

epsotech Denmark A/S

Thyrasvej 12
6862 Tistrup
Business Registration No
12379447

Annual report 2018

The Annual General Meeting adopted the annual report on 08.04.2019

Chairman of the General Meeting

Name: Shaina Jabbar

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Entity details

Entity

epsotech Denmark A/S
Thyrasvej 12
6862 Tistrup

Central Business Registration No (CVR): 12379447

Founded: 01.08.1988

Registered in: Varde

Financial year: 01.01.2018 - 31.12.2018

Phone: 75291900

Website: www.epsotech.com

E-mail: sales@epsotech.dk

Board of Directors

Matthias Arpad Bela von Buzay, chairman

Anita Gammelby, staff-elected

Jørn Peder Carstensen Haahr

Henry Thorstein Haaning, staff-elected

Thomas Vincent Harkins

Executive Board

Jørn Peder Carstensen Haahr

Bank

Sydbank
Kongensgade 62
6700 Esbjerg

Lawyer

Plesner
Amerika Plads 37
2100 København Ø

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of epsotech Denmark A/S for the financial year 01.01.2018 - 31.12.2018.

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 Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Tistrup, 26.03.2019

Executive Board

Jørn Peder Carstensen Haahr

Board of Directors

Matthias Arpad Bela von
Buzay
chairman

Anita Gammelby
staff-elected

Jørn Peder Carstensen Haahr

Henry Thorstein Haaning
staff-elected

Thomas Vincent Harkins

Independent auditor's report

To the shareholders of epsotech Denmark A/S

Opinion

We have audited the financial statements of epsotech Denmark A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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 Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.

Independent auditor's report

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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Esbjerg, 26.03.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

John Lindvig Christiansen
State Authorised Public Accountant
Identification No (MNE) mne26846

Lasse Lynggaard Wolff
State Authorised Public Accountant
Identification No (MNE) mne35802

Management commentary

	2018	2017	2016	2015	2014
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	136.210	144.809	134.398	126.443	120.377
Gross profit/loss	12.652	20.015	17.902	15.313	12.354
Operating profit/loss	(3.616)	4.645	3.035	746	(2.988)
Net financials	(420)	(475)	(159)	403	390
Profit/loss for the year	(4.036)	6.170	2.876	1.149	(2.598)
Total assets	54.228	59.810	56.821	40.544	53.290
Investments in property, plant and equipment	3.074	744	603	785	40
Equity	17.830	24.366	18.196	15.320	34.171
Cash flows from (used in) operating activities	(2.965)	2.449	3.207	(1.331)	2.673
Cash flows from (used in) investing activities	(3.004)	(744)	(603)	(40)	(433)
Cash flows from (used in) financing activities	(2.504)	(169)	382	0	(5.985)
Average numbers of employees	67	64	60	54	51
Ratios					
Gross margin (%)	9,3	13,8	13,3	12,1	10,3
Net margin (%)	(3,0)	4,3	2,1	0,9	(2,2)
Return on equity (%)	(19,1)	29,0	17,2	4,6	(7,3)
Equity ratio (%)	32,9	40,7	32,0	37,8	64,1

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The company's aim to carry business within production, trade and industry and other related business.

Development in activities and finances

The company has realised a loss of DKK 4,036k for the financial year 2018, compared with a profit in 2017 of DKK 6,170k, which is considered unsatisfying. Revenue has decreased 6% compared with 2017.

The company has seen a cash flow of DKK (8,473)k in 2018, which is specified as follows:

Ordinary activities, DKK (2,965)k

Investing activities, DKK (3,004)k

Financing activities, DKK (2,504)k

Profit/loss for the year in relation to expected developments

The increase in terms of sales and earnings before tax did not meet expectations.

Outlook

In the macroeconomic situation epsotech Denmark A/S has got a very tight situation with high competition and decided to walk out of this market segment in 2019.

In 2019 an increasing off approximate 5% in volume of sales and earnings before tax on 2016-level is expected.

Particular risks

Operating risks

The company has entered into agreements with necessary suppliers so that stable supplies are ensured.

Market risks

The company's raw materials are oil based and price fluctuations may occur. As price fluctuations on raw materials are to a great extent included in the sales price of the finished products and as the company does not operate with fixed price agreements, this is not considered a major risk.

Foreign exchange risks

The company's foreign exchange policy is to monitor exchange rates closely and act accordingly. The company has not entered into speculative currency positions.

Interest rate risks

No agreement has been concluded on fixed interest.

Management commentary

Credit risks

The company has no material risks relating to an individual customer or liaison partner. A major part of the company's customer have been credit insured.

Intellectual capital resources

Staff

The company's staff currently participates in internal and external courses. It remains a decisive factor that the company is able to recruit and maintain employees with the right capabilities. All employees are recorded in a database which is currently updated with employees' education and training.

Research and development activities

The development of new products and the improvement of current products are an ongoing process in the company. Development cost are expensed currently.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Revenue	2	136.210	144.809
Production costs	3, 4	<u>(123.558)</u>	<u>(124.794)</u>
Gross profit/loss		12.652	20.015
Distribution costs	3	(9.194)	(8.593)
Administrative expenses	3	<u>(7.074)</u>	<u>(6.777)</u>
Operating profit/loss		(3.616)	4.645
Other financial income	5	31	194
Other financial expenses	6	<u>(451)</u>	<u>(669)</u>
Profit/loss before tax		(4.036)	4.170
Tax on profit/loss for the year	7	<u>0</u>	<u>2.000</u>
Profit/loss for the year	8	<u>(4.036)</u>	<u>6.170</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Land and buildings		4.299	4.785
Plant and machinery		7.127	5.150
Other fixtures and fittings, tools and equipment		847	725
Property, plant and equipment	9	<u>12.273</u>	<u>10.660</u>
Deferred tax	11	2.000	2.000
Fixed asset investments	10	<u>2.000</u>	<u>2.000</u>
Fixed assets		<u>14.273</u>	<u>12.660</u>
Raw materials and consumables		14.332	15.185
Manufactured goods and goods for resale		7.079	6.796
Inventories		<u>21.411</u>	<u>21.981</u>
Trade receivables		11.432	13.111
Receivables from group enterprises		122	233
Other receivables		2.170	1.031
Prepayments	12	869	520
Receivables		<u>14.593</u>	<u>14.895</u>
Cash		<u>3.951</u>	<u>10.274</u>
Current assets		<u>39.955</u>	<u>47.150</u>
Assets		<u>54.228</u>	<u>59.810</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Contributed capital	13	15.486	15.486
Retained earnings		2.344	6.380
Proposed dividend		<u>0</u>	<u>2.500</u>
Equity		<u>17.830</u>	<u>24.366</u>
Bank loans		<u>79</u>	<u>30</u>
Non-current liabilities other than provisions	14	<u>79</u>	<u>30</u>
Current portion of long-term liabilities other than provisions	14	130	183
Bank loans		10.066	7.916
Trade payables		21.175	22.059
Payables to group enterprises		621	560
Other payables	15	<u>4.327</u>	<u>4.696</u>
Current liabilities other than provisions		<u>36.319</u>	<u>35.414</u>
Liabilities other than provisions		<u>36.398</u>	<u>35.444</u>
Equity and liabilities		<u>54.228</u>	<u>59.810</u>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	17		
Contingent assets	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Group relations	21		

Statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	15.486	6.380	2.500	24.366
Ordinary dividend paid	0	0	(2.500)	(2.500)
Profit/loss for the year	0	(4.036)	0	(4.036)
Equity end of year	15.486	2.344	0	17.830

Cash flow statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Operating profit/loss		(3.616)	4.646
Amortisation, depreciation and impairment losses		1.391	1.012
Working capital changes	16	<u>(320)</u>	<u>(2.733)</u>
Cash flow from ordinary operating activities		(2.545)	2.925
Financial income received		31	194
Financial income paid		<u>(451)</u>	<u>(670)</u>
Cash flows from operating activities		(2.965)	2.449
Acquisition etc of property, plant and equipment		(3.074)	(744)
Sale of property, plant and equipment		<u>70</u>	<u>0</u>
Cash flows from investing activities		(3.004)	(744)
Loans raised		265	0
Repayments of loans etc		(269)	(169)
Dividend paid		<u>(2.500)</u>	<u>0</u>
Cash flows from financing activities		(2.504)	(169)
Increase/decrease in cash and cash equivalents		(8.473)	1.536
Cash and cash equivalents beginning of year		<u>2.358</u>	<u>822</u>
Cash and cash equivalents end of year		(6.115)	2.358
Cash and cash equivalents at year-end are composed of:			
Cash		3.951	10.274
Short-term debt to banks		<u>(10.066)</u>	<u>(7.916)</u>
Cash and cash equivalents end of year		(6.115)	2.358

Notes

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2018	2017
	DKK'000	DKK'000
2. Revenue		
Denmark	10.209	14.425
Other contries	<u>126.001</u>	<u>130.384</u>
	<u>136.210</u>	<u>144.809</u>
	2018	2017
	DKK'000	DKK'000
3. Staff costs		
Wages and salaries	29.518	28.816
Pension costs	2.247	2.101
Other social security costs	704	584
Other staff costs	<u>727</u>	<u>603</u>
	<u>33.196</u>	<u>32.104</u>
Average number of employees	<u>67</u>	<u>64</u>

No remuneration of the board has been made in 2018 or 2017 and therefore no remuneration to management is disclosed.

	2018	2017
	DKK'000	DKK'000
4. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	1.370	1.012
Profit/loss from sale of intangible assets and property, plant and equipment	<u>21</u>	<u>0</u>
	<u>1.391</u>	<u>1.012</u>
	2018	2017
	DKK'000	DKK'000
5. Other financial income		
Other interest income	31	154
Exchange rate adjustments	<u>0</u>	<u>40</u>
	<u>31</u>	<u>194</u>

Notes

	2018	2017
	DKK'000	DKK'000
6. Other financial expenses		
Other interest expenses	397	360
Exchange rate adjustments	54	309
	451	669

	2018	2017
	DKK'000	DKK'000
7. Tax on profit/loss for the year		
Change in deferred tax	0	(2.000)
	0	(2.000)

	2018	2017
	DKK'000	DKK'000
8. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	2.500
Retained earnings	(4.036)	3.670
	(4.036)	6.170

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
9. Property, plant and equipment			
Cost beginning of year	45.329	88.658	2.812
Additions	0	2.601	473
Disposals	0	0	(110)
Cost end of year	45.329	91.259	3.175
Depreciation and impairment losses beginning of year	(40.544)	(83.508)	(2.087)
Depreciation for the year	(486)	(624)	(260)
Reversal regarding disposals	0	0	19
Depreciation and impairment losses end of year	(41.030)	(84.132)	(2.328)
Carrying amount end of year	4.299	7.127	847

Notes

	Deferred tax DKK'000
10. Fixed asset investments	
Cost beginning of year	2.000
Cost end of year	2.000
Carrying amount end of year	2.000

	2018 DKK'000
11. Deferred tax	
Changes during the year	
Beginning of year	2.000
End of year	2.000

A tax asset of DKK 2 million was recognized last year and reevaluated this year. As it is expected that the company can utilize the tax asset within the next 3-5 years.

The company has a deferred tax asset of DKK 8,529, which has not been recognised as a deferred tax asset in the balance sheet, as it is uncertain whether or when the tax asset can be utilized.

12. Prepayments

Prepayments comprise of prepaid expenses for 2019.

	Number	Par value DKK'000	Nominal value DKK'000
13. Contributed capital			
Ordinary shares	15.486	1	15.486
	15.486		15.486
	Due within 12 months 2018 DKK'000	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK'000
14. Liabilities other than provisions			
Bank loans	130	183	79
	130	183	79

Notes

	2018	2017
	DKK'000	DKK'000
15. Other payables		
VAT and duties	0	322
Wages and salaries, personal income taxes, social security costs, etc payable	715	1.115
Holiday pay obligation	2.660	2.624
Other costs payable	952	635
	4.327	4.696

	2018	2017
	DKK'000	DKK'000
16. Change in working capital		
Increase/decrease in inventories	570	3.422
Increase/decrease in receivables	302	(4.346)
Increase/decrease in trade payables etc	(1.192)	(1.809)
	(320)	(2.733)

	2018	2017
	DKK'000	DKK'000
17. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	740	746

Lease commitments comprise of the period from 2019-2022.

18. Contingent assets

The company has a deferred tax asset of DKK 8,529k, which has not been recognised as a deferred tax asset in the balance sheet, as it is uncertain whether or when the tax asset can be utilized.

19. Assets charged and collateral

As security for the debt to Sydbank a company charge has been made of nominal DKK 3 million. The company charge includes receivables from sale, stock, operation fixture and equipment.

The carrying amount of assets charged is DKK 40,817k.

A receivables floating charge on receivables (arising from trade receivables) has been provided as security for the balance with Midt Factoring A/S.

The carrying amount of trade receivables borrowed against is DKK 11,561k at 31.12.2018.

20. Related parties with controlling interest

The company has registered the following shareholders to hold all shares and voting rights:

Notes

epsotech Holding GmbH, Jülich, Germany

21. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Lenbach Equity Opportunities 1.SCSp, Luxembourg

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
epsotech Holding GmbH, Jülich, Germany

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Accounting policies

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on payables and transactions in foreign currencies etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on payables and transactions in foreign currencies etc.

Tax on profit/loss for the year

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

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	10-40 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Operating leases

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

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Accounting policies

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.