. Claus Tygesen is in charge of the subsidiary and we can already see the results of a strong management and closer cooperation with our partners in the region, and we have even higher expectations for 2021.

In 2020 WODEN bought back the rights to the UK market. Les Dawson, who was previously in charge of SHOE THE BEAR UK, is appointed as CEO of our new subsidiary, WODEN UK ltd., Our subsidiary in the UK will handle all sales in the UK and Ireland as well as US and Canada.
We strongly believe these investments in WODEN GmbH and WODEN UK Ltd. will create a strong sales base for our future growth ambitions in these key markets.

Raising the bar for a greener footprint
With the greatest respect for the environment, we continue our sustainable approach based on the keywords: Reduce, Reuse and Recycle. We keep expanding our focus and knowledge on and about sustainable materials and manufacturing processes. Still, everything produced has an environmental price and we still have a long journey ahead of us. But at WODEN we will keep raising the bar for a greener footprint – one step at a time. This is why we are proud to have launched a new sustainable initiative where we collect, use and incorporate algae in our EVA soles, which reduces our need for crude oil in future collections and support UN Sustainable Development Goal number 14: Life below water.

Nordic Fish Leather
To strengthen our value chain and to strengthen our sustainable ambitions WODEN invested in 2020 in NORDIC FISH LEATHER in Iceland. Together with partner and CEO Hlynur Ársælsson, we have managed to make the factory and the tanning process completely CO2 neutral. The exclusive fish leather, which is generally considered a waste material, is now included across the entire WODEN collection.

MANAGEMENT COMMENTARY

Acquisition of SHOE THE BEAR
In December 2020, WODEN made a remarkable step with our first acquisition with the footwear brand SHOE THE BEAR. With this acquisition we welcomed new employees and new product categories. The brand SHOE THE BEAR is already widely recognized and in possession of an existing client base. SHOE THE BEAR is a perfect fit, and we see both synergies and great potential in revitalising the brand which complements WODEN's product categories perfect.

WODEN Logistics
WODEN Logistics was established in November where we decided to in-source all warehousing processes. Being able to provide solid, fast and flexible solutions in the logistical value chain is a key competitive parameter. We intend to be best in class with our own warehouse where we are able to customise all processes to provide strong solutions which fits the shoe business.

Significant events after the end of the financial year
No events have occurred after the end of the financial year of material importance for the company's financial position.

Future expectations
We enter 2021 the greatest respect for the Covid-19 situation and the challenges that come with it. We have proved so far that we are able to adapt to a changing market and keep focus on developing WODEN. We will keep working hard on being agile and finding the right solutions for the future with the same growth mind set as always.

SHOE THE BEAR will in 2021 be fully integrated in the WODEN value chain and will follow all WODEN standards. We will introduce the brand in all our key markets, and we will work hard to get SHOE THE BEAR back on the growth path that the brand deserves.

We are in the process of scaling up our organisation to meet the growth expectations for WODEN. Our aim is to be even closer to our partners and customers in the future. We want to build an even stronger presence in our main markets both on-line and through our existing sales set up. At the same time, we will again try to push the barrier for sustainable fashion shoes with a continued focus on sustainable initiatives.

2020 was a good year for WODEN in difficult times. There are many challenges in the horizon, and we know that hard work is needed to achieve our goals for 2021. WODEN is on the right track and we believe in continued growth and a positive 2021.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2020 DKK	2019 DKK
GROSS PROFIT	1	**15.738.510**	**12.942.080**
Staff costs	2	-9.311.267	-9.564.233
Depreciation, amortisation and impairment losses		-471.029	-378.789
OPERATING PROFIT		**5.956.214**	**2.999.058**
Result of equity investments in group and associates	3	-454.376	0
Other financial income		161.785	99.464
Other financial expenses		-641.108	-505.325
PROFIT BEFORE TAX		**5.022.515**	**2.593.197**
Tax on profit/loss for the year	4	-1.214.213	-572.327
PROFIT FOR THE YEAR		**3.808.302**	**2.020.870**

PROPOSED DISTRIBUTION OF PROFIT

Proposed dividend for the year		500.000	0
Retained earnings		3.308.302	2.020.870
TOTAL		**3.808.302**	**2.020.870**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2020 DKK	2019 DKK
Intangible fixed assets acquired		258.414	192.950
Intangible assets	5	**258.414**	**192.950**
Other plant, fixtures and equipment		1.079.214	380.618
Leasehold improvements		1.548.476	1.779.922
Property, plant and equipment	6	**2.627.690**	**2.160.540**
Equity investments in group enterprises		3.901.200	0
Equity investments in associated enterprises		67.738	0
Rent deposit and other receivables		736.599	220.799
Financial non-current assets	7	**4.705.537**	**220.799**
NON-CURRENT ASSETS		**7.591.641**	**2.574.289**
Finished goods and goods for resale		15.632.008	6.462.090
Prepayments		12.455.759	4.314.486
Inventories		**28.087.767**	**10.776.576**
Trade receivables		9.773.204	10.593.755
Receivables from associated enterprises		149.025	0
Deferred tax assets		101.887	50.347
Derivative financial instruments	8	0	123.082
Other receivables		41.231	311.895
Corporation tax receivable		218.789	0
Prepayments and accrued income		505.586	513.183
Receivables		**10.789.722**	**11.592.262**
Cash and cash equivalents		**100.974**	**2.609.248**
CURRENT ASSETS		**38.978.463**	**24.978.086**
ASSETS		**46.570.104**	**27.552.375**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2020 DKK	2019 DKK
Share capital		501.000	501.000
Retained earnings		6.023.337	3.233.283
Proposed dividend		500.000	0
EQUITY		**7.024.337**	**3.734.283**
Subordinate loan capital		6.000.000	6.000.000
Non-current liabilities	9	**6.000.000**	**6.000.000**
Bank debt		15.531.932	5.036.682
Prepayments received from customers		249.606	469.350
Trade payables		9.967.705	9.251.539
Payables to group enterprises		1.873.661	0
Corporation tax		1.119.580	444.158
Derivative financial instruments	8	541.339	0
Other liabilities		4.261.944	2.616.363
Current liabilities		**33.545.767**	**17.818.092**
LIABILITIES		**39.545.767**	**23.818.092**
EQUITY AND LIABILITIES		**46.570.104**	**27.552.375**
Contingencies etc.	10		
Charges and securities	11		

EQUITY

	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2020	501.000	3.233.283	0	3.734.283
Proposed profit allocation		3.308.302	500.000	3.808.302
Net regulation of hedging instruments		-518.248		-518.248
Equity at 31 December 2020	**501.000**	**6.023.337**	**500.000**	**7.024.337**

NOTES

Note

Special items 1

During the financial year, the company has received Govermental compensation as a consequence of the outbreak of COVID-19.

Received wage compensation	134.466	0
	134.466	**0**

Staff costs 2

Average number of employees	18	17
Wages and salaries	8.041.874	8.344.071
Pensions	996.709	1.006.269
Social security costs	128.574	141.880
Other staff costs	144.110	72.013
	9.311.267	**9.564.233**

Result of equity investments in group and associates 3

Result of equity investments in group enterprises	-372.720	0
Result of equity investments in associates enterprises	-81.656	0
	-454.376	**0**

Tax on profit/loss for the year 4

Calculated tax on taxable income of the year	1.119.580	444.158
Adjustment of deferred tax	94.633	128.169
	1.214.213	**572.327**

Intangible assets 5

	Intangible fixed assets acquired
Cost at 1 January 2020	274.068
Additions	133.500
Cost at 31 December 2020	**407.568**
Amortisation at 1 January 2020	81.118
Amortisation for the year	68.036
Amortisation at 31 December 2020	**149.154**
Carrying amount at 31 December 2020	**258.414**

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Note

Property, plant and equipment 6

	Other plant, fixtures and equipment	Leasehold improvements
Cost at 1 January 2020	633.399	2.298.231
Additions	822.652	46.939
Cost at 31 December 2020	**1.456.051**	**2.345.170**
Depreciation and impairment losses at 1 January 2020	223.454	547.708
Depreciation for the year	153.383	248.986
Depreciation and impairment losses at 31 December 2020	**376.837**	**796.694**
Carrying amount at 31 December 2020	**1.079.214**	**1.548.476**

Financial non-current assets 7

	Equity investments in group enterprises	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 1 January 2020	0	0	220.799
Additions	4.273.921	149.394	515.800
Cost at 31 December 2020	**4.273.921**	**149.394**	**736.599**
Profit/loss for the year	-363.388	-70.712	0
Revaluation at 31 December 2020	**-363.388**	**-70.712**	**0**
Amortisation of goodwill	9.333	10.944	0
Impairment losses and amortisation of goodwill at 31 December 2020	**9.333**	**10.944**	**0**
Carrying amount at 31 December 2020	**3.901.200**	**67.738**	**736.599**

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Note

Derivative financial instruments **8**

As part of hedging recognized and unrecognized transactions, the company uses hedging instruments such as forward foreign exchange contracts. The company has entered into forward exchange contracts for hedging future purchases in USD for a total of tDKK 18.645. In relation to the forward rate at the balance sheet date, the contracts have a negative value of tDKK 541. The capital loss is recognized in equity with tDKK 518. The forward exchange contracts expires within 9 months from the balance sheet date. It is hedging of future cash flows, why the amount is recognized under equity.

The hedging instuments impact the Balance Sheet, Income Statement and Equity as follows:

	hedging tDKK
Fair value at 31 December 2020	
Liabilities	541
	541
Value adjustment in the year recognised in Equity	518

Long-term liabilities **9**

	31/12 2020 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2019 total liabilities
Subordinate loan capital	6.000.000	0	0	6.000.000
	6.000.000	**0**	**0**	**6.000.000**

Contingencies etc. **10**

Contingent liabilities

Operational lease

The company has entered into lease contracts with a residual term of up to 15 months with a total tesidual lease payment of tDKK 185.

Rent obligations

The company has entered into rent commitments, which at the balance sheet date amount to tDKK 11.084 during the period of notice, which latest expires on June 30ht 2028.

Charges and securities **11**

As securfty for the bank debt at tDKK 15,532 the company has provided a floating charge af a nominal amount af tDKK 6,000 with security in inventory and trade receivables with a booked amount 31rd December 2020 on tDKK 25,405.

ACCOUNTING POLICIES

The Annual Report of Woden A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year.

INCOME STATEMENT

Net revenue
Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Other operating income
Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Cost of sales
Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses
Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Income from equity interests in subsidiaries and associates
The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

In connection with transfers, potential profits are recognised when the economic rights related to the sold equity interests are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 7 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets

Machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment...	3-5 years	0 %
Leasehold improvements..	5-10 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments

Acquired enterprises are subject to the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation models.

Consolidated goodwill is amortised over the expected useful life, which is determined on the basis of Management's experience within the individual lines of business. Consolidated goodwill is amortised on a straightline basis over the amortisation period, which is X years. The amortisation period is determined on the basis of an assessment of the acquired entity's market position and earnings profile, and the industryspecific condition.

Net revaluation of equity interests in subsidiaries is transferred under equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries and associates with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the Company has a legal or actual liability to cover the subsidiary's subsidiary's and associates deficit.

ACCOUNTING POLICIES

Impairment of fixed assets
The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the carrying amount.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories
Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

Amortised cost for short-term liabilities usually corresponds to the nominal value.

ACCOUNTING POLICIES

Derivative financial instruments

Derivative financial instruments are initially recognised in the Balance Sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under receivables and payables, respectively.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under the initial cost of the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the Income Statement for the period where the Income Statement was affected by the hedged amount.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.