



Probeco A/S

Bornholmsvej 2
9670 Løgstør
CVR No. 26535735

Annual report 2019

The Annual General Meeting adopted the
annual report on 05.06.2020

Kim Berg
Conductor

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Entity details

Entity

Probeco A/S

Bornholmsvej 2

9670 Løgstør

CVR No.: 26535735

Registered office: Vesthimmerland

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Kim Fuglsang Berg Steffensen

Hans Arne Lyhr

Guy Marcel Georges Raynaud

Executive Board

Kim Fuglsang Berg Steffensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Østre Havnepromenade 26, 4th floor

9000 Aalborg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Probeco A/S for the financial year 01.01.2019 - 31.12.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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

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

Løgstør, 05.06.2020

Executive Board

Kim Fuglsang Berg Steffensen

Board of Directors

Kim Fuglsang Berg Steffensen

Hans Arne Lyhr

Guy Marcel Georges Raynaud

Independent auditor's report

To the shareholders of Probeco A/S

Opinion

We have audited the financial statements of Probeco A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Aalborg, 05.06.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Claus Bjørnlund

State Authorised Public Accountant
Identification No (MNE) mne33216

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Gross profit/loss	38,230	36,120	34,060	33,220	34,017
Operating profit/loss	5,762	4,656	4,611	5,819	4,969
Net financials	(688)	(650)	(649)	(584)	(910)
Profit/loss for the year	3,948	3,145	3,094	4,090	3,100
Total assets	49,992	53,139	44,568	45,807	33,004
Investments in property, plant and equipment	2,809	9,589	3,478	10,846	1,620
Equity	17,068	14,759	12,284	11,866	8,754
Ratios					
Return on equity (%)	24.81	23.26	25.62	39.67	41.4
Equity ratio (%)	34.14	27.77	27.56	25.90	26.52

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

Return on equity (%):

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

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Primary activities

The Company's primary activity is to make and sell office and hobby market products for export.

Development in activities and finances

The Company's year saw a net gain of DKK 3,948k. This performance is regarded as satisfactory.

Environmental performance

Probeco A/S is an environmentally conscious company, which through its activities continuously undertakes to create positive environmental improvement, taking into consideration legal requirements, resources and other relevant provisions to which the company is subject. Moreover, the Company offers all customers ecofriendly plastic, cardboard and paper-based products. Probeco A/S will continuously reduce the amount of combustible waste through sorting and recycling.

Events after the balance sheet date

While it currently is not possible to estimate the financial impact for Probeco A/S from the COVID-19 outbreak, management expects the pandemic to negatively impact revenue and profit before tax in 2020. Due to COVID-19 management expects a decrease in revenue and profit before tax in 2020 compared to 2019.

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

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		38,230,059	36,119,765
Staff costs	1	(29,673,736)	(28,132,881)
Depreciation, amortisation and impairment losses	2	(2,794,294)	(3,331,267)
Operating profit/loss		5,762,029	4,655,617
Other financial income		6,746	0
Other financial expenses	3	(694,706)	(650,007)
Profit/loss before tax		5,074,069	4,005,610
Tax on profit/loss for the year	4	(1,126,515)	(860,400)
Profit/loss for the year	5	3,947,554	3,145,210

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Completed development projects	7	311,158	1,550
Goodwill		0	23,333
Intangible assets	6	311,158	24,883
Plant and machinery		24,112,218	20,557,725
Other fixtures and fittings, tools and equipment		527,636	606,533
Leasehold improvements		315,206	315,823
Prepayments for property, plant and equipment		0	4,348,440
Property, plant and equipment	8	24,955,060	25,828,521
Deposits		2,312,770	2,312,770
Other financial assets	9	2,312,770	2,312,770
Fixed assets		27,578,988	28,166,174
Raw materials and consumables		7,470,547	6,679,468
Work in progress		2,772,060	2,865,810
Manufactured goods and goods for resale		966,408	1,403,870
Inventories		11,209,015	10,949,148
Trade receivables		7,605,118	11,933,196
Receivables from group enterprises		2,699,302	1,588,040
Other receivables		250,033	77,560
Joint taxation contribution receivable		365,123	356,941
Prepayments	10	28,758	36,300
Receivables		10,948,334	13,992,037
Cash		255,885	31,266
Current assets		22,413,234	24,972,451
Assets		49,992,222	53,138,625

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		3,490,000	3,490,000
Reserve for development expenditure		242,703	0
Retained earnings		12,434,960	9,630,109
Proposed dividend		900,000	1,639,000
Equity		17,067,663	14,759,109
Deferred tax	11	1,426,900	590,900
Provisions		1,426,900	590,900
Finance lease liabilities		10,451,007	12,166,465
Other payables		1,096,472	0
Non-current liabilities other than provisions	12	11,547,479	12,166,465
Current portion of non-current liabilities other than provisions	12	3,404,697	2,599,380
Bank loans		1,275,922	2,157,174
Payables to other credit institutions		4,163,314	8,476,635
Trade payables		6,067,064	5,182,685
Payables to group enterprises		173,193	1,635,849
Income tax payable		405,230	646,941
Other payables		4,460,760	4,923,487
Current liabilities other than provisions		19,950,180	25,622,151
Liabilities other than provisions		31,497,659	37,788,616
Equity and liabilities		49,992,222	53,138,625
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
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Non-arm's length related party transactions	18		

Statement of changes in equity for 2019

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	3,490,000	0	9,630,109	1,639,000	14,759,109
Ordinary dividend paid	0	0	0	(1,639,000)	(1,639,000)
Transfer to reserves	0	242,703	(242,703)	0	0
Profit/loss for the year	0	0	3,047,554	900,000	3,947,554
Equity end of year	3,490,000	242,703	12,434,960	900,000	17,067,663

Cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		5,762,029	4,655,617
Amortisation, depreciation and impairment losses		2,794,294	3,331,267
Working capital changes	13	(2,562,307)	(1,050,622)
Cash flow from ordinary operating activities		5,994,016	6,936,262
Financial income received		6,746	0
Financial expenses paid		(694,705)	(650,007)
Income taxes refunded/(paid)		(540,408)	(480,890)
Cash flows from operating activities		4,765,649	5,805,365
Acquisition etc of intangible assets		(315,540)	0
Acquisition etc of property, plant and equipment		(2,809,366)	(9,589,481)
Sale of property, plant and equipment		917,800	90,000
Cash flows from investing activities		(2,207,106)	(9,499,481)
Loans raised		2,837,824	6,643,440
Repayments of loans etc		(2,651,496)	(2,865,429)
Dividend paid		(1,639,000)	(670,000)
Cash flows from financing activities		(1,452,672)	3,108,011
Increase/decrease in cash and cash equivalents		1,105,871	(586,105)
Cash and cash equivalents beginning of year		(2,125,908)	(1,539,803)
Cash and cash equivalents end of year		(1,020,037)	(2,125,908)
Cash and cash equivalents at year-end are composed of:			
Cash		255,885	31,266
Short-term debt to banks		(1,275,922)	(2,157,174)
Cash and cash equivalents end of year		(1,020,037)	(2,125,908)

Notes

1 Staff costs

	2019	2018
	DKK	DKK
Wages and salaries	25,936,163	24,503,624
Pension costs	2,124,203	2,052,347
Other social security costs	900,149	797,969
Other staff costs	713,221	778,941
	29,673,736	28,132,881
Average number of full-time employees	68	65

According to section 98B(2)no.2 of the Danish Financial Statement Act, remuneration to management has not been disclosed for 2019 and 2018, because it will lead to an individual's remuneration disclosed

2 Depreciation, amortisation and impairment losses

	2019	2018
	DKK	DKK
Amortisation of intangible assets	29,266	55,262
Depreciation of property, plant and equipment	3,682,828	3,342,005
Profit/loss from sale of intangible assets and property, plant and equipment	(917,800)	(66,000)
	2,794,294	3,331,267

3 Other financial expenses

	2019	2018
	DKK	DKK
Other interest expenses	583,486	528,322
Other financial expenses	111,220	121,685
	694,706	650,007

4 Tax on profit/loss for the year

	2019	2018
	DKK	DKK
Current tax	290,515	364,000
Change in deferred tax	836,000	496,400
	1,126,515	860,400

5 Proposed distribution of profit and loss

	2019	2018
	DKK	DKK
Ordinary dividend for the financial year	900,000	1,639,000
Retained earnings	3,047,554	1,506,210
	3,947,554	3,145,210

6 Intangible assets

	Completed development projects	Goodwill
	DKK	DKK
Cost beginning of year	58,629	200,000
Additions	315,540	0
Disposals	(58,629)	(200,000)
Cost end of year	315,540	0
Amortisation and impairment losses beginning of year	(57,079)	(176,667)
Amortisation for the year	(5,931)	(23,333)
Reversal regarding disposals	58,628	200,000
Amortisation and impairment losses end of year	(4,382)	0
Carrying amount end of year	311,158	0

7 Development projects

Completed development projects comprises implementation of new printing technique regarding products to one of the Company's larger clients. The development project is fully implemented in the financial year.

8 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Prepayments for property, plant and equipment DKK
Cost beginning of year	39,073,873	2,156,769	910,203	4,348,440
Transfers	4,348,440	0	0	(4,348,440)
Additions	2,517,895	169,527	121,944	0
Disposals	(3,415)	0	(448,349)	0
Cost end of year	45,936,793	2,326,296	583,798	0
Depreciation and impairment losses beginning of year	(18,516,148)	(1,550,236)	(594,380)	0
Depreciation for the year	(3,311,842)	(248,424)	(122,561)	0
Reversal regarding disposals	3,415	0	448,349	0
Depreciation and impairment losses end of year	(21,824,575)	(1,798,660)	(268,592)	0
Carrying amount end of year	24,112,218	527,636	315,206	0
Recognised assets not owned by entity	17,532,917	318,674	0	0

9 Financial assets

	Deposits DKK
Cost beginning of year	2,312,770
Cost end of year	2,312,770
Carrying amount end of year	2,312,770

10 Prepayments

Prepayments consists of prepaid costs.

11 Deferred tax

	2019 DKK	2018 DKK
Intangible assets	68,000	(7,100)
Property, plant and equipment	4,400,900	3,846,500
Liabilities other than provisions	(3,042,000)	(3,248,500)
Deferred tax	1,426,900	590,900

Changes during the year	2019 DKK	2018 DKK
Beginning of year	590,900	94,500
Recognised in the income statement	836,000	496,400
End of year	1,426,900	590,900

12 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK	Outstanding after 5 years 2019 DKK
Finance lease liabilities	3,377,095	2,599,380	10,451,007	0
Other payables	27,602	0	1,096,472	1,044,305
	3,404,697	2,599,380	11,547,479	1,044,305

13 Changes in working capital

	2019 DKK	2018 DKK
Increase/decrease in inventories	(259,867)	(596,083)
Increase/decrease in receivables	3,051,885	(2,467,375)
Increase/decrease in trade payables etc	(5,354,325)	2,012,836
	(2,562,307)	(1,050,622)

14 Unrecognised rental and lease commitments

	2019 DKK	2018 DKK
Liabilities under rental or lease agreements until maturity in total	7,483,333	8,129,650

15 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

16 Assets charged and collateral

Bank debt is secured by way of floating company charge for DKK 4,500k and of a deposited mortgage deed registered to the mortgager for DKK 9,800k. Floating company charge and deposited mortgage deed is related to operating equipment and intangible assetse at a carrying amount of DKK 20,045k.

Other credit institutions are secured by trade receivables of 7,605k.

Bank debt is secured by trade receivables of 7,605k.

17 Related parties with controlling interest

T3L Holding SAS, France, wholly owns the shares of the Entity and thus has control over the Entity.

18 Non-arm's length related party transactions

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

Accounting policies

Reporting class

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

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

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.

Foreign currency translation

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, 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.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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 writedowns 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 writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other financial income

Other financial income comprises interest income.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

The Entity is jointly taxed with all Danish group enterprises. 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).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life. The amortisation period is 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

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

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives of the assets. The amortisation period is 5 years. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights.

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 assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

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 - 8 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually. Residual value max is 20 % of cost for plant and machinery.

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

Inventories

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

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

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

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

Receivables

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

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

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

Other financial liabilities

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

Income tax receivable or payable

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and 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 purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

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

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.