
R. Færch Plast A/S

Rasmus Færchs Vej 1, DK-7500 Holstebro

Annual Report for 1 January - 31 December 2016

CVR No 13 72 35 40

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
11/4 2017



Arne Vraalsen
Chairman

Content

	Page
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	4
Group Structure	5
Financial Highlights	6
Management's Review	8
Financial Statements	
Income Statement 1 January - 31 December	17
Balance Sheet 31 December	18
Statement of Changes in Equity	20
Notes to the Annual Report	21
Accounting Policies	27

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of R. Færch Plast A/S for the financial year 1 January - 31 December 2016.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

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

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

Holstebro, 11 April 2017

Executive Board



Lars Gade Harisen
CEO



Henning Sandal
CTO



Jens Engelbrecht Mørtensen
COO

Jakob Wulff Moeskjær
CSO



Tom Sand-Kristensen
CFO

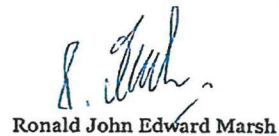
Board of Directors



Arne Vraalsen



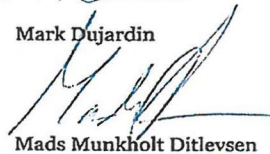
Mark Dujardin



Ronald John Edward Marsh



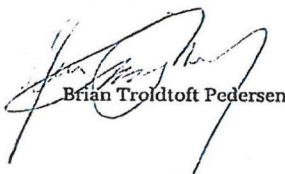
Fredrik von Oelreich



Mads Munkholt Ditlevsen



Morten Hummelrose



Brian Trolldtoft Pedersen



Erik Mortensen



Torben Toft Jensen

Independent Auditor's Report

To the Shareholders of R. Færch Plast A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of R. Færch Plast A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's Responsibilities for the Financial Statements

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

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

Independent Auditor's Report (continued)

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 judgment and maintain professional skepticism throughout the audit. We also:

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

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


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

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

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

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

Aarhus, 11 April 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31



Claus Lindholm Jacobsen
State Authorised Public Accountant



Lars Østergaard
State Authorised Public Accountant

Company Information

The Company

R. Færch Plast A/S
Rasmus Færchs Vej 1
DK-7500 Holstebro

Telephone: + 45 99 10 10 10
Facsimile: + 45 99 10 10 99
Website: www.færchplast.com

CVR No: 13 72 35 40
Financial period: 1 January - 31 December
Municipality of reg. office: Holstebro

Supervisory Board

Arne Vraalsen, Chairman
Mark Dujardin
Ronald John Edward Marsh
Fredrik von Oelreich
Mads Munkholt Ditlevsen
Morten Hummelose
Brian Troldtoft Pedersen
Erik Mortensen
Torben Toft Jensen

Executive Board

Lars Gade Hansen
Henning Sandal
Jens Engelbrecht Mortensen
Jakob Wulff Moeskjær
Tom Sand-Kristensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company Færch Plast Group A/S

Group Structure

Investment in group companies comprise the following at 31 December 2016
 The companies are owned 100% by R. Færch Plast A/S

Name of entity	Country
R. Færch Plast A/S	Denmark
Faerch Plast s.r.o.	Czech Republic
Faerch Plast SAS	France
Faerch Plast Ltd.	United Kingdom
FP1988UK Ltd. (dormant)	United Kingdom
Faerch Plast Manufacturing Ltd	United Kingdom
Avro Holdings Ltd.	United Kingdom
Anson Packaging Ltd.	United Kingdom
BDE Plastics Ltd. (dormant)	United Kingdom
Avro Industries Ltd. (dormant)	United Kingdom
Faerch Plast Poole Ltd.	United Kingdom
Faerch Plast S.L.U.	Spain
Faerch Plast Bunol S.L.U.	Spain

Financial Highlights

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

DKKm	2016	2015	2014	2013	2012
Key figures					
Profit/loss					
Revenue	1,367.8	1,299.4	1,166.5	1,082.6	1,064.0
Operating profit	203.6	180.7	117.2	102.0	113.7
Profit before financial income and expenses	221.4	143.2	114.6	103.4	115.6
Net profit for the year	205.9	164.1	106.3	117.1	105.5
Balance sheet					
Balance sheet total	1,535.4	1,439.9	1,104.0	1,001.8	931.9
Equity	1,009.5	834.4	579.0	481.2	439.1
Investments	109.1	67.7	80.2	98.6	62.3
Number of employees end of year	367	372	349	358	377
Ratios					
Profit margin	16.2%	11.0%	9.8%	9.6%	10.9%
Solvency ratio	65.7%	57.9%	52.4%	48.0%	47.1%
Return on equity	22.3%	23.2%	20.1%	25.5%	25.1%

Management's Review

Since being established in 1969, R. Faerch Plast A/S has grown to become one of the leading plastic packaging manufacturers for the European food industry.

The financial year 2016 was the best ever for the Company. Again, we delivered on our financial target for the year with a total EBITDA growth of 38,1% and a revenue grew to record DKK 1.367,8m as a result of very satisfactory growth across all segments and from our focus countries. With an EBITDA of DKK 289,0m the EBITDA-margin increased to 21,1% from 16,1% in 2015.

2016 was a year with multiple factors having an impact directly and indirectly on R. Faerch Plast A/S. The Brexit referendum created a period of uncertainty but through specific and precise counter measures underpinning the robustness and agility of the Company, these events had limited impact on performance both operationally and financially.

Strategy

Following the two acquisitions in 2015 which has strengthened both the depth and breadth of the product portfolio, the Company's strategy has been updated. The updated plan continues to build on several years' success of winning market shares in selected markets and applications. The strategy sets out clear priorities and focus areas for the Company - geographical focus and in which applications the growth opportunities are considered most attractive.

Maintaining the cost leadership is paramount for R. Faerch Plast A/S and continuous investments in material and process innovation will secure this. Product and platform innovation through research and development is a key priority and it is encouraging to look into 2017 knowing the Company is having the strongest new product pipeline ever seen. The strength in our research and development is always to aim for perfection and the highest quality with focus on the competitive advantage and the product innovation that R. Faerch Plast A/S is admired for in the market.

Diverse product offering focused on three core product applications

The Company focuses on selected food segments where a plastic tray is a key product differentiator and value enhancer for the food producer, retailer and/or the end consumer. We strive to achieve a leading position in methods and products designed to protect food and ensure high standards of safety and quality. We are committed to comply with and stay ahead of legislative and regulatory requirements within food safety at all times. Moreover, our deep process knowledge and wide range of products have been developed and enhanced over decades in close cooperation with our customers. As a result, Faerch Plast can today present a strong product assortment within three distinct product applications, Ready meals, Fresh Meat and Food To-Go.

Management's Review (continued)

The market for prepared meals made for heating is experiencing strong growth. Development is driven by consumers' increasing demand for convenience, along with food producers' strive for individualisation of brands while maintaining a cost-efficient setup. This places major requirements for end-to-end competencies on tray producers such as R. Faerch Plast A/S. The ability to drive shelf impact through unique design while maintaining extreme temperature tolerances enables R. Faerch Plast A/S to grow further into Ready Meal sub-segments that historically have been dominated by non-plastic packaging materials as aluminium and cardboard.

Value added via the packaging format is changing the solution space within the market for chilled and marinated fresh meat, fish and poultry. Shelf life extension of premium meat through vacuum (skin) packaging and increased glass-clear transparency and robust sealing requirements for MAP packaging are providing an overall trade-up within this product application. The continued increasing interest in environmentally friendly materials and intelligent design supporting less food waste is shaping the agenda of both producers and consumers across all Fresh Meat categories. Local legislation and tariffs are expected to push forward solutions based on eco-friendly mono material, as MAPET® II, at the expense of older and more traditional material formats.

The market for convenience meals not requiring heating is a broad and diverse sum of sub segments, each requiring a different set of features to producer and consumer. Faerch Plast remains focused on the advanced convenience sub-segments; where producer, retailer and end-consumers value innovative design, built-in convenience features as well as high quality and environmentally friendly materials. Delivering on these parameters allows Faerch Plast to tap into the trend of busy lifestyle, where on-the-go consumption of quality food becomes an increasing part of most households regardless if the purchase takes place at an urban cafe or in a major supermarket.

Adding value across the entire value chain

Great packaging is not only about protecting a product, and R. Faerch Plast A/S persistently strives to add value to all aspects of the supply chain, starting with our own suppliers, to when the tray arrives at our customers and until the end customer purchases and consumes the final product.

To succeed with this end-to-end perspective, R. Faerch Plast A/S is constantly collaborating with our stakeholders to optimise and develop processes and ultimately the final products. Working with NGO organisations like WRAP in the UK fighting food waste, to optimise tray stacking for automated food producers or R&D collaborations with top-film producers, are all examples of the wide span of activities in which the Company engages on a daily basis in order to maintain and develop our position as adding value for the food industry.

Continued investment to deliver best in class

The plastics packaging industry is constantly changing and the growing external demands require R. Faerch Plast A/S to evolve by investing in technology as well as in process and material knowledge. Factors like precision, efficiency and automation play a crucial role in achieving success.

Management's Review (continued)

To offer our customers the optimal solutions at the lowest possible cost, the factories, processes and people receive substantial investments to ensure the highest standards and use of latest technology. R. Faerch Plast A/S will continue to invest significant amounts every year to maintain and develop our leading position.

The right values

Value creation at R. Faerch Plast A/S encompasses more than just financial return, and is built on an ingrained sense of responsibility that permeates our organisation.

Responsibility – and in this case a shared responsibility with the customer – is central to our value model. Responsibility for the environment and the world around us is a natural and basic precondition for our work. Only on this basis are we able to meet our own requirements of being the leading and most recognised player in our industry in Europe. We want to be recognised for quality, credibility, responsibility and our ability to deliver. In this way, we can remain innovative and deliver optimal solutions, where we can combine our competencies.

Responsibility is also about maintaining effective manufacturing processes, environmental considerations, production efficiency and sustainable energy supply. The Company is fully supplied with renewable energy provided by sustainable energy sources, such as hydro and wind power plants.

Segment reporting

R. Faerch Plast A/S is producing and selling rigid plastic packaging primarily to the European food industry. Our approach to the market is based on a sales channel split, which is also the basis of our segment reporting.

R. Faerch Plast A/S operates with three different sales channels based on customers' characteristics; Industrial Food Producers, Distributors and Retailers.

Food Producers

Food producers comprise our largest segment. Food producers are large-scale industrial processors within all chilled food and frozen segments (Fresh Meat, Ready Meals, and Food to go). They deliver mainly to independent retailers or own outlets. R. Faerch Plast A/S provides a full sales setup tailored to cater for this channel:

- Sales representatives focused around product applications and with clear Key Account Management responsibility
- Large portfolio of tools, which provides off-the-shelf standard solutions or can be altered to deliver a tailored solution to the individual customer
- Operational setup that allows for short lead time and dedicated stock levels if required
- Agile logistic model servicing our customers with daily deliveries when needed
- Full design and innovation team helping our customers to develop the unique packaging solution that suits their needs

Management's Review (continued)

Distributors

Distributors is our second largest segment. Distributors range from full-service providers for the restaurant and catering industry carrying a wide range of utilities, to more specialised distributors servicing smaller food producers and retailers mainly with a full packaging solution inclusive tray, top film, sealing equipment etc. R. Faerch Plast A/S currently holds a strong position with select large distributors across Europe, but wishes to further expand our presence in this segment. Expansion will be driven by rolling out tailored service models building on best practices from our current sales areas incl.:

- Dedicated sales resources
- Quick response rates
- Proactive product development aimed for distributor assortment
- Standard assortment on stock

Retailers

Retailers are predominantly indirect customers through one of the above core sales channels, where we mainly supply packaging for food products, which are prepared and packed on site. Direct servicing of retailers allows the Company to be on the forefront of innovation and customer demand, minimising dependency on any single food producer.

Income Statement

In 2016, the Company reported revenue of DKK 1.367,8m (2015: DKK 1.299,4m) confirming a strong growth in all markets and all segments. The adverse currency development on the back of the Brexit referendum in the UK and a declining raw material price development for resin have adversely impacted the selling price in 2016.

Cost of goods sold amounted to DKK 1.004,0m (2015: DKK 972,5m). The reported gross profit margin improved by 1,4% to 26,6% as a result of a growth in attractive high-growth and high-priced products and efficiency improvements at the factory in Holstebro.

Sales and distribution costs amounted to DKK 121,2m (2015: DKK 109,8m). The increase was mainly driven by new sales employees and the restructuring of the sales organisation moving into a diversified go-to-market strategy with a tailored channel approach.

Administrative costs amounted to DKK 39,1m (2015: DKK 36,2m).

Other operating income of DKK 69,5m (2015: DKK 0,8m) is income from realised and unrealised forward contracts applied to manage the net currency exposure in the UK market, income from customer contributions in relation to tools and gain in connection with assets disposals.

Other operating expenses of DKK 51,7m (2015: DKK 38,4m) increased by DKK 13,3m due to expenses related to strategy projects as well as additional costs related to redundancies.

Income from subsidiaries of DKK 48,5m declined from last years DKK 53,7m due to the lower British Pound.

Management's Review (continued)

Net financials amounted to DKK -14,9m against DKK 3,9m in 2015 and the increase was mainly due to an increased borrowing related to acquisitions and exchanges losses due to the declining British Pound.

Tax for the period amounted to DKK -49,1m against DKK -36,7m in 2015.

Profit for the year recorded DKK 205,9m (2015: DKK 164,1m). The improvement was due to strong organic growth combined with lower production at the Holstebro site offset by higher financials net and a higher effective tax rate.

Equity at 31 December 2016 has increased to DKK 1.009,5m from DKK 834,4m in 2015.

Investments

The Company's investments for 2016 amounted to DKK 109,1m (2015: DKK 67,7m).

Subsequent events

No events materially affecting the assessment of the Company's financial position have occurred after the balance sheet date.

Expectations for 2017

The expectations for 2017 are positive and the strategy for 2021 reflects the Company's expectations end of 2016. The company expect an organic volume growth and being able to maintain the EBITDA margin. The execution of the Strategy 2021 has the following key priorities for 2017; growth, new product development, channel and segments and cost leadership.

Strategy 2021

In 2016, following two strategic acquisitions and to reflect Færch Plast's broader product offering, we completed and started the execution of a five-year strategy plan, highlighting mid-term priorities of the new Færch Plast. The plan is an outcome of a six-month internal process leveraging inputs and support from all levels and functions across the Færch Plast organisation. The strategy plan is in many ways a logical continuation of the Færch Plast heritage, aiming to continue our healthy growth via a broad product portfolio tailored for attractive market segments and with an unrivaled focus on cost optimisation and process and material innovation.

Strengthen our geographical position

Our strengthened product offering in Food-To-Go and Fresh Meat, combined with our product leadership position for heated ready meal products and our ability to supply products in all leading base materials, will drive further penetration in our core western European markets as well as continue to build our position in central and Southern Europe.

Management's Review (continued)

Our strategy will be two-folded, with the core focus on maintaining organic growth, combined with a continued screening for quality acquisition targets/partnerships for which strategic rationale is right and combined value can be realised.

Significant investment in New Product Development With our new strategy comes an enhanced and even more explicit focus on our development work. Faerch Plast has grown, and so has our scale facilitating the opportunity to form specialised units. Since 2016, Faerch Plast has strengthened its full organisation to build the processes, materials and products of tomorrow. We enter 2017 with the strongest research pipeline in the history of the company and look forward to the expected added value delivered by both internal as well as partnering projects.

Continuous focus on cost optimisation

Driving cost improvements is a deeply embedded part of Faerch Plast's way of operating, and our technology and operational teams possess significant experience in developing and delivering on cost improvement targets. In the coming years, Faerch Plast will continue to invest significantly back into the business, for which a number of the identified projects will deliver cost optimisation and lowering of the overall loss of resources. Further automation across the production chain, leveraging the newest robotic technology and Faerch Plast best practice process principles, will contribute with savings in line with historical achievements.

A crucial part of "Strategy 2021" is the continued efforts of bringing and maintaining our newly acquired production sites to the Faerch Plast Group standard for production. This journey started in 2015, and since then a significant amount has been invested based on Faerch Plast expertise, in combination with the deep knowledge of the local teams. We are pleased to see that at end of 2016 we are on track for delivering optimisation to all our new sites, and we look forward to continuing these efforts and gain from the full potential in the coming years.

Risk Management

Business risks

The Management of the Company has made an assessment of the internal and external business risks. Some of the risks can have a significant impact on the performance of the business. The risks identified, monitored and evaluated as being particularly important at current time are:

- Raw material prices – the main cost element represents around 35 % of the turnover. To minimise the risk the Company can pass on 85 % of the price variances to customers through pricing mechanism in the customer contacts
- Dependence of customers – the variety of customers and the unique tools for customers reduce the risk of losing customers
- Integration of new entities – a successful integration of the new entities is paramount to ensure continuous growth and increase in operating profit

Financial risk

R. Faerch Plast A/S' main financial risks relate to exchange rate, interest rate and tax.

Management's Review (continued)

Currency risks

The reporting currency is Danish Kroner, which is closely linked to the Euro within a narrow range of $\pm 2,25\%$. However, a large part of the invoiced sales are in British pound and is therefore the company's biggest financial risk. To manage the exchange risk the company hedges expected future cash flow for GBP and the hedging follows procedures and policies approved by the Board of Directors.

Interest rate risk

R. Faerch Plast A/S is exposed to interest rate risk, because the Company borrows funds at variable rates of interest. The risk is monitored by R. Faerch Plast A/S and hedging is applied in accordance with policy approved by the Board of Directors.

Tax

By operating business globally, transfer pricing disputes with tax authorities may occur. R. Faerch Plast A/S' policy is to pursue a competitive tax level in a responsible way, which means paying relevant tax in jurisdictions where its business activity generates profit. To manage uncertainties regarding tax, R. Faerch Plast A/S has transfer pricing agreements on market terms.

Internal control and risk management

The Board of Directors and management are responsible for ensuring that the structure and control systems in the Company are suitable and function satisfactorily. The Board of Directors regularly assesses the overall and specific risks associated with the business and operation, and seeks to ensure that such risks are managed in a proactive and efficient manner.

A detailed annual planning and budget process has been established and variances are monitored on a weekly and monthly basis. This includes particular attention to development in sales and earnings. To ensure high quality in the financial reporting systems, the Board of Directors and Executive Board have adopted policies, procedures and guidelines for financial reporting including follow-up on variance from budgets and use of Company's accounting policies and reporting instructions to secure alignment and transparency within the Company.

The responsibility for maintaining sufficient and efficient internal control and risk management in connection with financial reporting lies with the Executive Board. The Board of Directors has assessed the Company's existing control environment and concluded that it is adequate at the current stage in the company's development.

Management's Review (continued)

Ownership and capital structure

R. Færch Plast A/S is a limited company incorporated and operating under Danish Law. The company's share capital is directly owned by Færch Plast Group A/S and indirectly owned by funds advised by EQT. EQT VI Limited holds 92.5 % of the shares in Færch Plast through Ferguson S.a.r.l, and 7.5 % of the shares are held by members of the Board of Directors and the Executive Board (management). Investments by members of the Board of Directors, the management and employees are made on market terms. For information about the shareholder, reference is made to www.eqt.se.

Corporate Governance

The Board of Directors and Executive Board of R. Færch Plast A/S are responsible for ensuring that the Company's management structure and control systems are appropriate and function satisfactorily.

The basis for the management's work includes the Danish Companies Act, the Danish Financial Statements Act, the Company's articles of association, and rules of procedure for the Board of Directors and Executive Board, as well as generally accepted practice for companies of the same size as Færch Plast. Being controlled by a member of the Danish Venture Capital and Private Equity Association (DVCA), Faerch Plast is also subject to the guidelines issued by the DVCA on 'Responsible Ownership and Good Corporate Governance'. The guideline can be found on the website: www.dvca.dk.

Corporate Social Responsibility (CSR)

As an international manufacturer of plastic packaging, Faerch Plast has far-reaching environmental, social and economic impacts. It is our commitment to act in a responsible manner in all aspects of the tray's life cycle - from materials sourcing, product design and development, manufacturing, distribution and disposal.

In order to mitigate these impacts, we define a set of actions and how we create value, delivering competitive advantages to our customers. Consequently, we embed Corporate Social Responsibility in our processes and focus areas. Faerch Plast defined the five focus areas:

- Sustainable Packaging – Faerch Plast is the leading producer of recycled plastic and is helping to raise awareness of the waste challenge faced by the industry. Faerch Plast has developed a Cradle-to-Cradle concept for a range of plastics
- Food Safety – the standard is high and the legislative and regulatory requirements in this area are always met or exceeded
- Responsible Operations – Faerch Plast wants to offer innovative and sustainable products that help to minimise CO2 emissions from own activities. Energy optimisation is a key area at all factories
- People & Organisation – Faerch Plast will secure a safe workplace with focus on the employee's well-being and development
- Business Ethics – the organisation acts as a proper and responsible company and supports international anti-corruption efforts and is dedicated to upholding the highest standards

The Sustainability Report 2016 presents information according to section 99a and § 99b of the Danish Financial Statements Act can be found on the Company's website: www.færchplast.com/dk/csr/csr-rapportering/Pages/default.

Management's Review (continued)

Embedding Corporate Social Responsibility

Our Corporate Social Responsibility effort is an integrated part of our daily operations and priorities. Therefore, these activities are strongly anchored into our organisational structure and reflected on different structural levels.

The overall organisational responsibility and direction of the Corporate Social Responsibility work is part of the Group Executive Management.

The Group functions are responsible for the individual focus areas and ensure that we work in order to achieve our ambitions and meet our obligations to society, our customers and employees.

On a local level, in the respective departments and working groups, we implement specific initiatives and improvement activities.

Materiality Assessment

R. Faerch Plast A/S' materiality assessment reflects the areas creating impact on our business success and playing an important role for our stakeholders.

Revision of the existing materiality analysis had a significant relevance for us in 2016, due to the business growth and expanded activities. In August 2016, a materiality revision workshop was conducted involving participants representing different functions.

The Outcome

The performed assessment resulted in a revision of our focus areas. It was our intention to establish a stronger cohesion between the focus areas and the business, and at the same time to put forward a message of how we approach every focus area. We defined five focus areas supporting R. Faerch Plast A/S sustainability effort: Sustainable Packaging, Food Safety, Responsible Operations, People & Organisation, and Business Ethics.

Sustainability Agenda

Materiality assessment is one of the strategic themes put forward on the sustainability agenda at R. Faerch Plast A/S. As a dynamic company, it is important to us to ensure that we are aware of and react to the changes in the external environment that can influence our business. We monitor and follow up on our KPIs and progress towards sustainability, linking them to investment decisions that support our sustainable business growth.

Focus areas and ambition levels

Færch Plast's sustainability initiatives are based on the focus areas that have been defined through the materiality assessment.

For each focus area, we have established a long-term level of ambition supported by our actions.

Our highest level of ambition is to be the leader in Sustainable Packaging and Food Safety.

For every focus area we have defined the KPIs supporting our long-term ambition and sustainable development.

Management's Review (continued)

Board of Directors

The Board of Directors held six meetings in 2016 and a number of ad hoc strategy sessions for "Strategy 2021".

The meetings included ongoing review and support of R. Færch Plast A/S' new strategy, its organisation and underlying action plans. The Executive Board briefs the Board of Directors on the Group's financial development on an ongoing basis.

The wide variety of relevant competences and experience represented on the Board of Directors can be summarised as follows: international business and industry experience; M&A experience; financial competency; consumer goods experience; customer relationship experience combined with innovation and out-of-the box thinking.

The Board of Directors has an international profile with some diversification in relation to age. The Board of Directors aims to further strengthen diversification in relation to gender. Færch Plast A/S will endeavour that at least one of the six members elected by the shareholders should be of the underrepresented gender. This target should be reached prior to 2019.

Audit Committee

The Board of Directors has set up an Audit Committee in 2015.

The purpose of the Committee is to act in an advisory capacity to the Board of R. Færch Plast A/S in matters to review the adequacy of the Company's financial reporting, internal controls and compliance with prescribed law.

Income statement

1 January - 31 December

DKKm	Note	2016	2015
Revenue	1	1,367.8	1,299.4
Production costs	2	-1,004.0	-972.5
Gross profit		363.8	326.9
Sales and distribution costs	2	-121.2	-109.8
Administrative expenses	2	-39.1	-36.2
Other operating income		69.5	0.8
Other operating cost		-51.7	-38.4
Earning before interest and tax		221.4	143.2
Income from investments in subsidiaries		48.5	53.7
Financial income	3	38.2	30.4
Financial expenses	3	-53.1	-26.5
Profit before income tax		254.9	200.8
Income tax expenses	4	-49.1	-36.7
Profit for the year		205.9	164.1
Proposed distribution of profit:			
Reserve for net revaluation under the equity method		31.1	30.4
Retained earnings		174.7	133.7
		205.9	164.1

Balance Sheet

31 December

Note	DKKm	2016	2015
5	Completed development projects	16.2	15.3
	Intangible assets	16.2	15.3
6	Land and buildings	156.2	160.4
6	Plant and machinery	160.9	130.7
6	Other fixtures and fittings, tools and equipment	57.8	45.5
6	Fixed assets in progress	27.8	35.8
	Property, plant and equipment	402.7	372.3
7	Investments in subsidiaries	374.0	373.3
	Fixed assets investments	374.0	373.3
	Fixed assets	792.9	760.9
8	Inventories	115.2	116.9
	Trade receivables	246.7	232.1
	Receivables from group enterprises	27.6	280.2
	Other receivables	18.7	17.9
	Corporation tax	-	0.1
	Prepayments	5.4	4.3
	Receivables	298.4	534.5
	Cash at bank and in hand	328.9	27.6
	Current assets	742.5	679.0
	Assets	1,535.4	1,439.9

Balance Sheet

31 December

Note	DKKm	2016	2015
9	Share capital	73.0	73.0
	Reserve for net revaluation under the equity method	62.3	61.6
	Reserve for development costs	6.8	-
	Retained earnings	867.4	699.8
	Equity	1,009.5	834.4
	Provision for deferred tax	27.0	20.7
	Provisions	27.0	20.7
	Mortgage loans	194.4	194.4
10	Long-term debt	194.4	194.4
	Credit institutions	48.5	30.1
	Trade payables	98.8	77.2
	Payables to group enterprises	43.7	154.4
	Corporation tax	44.0	52.3
	Other payables	62.7	69.2
	Deferred income	6.9	7.3
	Short-term debt	304.6	390.5
	Debt	499.0	584.9
	Liabilities	1,535.4	1,439.9
11	Contingent assets, liabilities and other financial obligations		
12	Fee to auditors appointed at the general meeting		
13	Related parties and ownership		

Statement of changes in equity

DKKm	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
Equity 1 January	73.0	61.6		699.8	834.4
Exchange adjustments relating to foreign entities		-30.4			-30.4
Capitalized development costs			6.8	-6.8	-
Fair value adjustment of hedging instruments				-0.2	-0.2
Tax on adjustment of hedging instruments				-0.1	-0.1
Other equity movements					-
Net profit for the year		31.1		174.7	205.9
Equity 31 December	73.0	62.3	6.8	867.4	1,009.5

Note 1 Revenue

DKKm	2016	2015
Geographical segments		
North Europe	942.3	1,021.6
South Europe	223.5	87.7
Central Europe	177.2	171.2
Rest of the world	24.8	18.8
Total	1,367.8	1,299.4

Note 2a Staff expenses

	2016	2015
Wages and salaries	182.0	181.2
Pensions	10.7	20.3
Other social security expenses	3.3	0.8
Total	196.0	202.2
Including remuneration to:		
Executive Board	14.6	16.1
Board of Directors	1.4	1.2
Total	16.0	17.3
Average number of employees	367	372

Note 2b Depreciation, amortisation and impairment losses

	2016	2015
Intangible assets, amortisation	9.0	8.8
Property, plant and equipment, depreciation	58.6	57.3
Total depreciation, amortisation and impairment losses	67.6	66.1
Depreciation/amortisation and impairment losses relate to:		
Cost of goods sold	66.2	64.8
Sales and distribution costs	0.4	0.9
Administration cost	1.1	0.4
Total depreciation, amortisation and impairment losses	67.6	66.1

Note 3 Financial items

	2016	2015
Interest received from group enterprises	38.2	26.2
Other financial income	-	4.2
Total financial income	38.2	30.4
Interest paid to group enterprises	17.6	2.4
Other financial expenses	35.5	24.1
Total financial expenses	53.1	26.5

Note 4 Tax

	2016	2015
Current tax for the year	42.6	30.9
Deferred tax for the year	6.3	9.5
Adjustment of tax concerning previous years	0.3	1.2
Tax on profit for the year	49.2	41.6
which breaks down as follows:		
Tax on profit/loss for the year	49.1	36.7
Tax on changes in equity	0.1	5.0
Total	49.2	41.6

Note 5 Intangible assets

DKKm	Completed development projects
Cost at 1 January	39.4
Exchange rate adjustments	-
Additions	-
Reclassification	10.0
Disposals	-
Cost at 31 December	49.4
Amortization and impairment at 1 January	24.1
Exchange rate adjustments	-
Amortization for the year	9.0
Impairments	-
Amortization on disposals	-
Amortization and impairment at 31 December	33.2
Carrying amount at 31 December	16.2

Note 6 Property, plant and equipment

DKKm	Land and buildings	Plant and machinery	Other fixtures and fitting, tools and equipment	Fixed assets in progress
Cost at 1 January	265.8	724.6	263.5	35.8
Additions	-0.0	-0.0	0.0	109.1
Reclassification	0.6	72.3	33.6	-117.2
Disposals	-	-48.4	-0.0	-
Cost at 31 December	266.3	748.4	297.1	27.8
Depreciation and impairment at 1 January	105.4	593.9	218.0	-
Depreciation for the year	4.8	32.5	21.3	-
Depreciation on disposals	-	-38.9	-0.0	-
Depreciation and impairment at 31 December	110.1	587.5	239.3	-
Carrying amount at 31 December	156.2	160.9	57.8	27.8

Note 7 Investment in subsidiaries

	2016	2015
Cost at 1 January	311.7	210.8
Additions for the year	-	100.9
Cost at 31 December	311.7	311.7
Value adjustments at 1 January	61.6	24.3
Exchange adjustment	-30.5	6.9
Net profit for the year	48.8	53.7
Dividend to the Parent Company	-17.6	-23.3
Value adjustments at 31 December	62.3	61.6
Carrying amount at 31 December	374.0	373.3

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Faerch Plast Ltd.	Sutton, UK	GBP 75k	100%
Faerch Plast s.r.o.	Liberec, CZ	CZK 500,200k	100%
Faerch Plast SAS	Semoy, France	EUR 10k	100%
Faerch Plast Manufacturing Ltd.	Durham, UK	GBP 6,000k	100%
Faerch Plast S.L.U.	Bunol, Spain	EUR 4,500k	100%

All foreign subsidiaries are recognised and measured as separate entities.

Note 8 Inventory

	2016	2015
Raw materials and consumables	42.3	41.8
Work in progress	33.0	25.6
Finished goods	39.9	49.6
Total inventory	115.2	116.9

Note 9 Share Capital

The share capital is broken down as follow:

	Number	Nominal value DKK '000
A-shares	13	13,000
B-shares	60	60,000
Total		73,000

The share capital has developed as follows:

DKK '000	2016 DKK '000	2015 DKK '000	2014 DKK '001	2013 DKK '002	2012 DKK '003
Share capital at 1 January	73.000	72.000	72.000	72.000	72.000
Capital increase/decrease	-	1.000			
Share capital at 31 December	73.000	73.000	72.000	72.000	72.000

Note 10 Long-term debt

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

The debt falls due for payment as specified below:

Mortgage loans	2016	2015
After 5 years	139.5	139.5
Between 1 and 5 years	54.9	54.9
Long-term part	194.4	194.4
Within 1 year	-	-
Total mortgage loans	194.4	194.4

Credit institutions	2016	2015
After 5 years	-	-
Between 1 and 5 years	-	-
Long-term part	-	-
Within 1 year	48.5	30.1
Total credit institutions	48.5	30.1

Note 10 Long-term debt (continued)

Payables to group enterprises	2016	2015
After 5 years	-	-
Between 1 and 5 years	-	-
Long-term part	-	-
Within 1 year	43.6	154.4
Total payables to group enterprises	43.6	154.4

Note 11 Contingent assets, liabilities and other financial obligations

Security	2016	2015
The following assets have been placed s security with mortgage credit institutions:		
Land and buildings with the carrying amount of	156.2	160.4
Plant and machinery with the carrying amount of maximum	176.1	176.1
Contractual obligations	2016	2015

To hedge interest rate risks, the Company have concluded contracts of	168.5	166.1
---	-------	-------

The Company has concluded contracts concerning sale of foreign exchange at a countervalue of DKK 282,7m.

The Company has concluded contracts with a number of suppliers. The contracts do not entail any obligations other than those normally involved in tradig relationships.

The Company has concluded operating leases with a remaining obligation over the term of DKK 7,9m. The leases have remaining terms up to 61 months.

Contingent liabilities

The Company has issued suretyships towards the subsidiary Faerch Plast s.r.o. limited to CZK 9,0m and EUR 1m, respectively.

The Company has issued suretyships towards the subsidiary Faerch Plast Manufacturing Ltd.

The Company has placed 100% of the shares in its subsidiaries and their subsidiaries as security with the Company's credit institutions.

The Company and its subsidiaries have issued irrevocably and unconditionally jointly and severally guarantess towards the Group's credit institutions.

The Company is not involved in any lawsuits which are expected to have a material effect on the financial position of the Company.

Note 12 Fees to auditors appointed by the board of representatives

	2016	2015
Statutory audit of financial statements	0.4	0.5
Other assurance engagements	-	0.1
Tax advisory services	0.4	0.8
Other services	0.7	0.6
	1.5	2.0

Note 13 Related parties and ownership

Controlling interest	Basis
Færch Plast Group A/S	Parent Company
The Company's subsidiaries, see group chart	Subsidiaries

Transactions

Related parties with significant influence comprise group enterprises as well as the Board of Directors and the Executive Board of the Company.

Pursuant to section 98c(1) of the Danish Financial Statements Act, the Company does not disclose any information on transactions with related parties.

Ownership

Færch Plast Group A/S, Holstebro, Denmark is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital.

Consolidated Financial Statements

The Company's Annual Report is included in the Consolidated Financial Statements of Færch Plast Group A/S,

The Group Annual Report of Færch Plast Group A/S may be obtained at the following address:

Færch Plast Group A/S, Rasmus Færchs Vej 1, 7500 Holstebro, Denmark

Accounting Policies

Basis of Preparation

The Financial Statements of R. Færch Plast A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Financial Statements for 2016 are presented in DKK millions.

The accounting policies applied are unchanged compared to the previous year. Some reclassifications were made in the financial statements. These do not affect results or equity. Comparative figures have been restated.

With reference to section 112 (1) of the Danish Financial Statements Act and to the consolidated financial statements of Færch Plast Group A/S, the Company has not prepared consolidated financial statements.

Cash Flow Statement

With reference to section 86(4) of the Danish Financial Statements Act and to the Cash Flow statement included in the Consolidated Financial Statement of Færch Plast Group A/S, the Company has not prepared a Cash Flow Statement.

Recognition and measurement

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

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

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

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

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Accounting Policies (continued)

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Accounting Policies (continued)

Segment reporting

Segment information is presented relating to the distribution of revenue on geographical segments.

Based on this, it is the Company's assessment that it has one business segment which is "production and sale of plastic packaging" and four geographical segments which are "North Europe", "South Europe", Central Europe and "rest of the World".

Income Statement

Revenue

Revenue from the sale of goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprises, including gains and losses on the sale of intangible assets and property, plant and equipment.

Accounting Policies (continued)

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year less goodwill amortisation.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit for the year

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

Balance Sheet

Intangible assets

Costs incurred in connection with development projects are recognised as assets if they are expected to bring future economic benefits. Other development costs are expensed as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit. The period of amortisation is three years.

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Accounting Policies (continued)

Property, plant and equipment (continued)

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

Buildings	30-50 years
Plant and machinery	1-20 years
Other fixtures and fittings, tools and equipment	1-10 years

Assets costing less than DKK 50k are expensed in the year of acquisition.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The items "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Accounting Policies (continued)

Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Prepayments

Prepayments comprise prepaid expenses concerning subscriptions.

Equity

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Fixed-interest loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Deferred income

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

Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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