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# ***Kodak A/S***

c/o Companions, Ny Banegårdsgade 55, 3  
DK-8000 Aarhus C

## **Annual Report for 1 January - 31 December 2019**

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CVR No 54 89 40 15

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
29/6 2020

Ulf Ingeman Malm  
Chairman of the General  
Meeting

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Company Information</b>	
Company Information	5
Management's Review	6
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	8
Balance Sheet 31 December	9
Notes to the Financial Statements	11

# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Kodak A/S for the financial year 1 January - 31 December 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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

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

Aarhus, 29 June 2020

## **Executive Board**

Susan White  
CEO

## **Board of Directors**

Ulf Ingemar Malm  
Chairman

Malin Elisabeth Wallin

Susan White

# Independent Auditor's Report

To the Shareholder of Kodak A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Kodak A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

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

## Material Uncertainty Related to Going Concern

We refer to note 1 to the Financial Statements disclosing that, the Company is relying on the Kodak Group's and the Parent Company Eastman Kodak Company ability to deliver products and support to the local market, as well as the Group's continued ability to repay outstanding balances. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the

# Independent Auditor's Report

Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## **Management's responsibilities for the Financial Statements**

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

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

## **Auditor's responsibilities for the audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such dis-

## Independent Auditor's Report

closures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 29 June 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Ole Tjørnelund Thomsen  
State Authorised Public Accountant  
mne10637

Thomas Lauritsen  
State Authorised Public Accountant  
mne34342

## **Company Information**

### **The Company**

Kodak A/S  
c/o Companyons  
Ny Banegårdsgade 55, 3  
DK-8000 Aarhus C

Telephone: + 45 70 20 61 22

CVR No: 54 89 40 15

Financial period: 1 January - 31 December

Incorporated: 9 November 1910

Municipality of reg. office: Århus

### **Board of Directors**

Ulf Ingemar Malm, Chairman  
Malin Elisabeth Wallin  
Susan White

### **Executive Board**

Susan White

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## **Management's Review**

Financial Statements of Kodak A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

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

### **Main activity**

The Company carries on with products and equipment for the graphic communications market in Denmark. Sales are made to distributors, but direct sales to end users are made in some of the Company's business areas.

### **Development in the year**

During 2019, the Company's overall sales decline by 17,3%. This was caused by decline in sales in the Graphics equipment and consumables business, but also related to the sell of the packaging division that occurred 2019. The total operating profit for 2019 amounted to DKK 2.751.808. At 31 December 2019 the Company shows equity of DKK 6.369.259.

The Company is continuing its transformation to a "digital company" and focusing on commercial products where Kodak continues to be a leading supplier of digital printing plates as well as computer-to-plate devices and digital printing presses.

### **Subsequent events and the expected development**

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event that occurred after the balance sheet date (31 December 2019), which is therefore, a non-adjusting event to the Company.

Kodak A/S is depended on the going concern situation of Kodak Group globally to deliver products to the local market in Denmark, therefore the situation reported in the Group Q-1 2020 reporting conclusion relates also to Kodak A/S:

"Current global economic conditions are highly volatile due to the COVID-19 pandemic, resulting in market size contractions in many countries due to economic slowdowns and government restrictions on movement. The economic uncertainties surrounding the COVID-19 pandemic are adding complexity to Kodak Group's plans to return to sustainable positive cash flow. To mitigate the economic impacts of the pandemic Kodak Group is employing temporary furloughs and pay reductions, scaling manufacturing volumes due to expectations of reduced demand and delaying an increased number of product development programs.

The recent trend of negative operating cash flow for the Kodak group, maturity and redemption dates in 2021 for the Convertible Notes and Series A Preferred Stock, increased challenges in managing cash during the COVID-19 pandemic and general lack of certainty regarding the return to positive cash flow raise substantial doubt about Kodak Group's ability to continue as a going concern."

## Management's Review

Kodak A/S has not yet been significantly affected by the global disruptions and scaling of the manufacturing, and has not yet been affected by the negative trend in the operating cash flow due to the Covid-19 outbreak and has had the ability to get all the products and services necessary to handle the sales to the domestic market without disruption or delays.

Kodak A/S has had a decrease in revenue in first quarter 2020, which was mainly driven by a general decrease in the market and loss of one of the larger customers compared to 2019, but also the Covid-19 lockdown which has resulted in no new investment in new equipment from customers. Thus, Kodak A/S has not yet seen a significant impact of the Covid-19.

Kodak A/S have internally and globally made the following strategic decisions to make sure that Covid-19 would only have a limited effect on the Company:

- The liquidity planning was based on specific business transactions as well as measures already planned. The liquidity planning calculates that Kodak A/S have sufficient liquidity to finance its operations for the next 12 months, based on the assumptions that the company continue to have access to cash from group entities as and when needed.

- Kodak A/S, together with Kodak Ltd., will take significant measures to improve the operational result and profitability. Kodak A/S has a considerable market share in the strategic business area Prepress, including the digital printing plates, from which the Danish entity benefits.

Kodak A/S is relying on the Kodak Group's ability to deliver products and support to the local market, as well as the Group's continued ability to repay outstanding balances. However, due to uncertainties in the Kodak Group and the parent company Eastman Kodak Company, Rochester, NY, USA, as explained above and the Company's reliance of the Kodak Group, there is a material uncertainty that may raise substantial doubt on the Company's ability to continue as a going concern.

## Income Statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
<b>Gross profit/loss</b>		<b>7.738.047</b>	<b>7.151.670</b>
Staff expenses	3	-4.696.601	-5.373.394
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-289.638	-280.514
<b>Profit/loss before financial income and expenses</b>		<b>2.751.808</b>	<b>1.497.762</b>
Financial income	4	2.790	2.270
Financial expenses	5	-264.664	-117.983
<b>Profit/loss before tax</b>		<b>2.489.934</b>	<b>1.382.049</b>
Tax on profit/loss for the year	6	-177.000	843.000
<b>Net profit/loss for the year</b>		<b>2.312.934</b>	<b>2.225.049</b>

## Distribution of profit

### Proposed distribution of profit

Proposed dividend for the year	0	8.000.000
Retained earnings	2.312.934	-5.774.951
	<b>2.312.934</b>	<b>2.225.049</b>

## Balance Sheet 31 December

### Assets

	<u>Note</u>	<u>2019</u>	<u>2018</u>
		DKK	DKK
Customer lists		812.204	928.233
<b>Intangible assets</b>		<b>812.204</b>	<b>928.233</b>
Rental equipment		174.348	347.957
<b>Property, plant and equipment</b>		<b>174.348</b>	<b>347.957</b>
<b>Fixed assets</b>		<b>986.552</b>	<b>1.276.190</b>
<b>Inventories</b>		<b>71.456</b>	<b>57.388</b>
Trade receivables		3.554.636	6.076.112
Receivables from group enterprises		3.739.170	3.660.544
Deferred tax asset		666.000	843.000
<b>Receivables</b>		<b>7.959.806</b>	<b>10.579.656</b>
<b>Cash at bank and in hand</b>		<b>821.585</b>	<b>3.030.589</b>
<b>Currents assets</b>		<b>8.852.847</b>	<b>13.667.633</b>
<b>Assets</b>		<b>9.839.399</b>	<b>14.943.823</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		1.000.000	1.000.000
Retained earnings		5.369.259	3.056.325
Proposed dividend for the year		0	8.000.000
<b>Equity</b>	<b>7</b>	<b><u>6.369.259</u></b>	<b><u>12.056.325</u></b>
Other payables		159.438	0
<b>Long-term debt</b>	<b>8</b>	<b><u>159.438</u></b>	<b><u>0</u></b>
Trade payables		221.349	398.967
Payables to group enterprises		85.297	0
Other payables	8	2.234.979	2.155.306
Deferred income		769.077	333.225
<b>Short-term debt</b>		<b><u>3.310.702</u></b>	<b><u>2.887.498</u></b>
<b>Debt</b>		<b><u>3.470.140</u></b>	<b><u>2.887.498</u></b>
<b>Liabilities and equity</b>		<b><u>9.839.399</u></b>	<b><u>14.943.823</u></b>
Going concern	1		
Subsequent events	2		
Contingent assets, liabilities and other financial obligations	9		
Related parties	10		
Accounting Policies	11		

# Notes to the Financial Statements

## 1 Going concern

Kodak A/S is depended on the going concern situation of Kodak Group globally to deliver products to the local market in Denmark and to have access to cash from group entities as and when needed. Therefore, the situation reported in the Group Q-1 2020 reporting conclusion relates also to the Danish entity Kodak A/S:

"Current global economic conditions are highly volatile due to the COVID-19 pandemic, resulting in market size contractions in many countries due to economic slowdowns and government restrictions on movement. The economic uncertainties surrounding the COVID-19 pandemic are adding complexity to Kodak Group's plans to return to sustainable positive cash flow. To mitigate the economic impacts of the pandemic Kodak Group is employing temporary furloughs and pay reductions, scaling manufacturing volumes due to expectations of reduced demand and delaying an increased number of product development programs.

The recent trend of negative operating cash flow for the Kodak group, maturity and redemption dates in 2021 for the Convertible Notes and Series A Preferred Stock, increased challenges in managing cash during the COVID-19 pandemic and general lack of certainty regarding the return to positive cash flow raise substantial doubt about Kodak Group's ability to continue as a going concern."

Kodak A/S have not been effected by the global disruptions and scaling of the manufacturing, and have not yet been effected by the negative trend in the operating cash flow due to the Covid-19 outbreak and have had the ability to get all the products and services necessary to handle the sell to the domestic market without disruption or delays.

Besides from Covid-19, Kodak A/S have had a non-significant decrease in revenue in first quarter 2020, which is mainly driven by a general decrease in the market and loss of one of the larger customers compared to 2019, but also the lockdown which have coursed no new investment in new equipment from customers. Thus, Kodak A/S has not yet seen a significant impact of the Covid-19.

Kodak A/S have internally made the following strategic decisions to reduce risk of negative effects on the Company:

- The liquidity planning was based on specific business transactions as well as measures already planned. The liquidity planning calculates that Kodak A/S have sufficient liquidity to finance its operations for the next 12 months, based on the assumptions the that the company continue to have access to cash from group entities as and when needed.

- Kodak A/S, together with Kodak Ltd., will take significant measures to improve the operational result and profitability. Kodak A/S has a considerable market share in the strategic business area Prepress, including the digital printing plates, from which the Danish entity benefits.

# Notes to the Financial Statements

## 1 Going concern (continued)

Based on the above mentioned actions already made or planned by Kodak A/S and Kodak group, Management has prepared the Financial Statements using the going concern assumption. However, based on the uncertainties in the Kodak Group and the Parent Company Eastman Kodak Company, Rochester, NY, USA, as explained above and the Company's reliance of the Kodak Group, there is a material uncertainty that may raise substantial doubt on the Company's ability to continue as a going concern.

## 2 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event that occurred after the balance sheet date (31 December 2019), which is therefore, a non-adjusting event to the Company.

We refer to note 1 "Going Concern" for further description of the impact of Covid-19.

	<u>2019</u> DKK	<u>2018</u> DKK
<b>3 Staff expenses</b>		
Wages and salaries	4.236.690	4.895.174
Pensions	369.809	427.736
Other social security expenses	90.102	50.484
	<u><b>4.696.601</b></u>	<u><b>5.373.394</b></u>
<b>Average number of employees</b>	<u><b>7</b></u>	<u><b>8</b></u>
<b>4 Financial income</b>		
Interest received from group enterprises	2.790	1.849
Exchange adjustments	0	421
	<u><b>2.790</b></u>	<u><b>2.270</b></u>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	0	2.957
Other financial expenses	260.588	115.026
Exchange adjustments	4.076	0
	<u><b>264.664</b></u>	<u><b>117.983</b></u>

## Notes to the Financial Statements

	<u>2019</u> DKK	<u>2018</u> DKK
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	0	0
Deferred tax for the year	177.000	-843.000
	<u><b>177.000</b></u>	<u><b>-843.000</b></u>

### 7 Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Proposed dividend for the year</u> DKK	<u>Total</u> DKK
Equity at 1 January	1.000.000	3.056.325	8.000.000	12.056.325
Ordinary dividend paid	0	0	-8.000.000	-8.000.000
Net profit/loss for the year	0	2.312.934	0	2.312.934
<b>Equity at 31 December</b>	<u><b>1.000.000</b></u>	<u><b>5.369.259</b></u>	<u><b>0</b></u>	<u><b>6.369.259</b></u>

### 8 Long-term debt

	<u>2019</u> DKK	<u>2018</u> DKK
<b>Other payables</b>		
Between 1 and 5 years	159.438	0
Long-term part	159.438	0
Other short-term payables	2.234.979	2.155.306
	<u><b>2.394.417</b></u>	<u><b>2.155.306</b></u>

## Notes to the Financial Statements

	2019 DKK	2018 DKK
<b>9 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	115.248	141.168
Between 1 and 5 years	65.896	181.048
	<b>181.144</b>	<b>322.216</b>

### Contingent assets

The Company has a deferred tax asset of DKK 11,7 million (2018: DKK 12.3 million) broken down on tax loss carry-forwards of DKK 0.6 (2018: DKK 1.3 million) and a difference between tax bases and carrying amounts of DKK 11.1 million (2018: DKK 11 million). Due to uncertainty as to whether the Company will be able to utilize the full deferred tax asset, the Company has chosen to recognize only part of the tax asset, which is expected to be utilized within the near future amounting to DKK 0.7 million.

## 10 Related parties

### Consolidated Financial Statements

The company is part of the consolidated statement of:

Name	Place of registered office
Eastman Kodak Company	United States

# Notes to the Financial Statements

## 11 Accounting Policies

The Annual Report of Kodak A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in DKK.

### Recognition and measurement

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

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

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

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

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

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

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Income Statement

#### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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

Revenue is measured at the consideration received and is recognised exclusive of VAT.

#### Expenses for consumables

Expenses for consumables consumed to achieve revenue for the year.

#### Other external expenses

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

#### Gross profit/loss

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

#### Staff expenses

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

#### Amortisation, depreciation and impairment losses

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

#### 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.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

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

## Balance Sheet

### Intangible assets

Intangible assets comprise customer lists and are amortised on a straight-line basis over their estimated useful lives determined on the basis of Management's experience with the individual business areas. The amortisation period does not exceed 10 years.

Intangible assets are written down to their recoverable amount if this amount is lower than the carrying amount.

### Property, plant and equipment

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

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

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

Rental equipment	3-5 years
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Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

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

If so, the asset is written down to its lower recoverable amount.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### **Inventories**

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

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

The cost of goods for resale equals landed cost.

### **Receivables**

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

### **Equity**

#### ***Dividend***

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

### **Deferred tax assets and liabilities**

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

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

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

### **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.

# **Notes to the Financial Statements**

## **11 Accounting Policies** (continued)

### **Financial debts**

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

### **Deferred income**

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