



epsotech Denmark A/S

Thyrasvej 12
6862 Tistrup
CVR No. 12379447

Annual report 2021

The Annual General Meeting adopted the
annual report on 15.06.2022

Michael Hangelmann
Conductor

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2021	11
Balance sheet at 31.12.2021	12
Statement of changes in equity for 2021	14
Cash flow statement for 2021	15
Notes	16
Accounting policies	21

Entity details

Entity

epsotech Denmark A/S

Thyrasvej 12

6862 Tistrup

Business Registration No.: 12379447

Date of foundation: 01.08.1988

Registered office: Varde

Financial year: 01.01.2021 - 31.12.2021

Phone number: 75291900

URL: www.epsotech.com

E-mail: sales@epsotech.dk

Board of Directors

Michael Hangelmann, chairman

Thomas Vincent Harkins

Anita Gammelby

Karl Rosenbæk Severinsen

Jørn Peder Carstensen Haahr

Executive Board

Jørn Peder Carstensen Haahr

Bank

Sydbank

Kongensgade 62

6700 Esbjerg

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

6701 Esbjerg

Statement by Management

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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

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, 15.06.2022

Executive Board

Jørn Peder Carstensen Haahr

Board of Directors

Michael Hangelmann
chairman

Thomas Vincent Harkins

Anita Gammelby

Karl Rosenbæk Severinsen

Jørn Peder Carstensen Haahr

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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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.

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, 15.06.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 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

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	102,088	75,904	102,196	136,210	144,809
Gross profit/loss	7,590	3,470	13,289	12,652	20,015
Operating profit/loss	(6,456)	(7,388)	(120)	(3,616)	4,645
Net financials	(448)	(380)	(376)	(420)	(475)
Profit/loss for the year	(6,904)	(9,768)	(496)	(4,036)	6,170
Total assets	40,449	35,293	44,708	54,229	59,810
Investments in property, plant and equipment	676	487	1,604	3,074	744
Equity	662	7,566	17,334	17,830	24,366
Cash flows from (used in) operating activities	(4,232)	429	2,122	(2,917)	2,449
Cash flows from (used in) investing activities	(676)	(487)	(1,604)	(3,044)	(744)
Cash flows from (used in) financing activities	3,930	(526)	(2,623)	(354)	(1,524)
Average number of employees	50	47	56	67	64
Ratios					
Gross margin (%)	7.43	4.57	13.00	9.29	13.82
Net margin (%)	(6.76)	(12.87)	(0.49)	(2.96)	4.26
Return on equity (%)	(167.82)	(78.46)	(2.82)	(19.13)	28.99
Equity ratio (%)	1.64	21.44	38.77	32.88	40.74

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

Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year}}{\text{Revenue}} * 100$

Revenue

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

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 6,904k for the financial year 2021, compared with a loss in 2020 of DKK 9,768k, which is considered unsatisfying. Revenue has increased 34.5% compared with 2020.

The company has seen a cash flow loss of DKK 978k in 2021, which is specified as follows:

Ordinary activities, DKK (4,232)k

Investing activities, DKK (676)k

Financing activities, DKK 3,930k

The company has lost more than half of the contributed capital, and therefore the rules regarding capital loss in the Danish Companies Act is in force. After balance sheet date the share capital has been reduced with 90 % to cover losses. Capital has in June 2022 been increased by 12 mio.DKK and the management expect that the equity furthermore will be restored by future running.

To support the company the parent company has provided new equity of 12 mio.DKK in June 2022 and has until end of June 2022 issued a "letter of support". As of 1/7 2022 Inter Primo A/S takes over the company. Inter Primo A / S is a well-consolidated company. Inter Primo A/S takes over the company with a view to continuing the company. Inter Primo A/S intends to support the company with liquidity to the extent they deem necessary. We refer to note 1 regarding going concern.

Profit/loss for the year in relation to expected developments

The expected increase in terms of sales was met however the increase in earnings before tax did not meet expectations.

Outlook

Management expects a difficult 2022 – with improved ordinary earnings but with one-time costs related to carve out prior to epsotech Holding GmbH's sale of the shares in the company. Consequently the company expect loss of about 3 mio.DKK in 2022.

The crisis in Ukraine and COVID-19 raises uncertainty on supply chains.

See below and note 1 and 2 regarding Going concern and Events after the balance sheet date.

Use of financial instruments

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.

Knowledge 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

The epsotech Group continues to focus on its core business, the production of high-quality and sustainable plastic sheets and films and has sold its Danish subsidiary epsotech Denmark A/S to the industrial group Primo, an international manufacturer of plastic components and profiles, as of 30th of June.

With this step, epsotech is divesting its non-core fiber production. Prior to 30th of June the remaining sheet production in epsotech Denmark A/S will be consolidated at the epsotech Groups production sites in the UK and Germany in a carve-out from epsotech Denmark A/S.

After balance sheet date the share capital has been reduced with 90 % to cover losses. Capital has in June 2022 been increased by 12 mio.DKK.

Revenue is in the beginning of 2022 as budget but with one-time costs related to carve out prior to epsotech Holding GmbH`s sale of the shares in the company the company expect loss of about 3 mio. DKK in 2022. Carve-out includes selling off machinery/lines and inventories related to sheet business. About 20 employees are offered new positions or given notice. After finished carve-out and after cash capital increase equity end of June 2022 will amount to about 7.5 mio.DKK.

There is not identified any further provisions regarding receivables due to the financial impact of the crises in Ukraine and COVID-19.

Besides the above mentioned, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2021

	Notes	2021 DKK'000	2020 DKK '000
Revenue		102,088	75,904
Production costs		(94,498)	(72,434)
Gross profit/loss		7,590	3,470
Distribution costs		(6,606)	(5,678)
Administrative expenses		(7,368)	(6,345)
Other operating income	4	(72)	1,165
Operating profit/loss		(6,456)	(7,388)
Other financial income		7	1
Other financial expenses	5	(455)	(381)
Profit/loss before tax		(6,904)	(7,768)
Tax on profit/loss for the year	6	0	(2,000)
Profit/loss for the year	7	(6,904)	(9,768)

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Land and buildings		2,820	3,313
Plant and machinery		7,120	7,318
Other fixtures and fittings, tools and equipment		485	572
Property, plant and equipment	8	10,425	11,203
Fixed assets		10,425	11,203
Raw materials and consumables		12,007	9,447
Manufactured goods and goods for resale		5,831	5,134
Inventories		17,838	14,581
Trade receivables		8,554	6,247
Receivables from group enterprises		872	235
Other receivables		1,688	1,458
Prepayments	9	789	308
Receivables		11,903	8,248
Cash		283	1,261
Current assets		30,024	24,090
Assets		40,449	35,293

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital	10	15,486	15,486
Retained earnings		(14,824)	(7,920)
Equity		662	7,566
Other payables		3,418	2,164
Non-current liabilities other than provisions	11	3,418	2,164
Bank loans		11,056	7,126
Trade payables		16,486	12,885
Payables to group enterprises		2,496	513
Other payables	12	6,331	5,039
Current liabilities other than provisions		36,369	25,563
Liabilities other than provisions		39,787	27,727
Equity and liabilities		40,449	35,293

Going concern	1
Events after the balance sheet date	2
Staff costs	3
Unrecognised rental and lease commitments	14
Contingent assets	15
Assets charged and collateral	16
Related parties with controlling interest	17
Non-arm's length related party transactions	18
Group relations	19

Statement of changes in equity for 2021

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	15,486	(7,920)	7,566
Profit/loss for the year	0	(6,904)	(6,904)
Equity end of year	15,486	(14,824)	662

Cash flow statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		(6,456)	(7,388)
Amortisation, depreciation and impairment losses		1,454	1,549
Working capital changes	13	1,218	6,646
Cash flow from ordinary operating activities		(3,784)	807
Financial income received		7	1
Financial expenses paid		(455)	(379)
Cash flows from operating activities		(4,232)	429
Acquisition etc of property, plant and equipment		(676)	(487)
Cash flows from investing activities		(676)	(487)
Free cash flows generated from operations and investments before financing		(4,908)	(58)
Repayments of loans etc		0	(84)
Change in bank loans		3,930	(442)
Cash flows from financing activities		3,930	(526)
Increase/decrease in cash and cash equivalents		(978)	(584)
Cash and cash equivalents beginning of year		1,261	1,845
Cash and cash equivalents end of year		283	1,261
Cash and cash equivalents at year-end are composed of:			
Cash		283	1,261
Cash and cash equivalents end of year		283	1,261

Notes

1 Going concern

The company has lost more than half of the contributed capital, and therefore the rules regarding capital loss in the Danish Companies Act is in force. After balance sheet date the share capital has been reduced with 90 % to cover losses. Capital has in June 2022 been increased by 12 mio.DKK and the management expect that the equity furthermore will be restored by future running.

To support the company in 2022 the current parent company parent company has issued a "letter of support":

"We epsotech Holding GmbH, Jülich, Germany confirm that, in the period up to 30th of June 2022 epsotech Holding GmbH shall be committed, on demand at one or more times, to contribute to epsotech Denmark A/S the cash funds necessary for epsotech Denmark A/S to meet its obligations as they mature. The contribution of cash funds shall take place by way of equity, as capital increase or a tax-exempt group contribution, or as loan capital by the granting of monetary loans, falling due for payment on 30th of June 2022 at the earliest, and which, on the part of epsotech Holding GmbH, are interminable in the period up to 30th of June 2022, and by an amount, which the Board of Directors of epsotech Denmark A/S estimates is sufficient for epsotech Denmark A/S to meet its obligations as they mature. This letter of support shall remain in force regardless of whether capital is contributed to epsotech Denmark A/S during the period. This letter of support guaranteeing contribution of cash funds shall be irrevocable and may without any special terms or conditions be enforced by the Board of Directors of epsotech Denmark A/S."

As of 1/7 2022 Inter Primo A/S takes over the company. Inter Primo A / S is a well-consolidated company. Inter Primo A/S takes over the company with a view to continuing the company. Inter Primo A/S intends to support the company with liquidity to the extent they deem necessary.

With improved ordinary earnings but with one-time costs related to carve out prior to epsotech Holding GmbH`s sale of the shares in the company the company according to budgets expect loss of about 3 mio.DKK in 2022.

On the basis of the above, the cash resources are expected to be sufficient to carry out the planned operations until the end of the financial year.

2 Events after the balance sheet date

The epsotech Group continues to focus on its core business, the production of high-quality and sustainable plastic sheets and films and has sold its Danish subsidiary epsotech Denmark A/S to the industrial group Primo, an international manufacturer of plastic components and profiles, as of 30th of June.

With this step, epsotech is divesting its non-core fiber production. Prior to 30th of June the remaining sheet production in epsotech Denmark A/S will be consolidated at the epsotech Groups production sites in the UK and Germany in a carve-out from epsotech Denmark A/S.

After balance sheet date the share capital has been reduced with 90 % to cover losses. Capital has in June 2022 been increased by 12 mio.DKK.

Revenue is in the beginning of 2022 as budget but with one-time costs related to carve out prior to epsotech

Holding GmbH`s sale of the shares in the company the company expect loss of about 3 mio. DKK in 2022. Carve-out includes selling off machinery/lines and inventories related to sheet business. About 20 employees are offered new positions or given notice. After finished carve-out and after cash capital increase equity end of June 2022 will amount to about 7.5 mio.DKK.

There is not identified any further provisions regarding receivables due to the financial impact of the crises in Ukraine and COVID-19.

Besides the above mentioned, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

3 Staff costs

	2021	2020
	DKK'000	DKK'000
Wages and salaries	22,724	21,569
Pension costs	1,682	1,530
Other social security costs	508	508
Other staff costs	233	206
	25,147	23,813
Average number of full-time employees	50	47

No remuneration of the board has been made in 2021 or 2020 and therefore no remuneration to management is disclosed.

4 Other operating income

Other operating income comprise of compensation received from subsidy schemes regarding staff cost compensation due to the COVID-19 epidemic. The amount is negative in 2021 due to final settlement on the compensation.

5 Other financial expenses

	2021	2020
	DKK'000	DKK'000
Other interest expenses	386	299
Exchange rate adjustments	69	82
	455	381

6 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Change in deferred tax	0	2,000
	0	2,000

7 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Retained earnings	(6,904)	(9,768)
	(6,904)	(9,768)

8 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	45,329	92,857	3,227
Additions	0	676	0
Cost end of year	45,329	93,533	3,227
Depreciation and impairment losses beginning of year	(42,016)	(85,539)	(2,655)
Depreciation for the year	(493)	(874)	(87)
Depreciation and impairment losses end of year	(42,509)	(86,413)	(2,742)
Carrying amount end of year	2,820	7,120	485

9 Prepayments

Prepayments comprise of prepaid expenses for 2022.

10 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Ordinary shares	15,486	1	15,486
	15,486		15,486

11 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK'000	Outstanding after 5 years 2021 DKK'000
Other payables	3,418	2,078
	3,418	2,078

12 Other payables

	2021	2020
	DKK'000	DKK'000
Wages and salaries, personal income taxes, social security costs, etc payable	4,092	3,381
Holiday pay obligation	1,404	1,169
Other costs payable	835	489
	6,331	5,039

13 Changes in working capital

	2021	2020
	DKK'000	DKK'000
Increase/decrease in inventories	(3,257)	3,308
Increase/decrease in receivables	(3,655)	3,380
Increase/decrease in trade payables etc	8,130	(42)
	1,218	6,646

14 Unrecognised rental and lease commitments

	2021	2020
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	478	473

Lease commitments comprise of the period 2022-2026.

15 Contingent assets

The company has a deferred tax asset of DKK 14,750k, 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.

16 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 primarily stock and other fixtures and fittings, tools and equipment and secondly trade receivables.

The carrying amount of assets charged is DKK 33,997k.

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 9,532k at 31.12.21.

17 Related parties with controlling interest

The direct parent epsotech Holding GmbH, Jülich, Germany holds all of the shares and has controlling interest. The parent, Vitasheet Investment GmbH, Jülich, Germany holds all of the shares of epsotech Holding GmbH and has controlling interest. The parent, Lenbach Equity Opportunities 1. SCSp, Luxembourg holds all of the shares of Vitasheet Investment GmbH and has controlling interest.

18 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

19 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 prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Changes in accounting policies

The Entity has changed its accounting policies with regard to the cash flow statement.

In accordance with interpretation from danish Erhvervsstyrelsen, overdraft facilities (bank loans) is now classified as Cash flows from financing activities instead of Short-term debt to banks under Cash and cash equivalents end of year. The change has a positive effect on cash flows from financing activities on 3,930 t.kr. in 2021 and negative effect on 442 t.kr. in 2020, negative effect on 2,498 t.kr. in 2019, positive effect on 2,150 t.kr. in 2018 and negative effect on 1,355 t.kr. in 2017. At the same time it effects Cash and cash equivalents end of year with the same amount, increase of 3,930 t.kr. as of 31.12.2021 and decrease of 442 t.kr. as of 31.12.2020.

The comparative figures have been restated following the change in accounting policies.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with 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.

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned.

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.

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 expenses

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 amortization.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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.

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.

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.

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 of changes in overdraft facilities (bank loans) as stated in changes in accounting policies, 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.