

BelmaFlex A/S

Tulipanvej 21

9640 Farsø

Central Business Registration No

25645316

Annual report 2016/17

The Annual General Meeting adopted the annual report on 27.02.2018

Chairman of the General Meeting

Name: Jacob Mou

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Entity details

Entity

BelmaFlex A/S
Tulipanvej 21
9640 Farsø

Central Business Registration No: 25645316
Registered in: Vesthimmerland
Financial year: 01.10.2016 - 30.09.2017

Board of Directors

Jacob Mou, chairman
Christian Mou
Henrik Mou
Martin Schousboe

Executive Board

Christian Mou, director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of BelmaFlex A/S for the financial year 01.10.2016 - 30.09.2017.

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 30.09.2017 and of the results of its operations and cash flows for the financial year 01.10.2016 - 30.09.2017.

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.

Farsø, 27.02.2018

Executive Board

Christian Mou
director

Board of Directors

Jacob Mou
chairman

Christian Mou

Henrik Mou

Martin Schousboe

Independent auditor's report

To the shareholders of BelmaFlex A/S

Opinion

We have audited the financial statements of BelmaFlex A/S for the financial year 01.10.2016 - 30.09.2017, 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 30.09.2017 and of the results of its operations and cash flows for the financial year 01.10.2016 - 30.09.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

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

Esbjerg, 27.02.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Peder Rene Pedersen
State Authorised Public Accountant

Ove Nielsen
State Authorised Public Accountant

Management commentary

Primary activities

The main activities consist of designing, processing, production and sales of plastic parts.

Development in activities and finances

The fiscal year 2016/17 was heavily influenced by a sudden acceleration in the consolidation activities within the European customer base. Prices and volumes in the market segments served by Belmaflex has been severely impacted and also Belmaflex has realized reduced revenue, margins and volumes. To adapt to these new market conditions a fundamentally new cost structure was required, and it has been decided to shut-down all operations at our Farsø plant in Denmark and consolidate both management, administration and operations at our modern and newly built production plant in Zabrze, Poland. The shut-down activities and relocation of the relevant production processes from Farsø DK to Zabrze PL was initiated in September 2017. Production and other operations in DK will cease from Dec. 1st 2017.

Belmaflex A/S will remain the mother company for Belmaflex Polska Sp. Z.o.o..

To give full management and operational focus on the company's European key accounts it was, also in 2016/17, decided to withdraw from and eliminate the Sct. Petersburg-based joint venture Belmawex. This decision is effectively executed in 2016/17.

Loss for the year 2016/17 is (9,4) mio.DKK. Included herein are considerable amounts covering one-time write-offs and provisions related to the relocation activities.

The operational outlook for 2017/18 will be dominated by the relocation activities, securing an efficient and effective transfer of both capacity and competencies to our Zabrze plant, and a continued alignment of our services and product program towards market leaders within the customer base.

A financial projection of the current market conditions and price levels will, despite the expected relocation costs, allow Belmaflex to realize a zero net result for 2017/18. An all-things-equal financial projection for the year 2018/19 – when the cost benefits of a full relocation to our Zabrze Plant Belmaflex can be harvested – documents a return to solid and sound profitability.

Uncertainty relating to recognition and measurement

The company's continued operation is dependent on the credit facilities may be maintained at the present level. The company is primarily financed through bank debt and debt to group enterprises. The current liquidity is expected to be sufficient for the coming year. Discussions about the terms of extension of the commitment with the bank have not yet been completed. Group enterprises have committed to maintaining current debt. It is expected that funding will be maintained at the current level.

Events after the balance sheet date

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

Income statement for 2016/17

	<u>Notes</u>	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
Gross profit		7,766,181	12,300,669
Staff costs	3	(11,278,611)	(13,078,517)
Depreciation, amortisation and impairment losses	4	<u>(3,609,006)</u>	<u>(2,632,379)</u>
Operating profit/loss		(7,121,436)	(3,410,227)
Income from investments in group enterprises		(2,472,369)	(4,068,178)
Income from investments in associates		0	(3,201,598)
Other financial income	5	1,892,700	1,747,249
Other financial expenses	6	<u>(1,661,354)</u>	<u>(2,022,822)</u>
Profit/loss before tax		(9,362,459)	(10,955,576)
Tax on profit/loss for the year	7	<u>(41,000)</u>	<u>811,000</u>
Profit/loss for the year		<u>(9,403,459)</u>	<u>(10,144,576)</u>
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		(2,472,368)	(4,005,679)
Retained earnings		<u>(6,931,091)</u>	<u>(6,138,897)</u>
		<u>(9,403,459)</u>	<u>(10,144,576)</u>

Balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Completed development projects		0	26,549
Acquired patents		0	0
Intangible assets	8	0	26,549
Plant and machinery		1,083,138	3,348,178
Other fixtures and fittings, tools and equipment		503,798	752,757
Leasehold improvements		12,372	262,227
Property, plant and equipment in progress		0	700,369
Property, plant and equipment	9	1,599,308	5,063,531
Investments in group enterprises		7,204,748	9,677,117
Investments in associates		0	0
Other receivables		60,000	60,000
Fixed asset investments	10	7,264,748	9,737,117
Fixed assets		8,864,056	14,827,197
Raw materials and consumables		6,225,314	7,553,852
Manufactured goods and goods for resale		1,581,175	1,595,440
Inventories		7,806,489	9,149,292
Trade receivables		3,940,058	6,800,749
Receivables from group enterprises		37,643,537	37,106,909
Deferred tax		0	439,000
Other receivables		94,465	6,705
Joint taxation contribution receivable		388,000	0
Receivables		42,066,060	44,353,363
Cash		113,300	1,876,556
Current assets		49,985,849	55,379,211
Assets		58,849,905	70,206,408

Balance sheet at 30.09.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Contributed capital		3,000,000	3,000,000
Reserve for net revaluation according to the equity method		4,281,602	6,753,970
Retained earnings		(3,487,010)	3,444,081
Equity		<u>3,794,592</u>	<u>13,198,051</u>
Bank loans		32,912,885	35,833,075
Trade payables		3,155,625	3,534,997
Payables to group enterprises		17,021,605	14,472,029
Other payables		1,965,198	3,168,256
Current liabilities other than provisions		<u>55,055,313</u>	<u>57,008,357</u>
Liabilities other than provisions		<u>55,055,313</u>	<u>57,008,357</u>
Equity and liabilities		<u>58,849,905</u>	<u>70,206,408</u>
Unusual circumstances	1		
Uncertainty relating to recognition and measurement	2		
Contingent liabilities	12		
Mortgages and securities	13		

Statement of changes in equity for 2016/17

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	3,000,000	6,753,970	3,444,081	13,198,051
Profit/loss for the year	0	(2,472,368)	(6,931,091)	(9,403,459)
Equity end of year	3,000,000	4,281,602	(3,487,010)	3,794,592

Cash flow statement 2016/17

	<u>Notes</u>	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
Operating profit/loss		(7,121,436)	(3,410,227)
Amortisation, depreciation and impairment losses		3,609,006	2,632,379
Working capital changes	11	<u>4,546,252</u>	<u>(11,280,631)</u>
Cash flow from ordinary operating activities		1,033,822	(12,058,479)
Financial income received		1,892,700	1,747,249
Financial income paid		(1,661,354)	(2,022,822)
Income taxes refunded/(paid)		<u>10,000</u>	<u>(133,000)</u>
Cash flows from operating activities		1,275,168	(12,467,052)
Acquisition etc of property, plant and equipment		<u>(118,234)</u>	<u>(392,618)</u>
Cash flows from investing activities		(118,234)	(392,618)
Increase/decrease in cash and cash equivalents		1,156,934	(12,859,670)
Cash and cash equivalents beginning of year		<u>(33,956,519)</u>	<u>(21,096,849)</u>
Cash and cash equivalents end of year		<u>(32,799,585)</u>	<u>(33,956,519)</u>
Cash and cash equivalents at year-end are composed of:			
Cash		113,300	1,876,556
Short-term debt to banks		<u>(32,912,885)</u>	<u>(35,833,075)</u>
Cash and cash equivalents end of year		<u>(32,799,585)</u>	<u>(33,956,519)</u>

Notes

1. Unusual circumstances

The company has decided to move production to Poland. The production in Denmark will be closed by the end of 2017. The total cost related to impairment losses and restructuring cost amounts til 2,2 mio.DKK.

2. Uncertainty relating to recognition and measurement

The company's continued operation is dependent on the credit facilities may be maintained at the present level. The company is primarily financed through bank debt and debt to group enterprises. The current liquidity is expected to be sufficient for the coming year. Discussions about the terms of extension of the commitment with the bank have not yet been completed. Group enterprises have committed to maintaining current debt. It is expected that funding will be maintained at the current level.

	2016/17	2015/16
	DKK	DKK
3. Staff costs		
Wages and salaries	10,082,647	11,798,702
Pension costs	914,732	1,030,716
Other social security costs	281,232	249,099
	11,278,611	13,078,517
Average number of employees	32	

	2016/17	2015/16
	DKK	DKK
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	20,949	178,429
Impairment losses on intangible assets	5,600	238,574
Depreciation of property, plant and equipment	1,655,383	1,986,786
Impairment losses on property, plant and equipment	1,927,074	0
Profit/loss from sale of intangible assets and property, plant and equipment	0	228,590
	3,609,006	2,632,379

	2016/17	2015/16
	DKK	DKK
5. Other financial income		
Financial income arising from group enterprises	1,464,826	1,533,889
Exchange rate adjustments	427,874	211,760
Other financial income	0	1,600
	1,892,700	1,747,249

Notes

	2016/17	2015/16
	DKK	DKK
	<u> </u>	<u> </u>
6. Other financial expenses		
Financial expenses from group enterprises	459,576	421,515
Interest expenses	828,066	838,846
Exchange rate adjustments	369,714	810,280
Other financial expenses	3,998	(47,819)
	<u>1,661,354</u>	<u>2,022,822</u>
	2016/17	2015/16
	DKK	DKK
	<u> </u>	<u> </u>
7. Tax on profit/loss for the year		
Tax on current year taxable income	(388,000)	0
Change in deferred tax for the year	439,000	(811,000)
Adjustment concerning previous years	(10,000)	0
	<u>41,000</u>	<u>(811,000)</u>
	Completed	Acquired
	develop-	patents
	ment	DKK
	projects	DKK
	<u> </u>	<u> </u>
8. Intangible assets		
Cost beginning of year	1,088,531	124,170
Cost end of year	<u>1,088,531</u>	<u>124,170</u>
Amortisation and impairment losses beginning of year	(1,061,982)	(124,170)
Impairment losses for the year	(5,600)	0
Amortisation for the year	(20,949)	0
Amortisation and impairment losses end of year	<u>(1,088,531)</u>	<u>(124,170)</u>
Carrying amount end of year	<u>0</u>	<u>0</u>

Notes

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK	Property, plant and equipment in progress DKK
9. Property, plant and equipment				
Cost beginning of year	16,281,907	3,323,520	1,746,369	700,369
Additions	0	0	0	118,234
Cost end of year	16,281,907	3,323,520	1,746,369	818,603
Depreciation and impairment losses beginning of the year	(12,933,729)	(2,570,763)	(1,484,142)	0
Impairment losses for the year	(940,611)	0	(167,860)	(818,603)
Depreciation for the year	(1,324,429)	(248,959)	(81,995)	0
Depreciation and impairment losses end of the year	(15,198,769)	(2,819,722)	(1,733,997)	(818,603)
Carrying amount end of year	1,083,138	503,798	12,372	0
		Investments in group enterprises DKK	Investments in associates DKK	Other receivables DKK
10. Fixed asset investments				
Cost beginning of year		2,923,146	62,500	60,000
Disposals		0	(62,500)	0
Cost end of year		2,923,146	0	60,000
Revaluations beginning of year		6,753,971	(62,500)	0
Exchange rate adjustments		21,877	0	0
Share of profit/loss for the year		(2,494,246)	0	0
Reversal of revaluations		0	62,500	0
Revaluations end of year		4,281,602	0	0
Carrying amount end of year		7,204,748	0	60,000

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in group enterprises comprise:			
BelmaFlex Polska sp.zo.o	Poland	sp. z o. o.	99.0

	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
11. Change in working capital		
Increase/decrease in inventories	1,342,803	175,446
Increase/decrease in receivables	2,236,303	(12,780,494)
Increase/decrease in trade payables etc	967,146	1,324,417
	<u>4,546,252</u>	<u>(11,280,631)</u>

12. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Mou Invest ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

13. Mortgages and securities

Bank debt is secured by way of a deposited mortgage deed on plant of DKK 2,5 million nominal in plant and machinery as well as other fixtures and fittings, tools and equipment. Furthermore bank debt is secured by deed DKK 8.0 million nominal in receivables, inventories, goodwill, plant and machinery as well as other fixtures and fittings, tools and equipment.

The carrying amount of mortgaged assets amounts to DKK 13,345,855.

Bank debt is secured by shares in group enterprises.

The carrying amount of shares in group enterprises amounts to DKK 7,204,748.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

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

Consolidated financial statements

Referring to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, other operating income, cost of raw materials and consumables and external expenses.

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.

Other operating income

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

Accounting policies

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and foreign currency transactions.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and foreign currency transactions.

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

The Entity is jointly taxed with Parent. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise completed development projects and patent rights.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 5 years.

Development projects are written down to the lower of recoverable and carrying amount.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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:

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

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

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value

Accounting policies

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Receivables

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

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, depreciation and impairment losses for machinery, factory buildings and equipment applied for 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.

Deferred tax

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

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Accounting policies

Cash

Cash comprises cash in hand and bank deposits.

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 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, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

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