B.S. Danmark A/S

Østergade 33, 3, DK-1100 København K

Annual Report for 1 January - 31 December 2017

CVR No 58 46 68 16

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 5/7/2018

Chairman

Andrew Liam McCrea

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of B.S. Danmark A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

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

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

Copenhagen, 4 July 2018

Executive Board

Eva Margareta Lemark

Board of Directors

Andrew Liam McCrea
Chairman

Eva Margareta Lemark

Alexis Tchikladze

Independent Auditor's Report

To the Shareholder of B.S. Danmark A/S

Report on the Financial Statements

Opinion

We have audited the Financial Statements of B.S. Danmark A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are 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 of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

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.

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in

Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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 re-

Independent Auditor's Report

quired under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Violation of the Danish Bookkeeping Act
Without this having affected our opinion, we point out that, contrary to the Danish Bookkeeping Act, the Company keeps accounting records on file abroad for a period longer that permitted by law, for which Management may be held liable in this respect.

Copenhagen, 4 July 2018
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No 33 96 35 56

Kim Gerner	Sune Baadsager Holm
statsautoriseret revisor	statsautoriseret revisor
mne10122	mne35443

Company Information

The Company	B.S. Danmark A/S Østergade 33, 3 DK-1100 København K Telephone: + 45 +45 70 25 22 26 Facsimile: + 45 +45 33 11 45 53 Website: www.thebodyshop.dk CVR No: 58 46 68 16 Financial period: 1 January - 31 December Municipality of reg. office: Copenhagen
Board of Directors	Andrew Liam McCrea, Chairman Eva Margareta Lemark Alexis Tchikladze
Executive Board	Eva Margareta Lemark
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 DK-2300 København S

Financial Highlights

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

	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	40.580	55.275	45.471	45.481	42.031
Profit/loss before financial income and expenses	477	1.025	1.467	1.214	1.346
Net financials	-26	-16	-47	-136	-124
Net profit/loss for the year	347	784	456	785	1.101
Balance sheet					
Balance sheet total	63.014	61.640	59.237	54.583	61.685
Equity	19.532	19.185	18.438	17.982	17.197
Investment in property, plant and equipment	1.183	1.939	4.497	1.963	4.826
Number of employees	105	115	106	226	234
Ratios					
Return on assets	0,8%	1,7%	2,5%	2,2%	2,2%
Solvency ratio	31,0%	31,1%	31,1%	32,9%	27,9%
Return on equity	1,8%	4,2%	2,5%	4,5%	6,6%

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

Management's Review

Key activities

The Body Shop Danmark A/S sell and market products for skin, hair and body care as well as cosmetics. Sale takes place through 3 channels: company stores, franchise stores and e-comm. The company's head office is situated in Copenhagen.

100 % of all purchases for resale are made through the mother company in Great Britain.

Development in the year

The income statement of the Company for 2017 shows a profit of DKK 346,944, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 19,531,708.

B.S. Danmark's mother company, The Body Shop International, has been sold to Natura cosméticos S.A., a company incorporated in Brazil and listed on the Brazilian Stock Exchange.

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

In 2017, B.S. Danmark saw a decrease in organic sales by -9.8%, and total sales -11.0%, due to price repositioning and closures of 3 stores.

Targets and expectations for the year ahead

B.S. Danmark will in 2018 aim to stop the drop of organic sales and focus to increase profitability within its store portfolio. A continued growth in Digital communication and E-commerce channel is expected.

Social responsibility

The Body Shop is a value based company through 5 core Values: Against Animal Testing, Support Community Fair Trade, Defend Human Rights, Activate Self Esteem and Protect Our Planet.

In we 2016 updated our core values to a new Commitment - Enrich Not Exploit, it's in our hands, this captures what we stand for and the goal we've set to become the world's most ethical brand.
The core values were in continued focus during 2017. Customers and staff were involved with different campaigns during the year.

On 1st June 2017 we started the biggest petition in The Body Shop history fighting for a global ban on animal testings in the Cosmetic industry (Forever Against Animal Testing).

Subsequent events

B.S. Danmark's mother company, The Body Shop International, has been sold to Natura cosméticos S.A., a company incorporated in Brazil and listed on the Brazilian Stock Exchange.

Income Statement 1 January - 31 December

	Note	2017	2016
		DKK	DKK
Gross profit/loss		**40.579.789**	**55.275.128**
Staff expenses	1	-37.861.436	-39.186.499
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-1.352.167	-14.888.277
Other operating expenses		-888.972	-174.885
Profit/loss before financial income and expenses		**477.214**	**1.025.467**
Financial expenses	2	-25.752	-15.824
Profit/loss before tax		**451.462**	**1.009.643**
Tax on profit/loss for the year	3	-104.518	-225.283
Net profit/loss for the year		**346.944**	**784.360**

Balance Sheet 31 December

Assets

	Note	2017	2016
		DKK	DKK
Software		3.076	4.681
Renting rights		0	169.999
Goodwill		1.126.971	204.305
Intangible assets	4	**1.130.047**	**378.985**
Other fixtures and fittings, tools and equipment		94.671	84.134
Leasehold improvements		185.234	693.226
Property, plant and equipment in progress		0	90.003
Property, plant and equipment	5	**279.905**	**867.363**
Deposits		5.209.553	5.138.059
Fixed asset investments	6	**5.209.553**	**5.138.059**
Fixed assets		**6.619.505**	**6.384.407**
Inventories		**6.278.790**	**6.838.753**
Trade receivables		3.586.084	4.842.852
Receivables from group enterprises		26.861.960	33.495.297
Other receivables		2.822.820	3.304.459
Deferred tax asset	10	1.646.938	1.428.419
Prepayments	7	2.312.310	1.103.021
Receivables		**37.230.112**	**44.174.048**
Cash at bank and in hand		**12.885.857**	**4.243.009**
Currents assets		**56.394.759**	**55.255.810**
Assets		**63.014.264**	**61.640.217**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		DKK	DKK
Share capital		523.000	523.000
Retained earnings		19.008.708	18.661.764
Equity	8	**19.531.708**	**19.184.764**
Other provisions		190.491	106.854
Provisions		**190.491**	**106.854**
Deposits		0	112.500
Long-term debt	11	**0**	**112.500**
Trade payables		3.721.526	2.563.022
Payables to group enterprises		20.588.879	20.318.749
Corporation tax		481.844	3.122.672
Other payables		16.950.425	15.308.960
Deferred income	12	1.549.391	922.696
Short-term debt		**43.292.065**	**42.236.099**
Debt		**43.292.065**	**42.348.599**
Liabilities and equity		**63.014.264**	**61.640.217**
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	523.000	18.661.764	19.184.764
Net profit/loss for the year	0	346.944	346.944
Equity at 31 December	**523.000**	**19.008.708**	**19.531.708**

Notes to the Financial Statements

		2017	2016
		DKK	DKK
1	**Staff expenses**		
	Wages and salaries	35.754.797	35.894.285
	Pensions	1.627.568	1.814.087
	Other social security expenses	477.059	1.039.776
	Other staff expenses	2.012	438.351
		37.861.436	**39.186.499**
	Average number of employees	**105**	**115**

		2017	2016
2	**Financial expenses**		
	Interest paid to group enterprises	1.803	7.909
	Other financial expenses	23.949	7.915
		25.752	**15.824**

		2017	2016
3	**Tax on profit/loss for the year**		
	Current tax for the year	323.037	2.608.474
	Deferred tax for the year	-218.519	-2.383.191
		104.518	**225.283**

		Software	Renting rights	Goodwill
4	**Intangible assets**			
		DKK	DKK	DKK
	Cost at 1 January	43.757	8.541.948	5.182.138
	Additions for the year	0	300.000	1.000.000
	Disposals for the year	0	-250.000	0
	Cost at 31 December	43.757	8.591.948	6.182.138
	Impairment losses and amortisation at 1 January	39.076	8.371.949	4.977.833
	Amortisation for the year	1.605	428.332	77.334
	Reversal of amortisation of disposals for the year	0	-208.333	0
	Impairment losses and amortisation at 31 December	40.681	8.591.948	5.055.167
	Carrying amount at 31 December	**3.076**	**0**	**1.126.971**

Notes to the Financial Statements

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	DKK	DKK	DKK
Cost at 1 January	2.378.288	22.215.139	90.003
Additions for the year	51.800	1.131.211	0
Disposals for the year	-7.891	-2.461.283	0
Transfers for the year	0	90.003	-90.003
Cost at 31 December	2.422.197	20.975.070	0
Impairment losses and depreciation at 1 January	2.294.153	21.521.914	0
Depreciation for the year	34.820	768.407	0
Reversal of impairment and depreciation of sold assets	-1.447	-1.500.485	0
Impairment losses and depreciation at 31 December	2.327.526	20.789.836	0
Carrying amount at 31 December	**94.671**	**185.234**	**0**

6 Fixed asset investments

	Deposits
	DKK
Cost at 1 January	5.138.059
Additions for the year	71.494
Cost at 31 December	5.209.553
Carrying amount at 31 December	**5.209.553**

7 Prepayments

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

8 Equity

The share capital consists of 52,300 shares of a nominal value of DKK 10. No shares carry any special rights.

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

Notes to the Financial Statements

	2017	2016
	DKK	DKK

9 Distribution of profit

Retained earnings	346.944	784.360
	346.944	**784.360**

10 Deferred tax asset

Deferred tax asset at 1 January	1.428.419	-954.772
Amounts recognised in the income statement for the year	218.519	2.383.191
Deferred tax asset at 31 December	**1.646.938**	**1.428.419**

11 Long-term debt

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

The debt falls due for payment as specified below:

Deposits

Between 1 and 5 years	0	112.500
Long-term part	0	112.500
Within 1 year	0	0
	0	**112.500**

12 Deferred income

Deferred Income consist of accrued value for points earned under the Loyal to Your Body Club memberships

	2017	2016
	DKK	DKK
13 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Rental and lease obligations under operating leases. Total future lease payments:		
Within 1 year	9.943	10.206
Between 1 and 5 years	12.898	11.353
After 5 years	0	1.341
	22.841	**22.900**

Other contingent liabilities

The group entities are jointly and severally liable for tax on the jointly taxed incomes etc. of the former Group until 7 September 2017. The total amount of corporation tax payable is disclosed in the Annual Report of L'Oréal Danmark A/S, which is the management company of the former joint taxation group. Moreover, the group entities are jointly and severally liable for Danish withholding taxes by way of dividend tax and tax on interest and royalty payments. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Body Shop International Group operates in a wide variety of jurisdictions, in some of which the tax law is subject to varying interpretations and potentially inconsistent enforcement. As a result, there can be practical uncertainties in applying tax legislation to the Body Shop International Group's activities. Whilst the Body Shop International Group considers that it operates in accordance with applicable tax law, there are potential tax exposures in respect of its operations. B.S. Danmark A/S are currently subject to a tax audit by the Danish Tax Authorities, the impact of which cannot be reliably estimated but could be material.

Notes to the Financial Statements

14 Related parties

	Basis
Controlling interest	
The Body Shop International Limited, United Kingdom	Parent Company
Natura Cosmeticos S.A., Brazil	Ultimate Parent Company

Transactions

All transactions with the parent company has been effected at arm's length.

Consolidated Financial Statements

Selskabet indgår i koncernrapporten for moderselskabet

Name	Place of registered office
Natura Cosmeticos S.A.	São Paulo, Brazil
The Body Shop International Limited	West Sussex, United Kingdom

The Group Annual Report of The Body Shop International Limited may be obtained at the following address:

Watersmead
Littlehampton
BN17 6LS West Sussex
United Kingdom

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of B.S. Danmark A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of The Body Shop International Limited, the Company has not prepared a cash flow statement.

Recognition and measurement

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

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

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

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

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue provided that delivery and transfer of risk to the buyer have taken place. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Cost of goods

Cost of goods includes the materials and consumables used in generating the year's revenue.

Other external expenses

Other external expenses comprise expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

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.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise of interest, realised and unrealised exchange adjustments, amortisation of mortgage loans as well as extra payments and repayment under the on-account tax scheme.

Notes to the Financial Statements

15 Accounting Policies (continued)

Tax on profit/loss for the year

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

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

intangible assets are recognised at cost less accumulated amortisation and impairment losses. Amortisation is allocated on a straight-line basis over the expected useful life of the asset.

Expected useful lives are calculated as follows:

Software	3-5 years
Renting rights	3-5 years
Goodwill	20 years

The expected useful life of goodwill is based on Management's experience and concluded agreements.

Due to the fact that renting rights is not reduced over time, the measurement will be based on cost less any accumulated impairment losses.

The carrying amount of goodwill is assessed on an ongoing basis and is written down in the income statement when the carrying amount exceeds estimated future income from the activity to which the goodwill relates.

Property, plant and equipment

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

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

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect

Notes to the Financial Statements

15 Accounting Policies (continued)

expenses for labour, materials, components and sub-suppliers.

Where individuel components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Gains or losses from the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the time of the sale. Gains or losses are recognised in the income statement as other operating income or other operating expenses.

Leased property, plant and equipment that meet the criteria for finance leases are presented in the financial statements in the same way as owned assets.

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:

Other fixtures and fittings, tools and equipment	5-10 years
Leasehold improvements	4-7 years

Depreciation period and residual value are reassessed annually.

Fixed asset investments

Fixed asset investments consist of Rent deposits measured at cost.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individuel assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets efter the end of the useful life.

Notes to the Financial Statements

15 Accounting Policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

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

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individuel receivable has been impaired, write-down is made on an individuel basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individuel receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial year.

Notes to the Financial Statements

15 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilitiesmeasured on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future, either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax value may be made according to alternative tax rules, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability, respectively.

Changes in deferred tax due to changes in tax rates are recognised in the income statement. For the current year, the current tax rate is 22%.

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.

Liabllities

Financial liabilities are measured at amorlised cost, substantially corresponding to nominal value.

Deferred income

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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