



## epsotech Denmark A/S

Thyrasvej 12  
6862 Tistrup  
CVR No. 12379447

## Annual report 2019

The Annual General Meeting adopted the  
annual report on 24.04.2020

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**Shaina Jabbar**  
Conductor

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# Entity details

## Entity

epsotech Denmark A/S

Thyrasvej 12

6862 Tistrup

CVR No.: 12379447

Date of foundation: 01.08.1988

Registered office: Varde

Financial year: 01.01.2019 - 31.12.2019

Phone number: 75291900

URL: [www.epsotech.com](http://www.epsotech.com)

E-mail: [sales@epsotech.dk](mailto:sales@epsotech.dk)

## Board of Directors

Matthias Arpad Bela von Buzay, chairmann

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

## Attorney

Christensen Partners

Lautrupsgade 7

2100 Copenhagen

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

P. O. Box 200

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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 27.03.2020

## Executive Board

**Jørn Peder Carstensen Haahr**

## Board of Directors

**Matthias Arpad Bela von Buzay**  
chairmann

**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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 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.

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, 27.03.2020

**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

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
<b>Key figures</b>					
Revenue	102,196	136,210	144,809	134,398	126,443
Gross profit/loss	13,289	12,652	20,015	17,902	15,313
Operating profit/loss	(120)	(3,616)	4,645	3,035	746
Net financials	(376)	(420)	(475)	(159)	403
Profit/loss for the year	(496)	(4,036)	6,170	2,876	1,149
Total assets	44,708	54,228	59,810	56,821	40,544
Investments in property, plant and equipment	1,604	3,074	744	603	785
Equity	17,334	17,830	24,366	18,196	15,320
Cash flows from (used in) operating activities	2,121	(2,917)	2,449	3,207	(1,331)
Cash flows from (used in) investing activities	(1,604)	(3,004)	(744)	(603)	(40)
Cash flows from (used in) financing activities	(125)	(2,504)	(169)	382	0
Average number of employees	56	67	64	60	54
<b>Ratios</b>					
Gross margin (%)	13.00	9.29	13.82	13.32	12.11
Net margin (%)	(0.49)	(2.96)	4.26	2.14	0.91
Return on equity (%)	(2.82)	(19.13)	28.99	17.16	4.60
Equity ratio (%)	38.77	32.88	40.74	32.02	37.79

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

### Gross margin (%):

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

Revenue

### Net margin (%):

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

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 496k for the financial year 2019, compared with a loss in 2018 of DKK 4,036k, which is considered satisfying. Revenue has decreased 25% compared with 2018.

The company has seen a cash flow of DKK 392k in 2019, which is specified as follows:

Ordinary activities, DKK 2,121k

Investing activities, DKK (1,604)k

Financing activities, DKK (125)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

The outbreak of COVID-19 has not yet impacted our business, but has raised uncertainty on the future demand and our supply chain.

The management expects a flat increasing in volume of sales and earnings before tax on 2016-level. The impact of COVID-19 is not in these expectations.

See below and note 1 regarding events after the balance sheet date.

### 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.

#### 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

The outbreak of COVID-19 in early 2020, has until now had limited impact on the revenue which is on budget, and orders ahead are good, and production is as planned.

There is not identified any further provision regarding bad debtors due to the financial impact of COVID-19. Based on the expectation of reduced impact of COVID-19 in 2020, there is no indication for write-downs on technical machines identified.

At this time, it is not possible to estimate when impact of COVID-19 is reduced, and the impact in the period on revenue and EBIT. Depending on the horizon, the impact on revenue and costs, could be substantial.

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 2019

	Notes	2019 DKK'000	2018 DKK '000
Revenue	2	102,196	136,258
Production costs		(88,907)	(123,558)
<b>Gross profit/loss</b>		<b>13,289</b>	<b>12,700</b>
Distribution costs		(7,266)	(9,194)
Administrative expenses		(6,143)	(7,074)
<b>Operating profit/loss</b>		<b>(120)</b>	<b>(3,568)</b>
Other financial income	5	15	27
Other financial expenses	6	(391)	(495)
Tax on profit/loss for the year		0	0
<b>Profit/loss for the year</b>	7	<b>(496)</b>	<b>(4,036)</b>

# Balance sheet at 31.12.2019

## Assets

	Notes	2019 DKK'000	2018 DKK'000
Land and buildings		3,806	4,299
Plant and machinery		7,735	7,127
Other fixtures and fittings, tools and equipment		724	847
<b>Property, plant and equipment</b>	8	<b>12,265</b>	<b>12,273</b>
Deferred tax	10	2,000	2,000
<b>Other financial assets</b>	9	<b>2,000</b>	<b>2,000</b>
<b>Fixed assets</b>		<b>14,265</b>	<b>14,273</b>
Raw materials and consumables		11,578	14,332
Manufactured goods and goods for resale		6,383	7,079
<b>Inventories</b>		<b>17,961</b>	<b>21,411</b>
Trade receivables		8,319	11,432
Receivables from group enterprises		147	122
Other receivables		1,419	2,171
Prepayments	11	752	869
<b>Receivables</b>		<b>10,637</b>	<b>14,594</b>
<b>Cash</b>		<b>1,845</b>	<b>3,951</b>
<b>Current assets</b>		<b>30,443</b>	<b>39,956</b>
<b>Assets</b>		<b>44,708</b>	<b>54,229</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
Contributed capital	12	15,486	15,486
Retained earnings		1,848	2,344
<b>Equity</b>		<b>17,334</b>	<b>17,830</b>
Bank loans		0	80
Other payables		830	0
<b>Non-current liabilities other than provisions</b>	<b>13</b>	<b>830</b>	<b>80</b>
Current portion of non-current liabilities other than provisions	13	84	130
Bank loans		7,568	10,066
Trade payables		15,300	21,175
Payables to group enterprises		637	621
Other payables	14	2,955	4,327
<b>Current liabilities other than provisions</b>		<b>26,544</b>	<b>36,319</b>
<b>Liabilities other than provisions</b>		<b>27,374</b>	<b>36,399</b>
<b>Equity and liabilities</b>		<b>44,708</b>	<b>54,229</b>
Events after the balance sheet date	1		
Staff costs	3		
Amortisation, depreciation and impairment losses	4		
Unrecognised rental and lease commitments	16		
Contingent assets	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Non-arm's length related party transactions	20		
Group relations	21		

# Statement of changes in equity for 2019

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	15,486	2,344	17,830
Profit/loss for the year	0	(496)	(496)
<b>Equity end of year</b>	<b>15,486</b>	<b>1,848</b>	<b>17,334</b>

# Cash flow statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Operating profit/loss		(120)	(3,568)
Amortisation, depreciation and impairment losses		1,613	1,391
Working capital changes	15	1,004	(320)
<b>Cash flow from ordinary operating activities</b>		<b>2,497</b>	<b>(2,497)</b>
Financial income received		15	31
Financial expenses paid		(391)	(451)
<b>Cash flows from operating activities</b>		<b>2,121</b>	<b>(2,917)</b>
Acquisition etc of property, plant and equipment		(1,604)	(3,074)
Sale of property, plant and equipment		0	70
<b>Cash flows from investing activities</b>		<b>(1,604)</b>	<b>(3,004)</b>
Loans raised		0	265
Repayments of loans etc		(125)	(269)
Dividend paid		0	(2,500)
<b>Cash flows from financing activities</b>		<b>(125)</b>	<b>(2,504)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>392</b>	<b>(8,425)</b>
Cash and cash equivalents beginning of year		(6,067)	2,358
<b>Cash and cash equivalents end of year</b>		<b>(5,675)</b>	<b>(6,067)</b>
Cash and cash equivalents at year-end are composed of:			
Cash		1,845	3,951
Short-term debt to banks		(7,568)	(10,066)
<b>Cash and cash equivalents end of year</b>		<b>(5,723)</b>	<b>(6,115)</b>



# Notes

## 1 Events after the balance sheet date

The outbreak of COVID-19 in early 2020, has until now had limited impact on the revenue which is on budget, and orders ahead are good, and production is as planned.

There is not identified any further provision regarding bad debtors due to the financial impact of COVID-19. Based on the expectation of reduced impact of COVID-19 in 2020, there is no indication for write-downs on technical machines identified.

At this time, it is not possible to estimate when impact of COVID-19 is reduced, and the impact in the period on revenue and EBIT. Depending on the horizon, the impact on revenue and costs, could be substantial.

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.

## 2 Revenue

	2019 DKK'000	2018 DKK'000
Denmark	8,170	10,209
Other countries	94,026	126,049
<b>Total revenue by geographical market</b>	<b>102,196</b>	<b>136,258</b>

## 3 Staff costs

	2019 DKK'000	2018 DKK'000
Wages and salaries	24,247	30,017
Pension costs	1,737	2,178
Other social security costs	644	704
Other staff costs	271	297
	<b>26,899</b>	<b>33,196</b>
Average number of full-time employees	<b>56</b>	<b>67</b>

No remuneration of the board has been made in 2019 or 2018 and therefore no remuneration to management is disclosed.

## 4 Depreciation, amortisation and impairment losses

	2019 DKK'000	2018 DKK'000
Depreciation of property, plant and equipment	1,595	1,370
Profit/loss from sale of intangible assets and property, plant and equipment	18	21
	<b>1,613</b>	<b>1,391</b>

## 5 Other financial income

	2019 DKK'000	2018 DKK'000
Other interest income	15	27
	<b>15</b>	<b>27</b>

## 6 Other financial expenses

	2019 DKK'000	2018 DKK'000
Other interest expenses	351	393
Exchange rate adjustments	40	102
	<b>391</b>	<b>495</b>

## 7 Proposed distribution of profit and loss

	2019 DKK'000	2018 DKK'000
Retained earnings	(496)	(4,036)
	<b>(496)</b>	<b>(4,036)</b>

## 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	91,259	3,175
Additions	0	1,552	52
Disposals	0	(441)	0
<b>Cost end of year</b>	<b>45,329</b>	<b>92,370</b>	<b>3,227</b>
Depreciation and impairment losses beginning of year	(41,030)	(84,132)	(2,328)
Depreciation for the year	(493)	(927)	(175)
Reversal regarding disposals	0	424	0
<b>Depreciation and impairment losses end of year</b>	<b>(41,523)</b>	<b>(84,635)</b>	<b>(2,503)</b>
<b>Carrying amount end of year</b>	<b>3,806</b>	<b>7,735</b>	<b>724</b>

## 9 Financial assets

	Deferred tax DKK'000
Cost beginning of year	2,000
<b>Cost end of year</b>	<b>2,000</b>
<b>Carrying amount end of year</b>	<b>2,000</b>

## 10 Deferred tax

	<b>2019</b>
<b>Changes during the year</b>	<b>DKK'000</b>
Beginning of year	2,000
<b>End of year</b>	<b>2,000</b>

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 9,526 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.

## 11 Prepayments

Prepayments comprise of prepaid expenses for 2020.

## 12 Share capital

	<b>Number</b>	<b>Par value DKK'000</b>	<b>Nominal value DKK'000</b>
Ordinary shares	15,486	1	15,486
	<b>15,486</b>		<b>15,486</b>

## 13 Non-current liabilities other than provisions

	<b>Due within 12 months 2019 DKK'000</b>	<b>Due within 12 months 2018 DKK'000</b>	<b>Due after more than 12 months 2019 DKK'000</b>
Bank loans	84	130	0
Other payables	0	0	830
	<b>84</b>	<b>130</b>	<b>830</b>

Other payables relates to holiday pay obligations and falls due within 5 years.

## 14 Other payables

	<b>2019 DKK'000</b>	<b>2018 DKK'000</b>
Wages and salaries, personal income taxes, social security costs, etc payable	673	715
Holiday pay obligation	1,671	2,660
Other costs payable	611	952
	<b>2,955</b>	<b>4,327</b>

## 15 Changes in working capital

	2019 DKK'000	2018 DKK'000
Increase/decrease in inventories	3,449	570
Increase/decrease in receivables	3,957	302
Increase/decrease in trade payables etc	(6,402)	(1,192)
	<b>1,004</b>	<b>(320)</b>

## 16 Unrecognised rental and lease commitments

	2019 DKK'000	2018 DKK'000
Liabilities under rental or lease agreements until maturity in total	<b>616</b>	<b>740</b>

Lease commitments comprise of the period 2020-2024.

## 17 Contingent assets

The company has a deferred tax asset of DKK 9,526k, 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.

## 18 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 34,739k.

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 8,350k at 31.12.2019.

## 19 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 epsotech Holding GmbH and has controlling interest.

## 20 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.

## 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 prepared 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.

**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 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.

**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.

**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 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.