



Trivium Packaging Denmark A/S

Sct Cathrine Vej 44

9800 Hjørring

CVR No. 27261507

Annual Report 2020

17. financial year

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 29 April 2021

Henrik Poul Pedersen
Chairman

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Management's Statement

Today, Management has considered and adopted the Annual Report of Trivium Packaging Denmark A/S for the financial year 1 January 2020 - 31 December 2020.

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 assets, liabilities and financial position of the Company at 31 December 2020 and of the results of the Company's operations and cash flow for the financial year 1 January 2020 - 31 December 2020.

In our opinion, the 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.

Hjørring, 29 April 2021

Executive Board

Henrik Poul Pedersen
Manager

Supervisory Board

Willem Jan Morkin
Chairman

Ewoud Ernest Willem Vriens
Member

Henrik Poul Pedersen
Member

Independent Auditors' Report

To the shareholders of Trivium Packaging Denmark A/S

Opinion

We have audited the financial statements of Trivium Packaging Denmark A/S for the financial year 1 January 2020 - 31 December 2020, which comprise an income statement, balance sheet, statement of changes in equity, cash flows and notes. 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 Company's financial position at 31 December 2020 and of the results of its operations and cash flows for the financial year 1 January 2020 - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in our auditors' report under "Auditors' responsibility for the audit of the financial statements". As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, 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 responsibility 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 considers 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 either liquidate the Company or suspend operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

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

- * Identify and assess the risk of material misstatements in 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 a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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.

Independent Auditors' Report

- * Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- * Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could 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 auditors' 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 auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect 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 which we identify during our audit.

Statement on Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of opinion providing assurance regarding the Management's review.

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

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Hjørring, 29 April 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33771231

Brian Petersen
State Authorised Public Accountant
mne28701

Daniel Lindebæk Hansen
State Authorised Public Accountant
mne45340

Trivium Packaging Denmark A/S

Company details

| | |
|--------------------------|---|
| Company | Trivium Packaging Denmark A/S Sct Cathrine Vej 44 9800 Hjørring |
| Telephone | 96232630 |
| Website | www.triviumpackaging.com |
| CVR No. | 27261507 |
| Date of formation | 16 July 2003 |
| Registered office | Hjørring |
| Supervisory Board | Willem Jan Morkin Ewoud Ernest Willem Vriens Henrik Poul Pedersen |
| Executive Board | Henrik Poul Pedersen, Manager |
| Auditors | PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Eventyrvej 16 4100 Ringsted CVR-no.: 33771231 |
| Attorneys | Hjulmand Kaptain Havepladsen 7 9900 Frederikshavn |
| Bank | Citibank International Plc H.C. Andersens Boulevard 12 1553 København V |

Key Figures and Financial Ratios

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

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------|--------|--------|--------|--------|
| Profit/loss | | | | | |
| Revenue | 31.167 | 33.031 | 29.598 | 24.378 | 20.760 |
| Gross profit/loss | 5.163 | 6.319 | 5.120 | 3.424 | 2.559 |
| Operating profit/loss | 2.645 | 3.715 | 2.091 | 670 | 59 |
| Profit/loss before financial income and expenses | 3.093 | 4.295 | 2.806 | 1.097 | 384 |
| Net financials | 19 | -164 | -20 | -101 | -244 |
| Net profit/loss for the year | 2.425 | 3.208 | 2.196 | 762 | 98 |
| Balance sheet | | | | | |
| Balance sheet total | 27.589 | 22.821 | 17.669 | 18.744 | 14.763 |
| Equity | 11.658 | 9.191 | 6.050 | 3.855 | 3.092 |
| Cash flows | | | | | |
| Cash flows from: | | | | | |
| - operating activities | 5.817 | 4.393 | 2.676 | 3.377 | 2.585 |
| - investing activities | -816 | -1.002 | -1.529 | -2.124 | -1.504 |
| including investment in property, plant and equipment | -830 | -1.093 | -1.662 | -2.112 | -1.504 |
| - financing activities | -5.100 | -3.186 | -1.147 | -1.255 | -1.491 |
| Change in cash and cash equivalents for the year | -98 | 206 | 0 | -2 | -410 |
| Number of employees | 65 | 65 | 61 | 50 | 43 |
| Ratios % | | | | | |
| Gross margin | 18,1 | 19,1 | 17,3 | 14 | 12,3 |
| Profit margin | 9,9 | 13 | 9,5 | 4,5 | 1,8 |
| Return on assets | 11,2 | 18,8 | 15,9 | 5,9 | 2,6 |
| Solvency ratio | 42,3 | 40,3 | 34,2 | 20,6 | 20,9 |
| Return on equity | 23,3 | 42,1 | 44,3 | 21,9 | 3,2 |

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In connection with changes to accounting policies, the comparative figures back to have not been restated. See the description under accounting policies.

Management's Review

Management's Review

Financial Statements of Trivium Packaging Hjørring A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

For a more detailed description, see the section of the annual report on accounting policies.

The Company's principal activities

The facility in Hjørring produces Easy Open ends, bottoms and pressure lids, which are sold to producers of milk powder products, with Nestlé being a key customer. All of the company's products are being exported.

Insecurity regarding recognition or measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Exceptional circumstances

The financial position at 31 December 2020 of the Company and the results of the activities and cash flows of the Company for the financial year for 2020 have not been affected by any unusual events.

Development in activities and financial matters

The income statement of the Company for 2020 shows a profit of KEUR 2,425, and on 31 December 2020 the balance sheet of the Company shows equity of KEUR 11,658.

Sales for the year decreased by 5% which is due to lower Intercompany sales. Gross profit decreased from 19,1% to 16,6% for same reason. There have been no significant impact from Covid-19.

Post financial year events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Expectations for the future

The company expects a stagnation in sales and earnings, or perhaps even a small decline measured on the whole year. This is expected to be greatest in early 2021 and then gradually decline. The main reason for this is the Chinese market where internal production of infant formula is promoted rather than imported.

Knowledge resources

The Company's production of metal packaging, primarily for the food industry, places heavy demands on intellectual capital resources relating to employees and business procedures.

Risks

The Company relies on one primary customer (Nestlé). It is the Company's assessment that there is no risk of customers choosing another supplier.

The Company's transactions are in EUR and the most significant purchases are settled in EUR or DKK. No major foreign exchange risks are considered to exist.

Environmental issues

Environmental legislation must be complied with. There should be an open dialogue with the surrounding world - authorities, customers and suppliers. Environmental developments must be monitored in cooperation with the surrounding world so that Trivium Packaging Hjørring is able to be at the leading edge of developments. The internal working environment should always be of a nature to satisfy employees, authorities and customers.

Income Statement

| | Note | 2020 EUR | 2019 EUR |
|---|------|------------------|------------------|
| Revenue | | 31.167.931 | 33.031.379 |
| Cost of production | | -25.517.557 | -26.316.173 |
| Other operating income | | 448.247 | 580.026 |
| Distribution costs | | -286.936 | -295.727 |
| Administrative expenses | | -2.718.406 | -2.704.750 |
| Profit from ordinary operating activities | | 3.093.279 | 4.294.755 |
| Other finance income from group enterprises | | 125.984 | 10.647 |
| Other finance income | | 0 | 4.842 |
| Finance expences | 3 | -107.392 | -179.073 |
| Profit from ordinary activities before tax | | 3.111.871 | 4.131.171 |
| Tax expense on ordinary activities | 4 | -686.914 | -923.608 |
| Profit | | 2.424.957 | 3.207.563 |
| Proposed distribution of results | | | |
| Retained earnings | 5 | 2.424.957 | 3.207.562 |
| Distribution of profit | | 2.424.957 | 3.207.562 |

Balance Sheet as of 31 December

| | Note | 2020 EUR | 2019 EUR |
|---|------|-------------------|-------------------|
| Assets | | | |
| Acquired intangible assets | 6 | 25.844 | 29.871 |
| Intangible assets | | 25.844 | 29.871 |
| Land and buildings | 7 | 2.792.124 | 2.698.447 |
| Plant and machinery | 8 | 9.098.611 | 9.413.343 |
| Fixtures, fittings, tools and equipment | 9 | 645.229 | 655.780 |
| Property, plant and equipment in progress and prepayments for property, plant and equipment | 10 | 0 | 137.956 |
| Property, plant and equipment | | 12.535.964 | 12.905.526 |
| Fixed assets | | 12.561.808 | 12.935.397 |
| Raw materials and consumables | | 1.750.485 | 1.418.402 |
| Manufactured goods and goods for resale | | 1.424.987 | 1.486.419 |
| Inventories | 11 | 3.175.472 | 2.904.821 |
| Short-term trade receivables | | 2.933.283 | 2.802.123 |
| Short-term receivables from group enterprises | | 8.527.423 | 3.778.998 |
| Other short-term receivables | | 283.035 | 193.688 |
| Receivables | | 11.743.741 | 6.774.809 |
| Cash and cash equivalents | | 108.216 | 205.886 |
| Current assets | | 15.027.429 | 9.885.516 |
| Assets | | 27.589.237 | 22.820.913 |

Balance Sheet as of 31 December

| | Note | 2020 EUR | 2019 EUR |
|--|------|-------------------|-------------------|
| Liabilities and equity | | | |
| Contributed capital | | 67.190 | 67.190 |
| Retained earnings | | 11.591.463 | 9.124.069 |
| Equity | | 11.658.653 | 9.191.259 |
| Provisions for deferred tax | 12 | 1.785.197 | 1.686.281 |
| Provisions | | 1.785.197 | 1.686.281 |
| Lease commitments | | 2.552.873 | 2.615.795 |
| Long-term liabilities other than provisions | 13 | 2.552.873 | 2.615.795 |
| Trade payables | | 8.348.162 | 6.731.341 |
| Payables to group enterprises | | 442.887 | 432.849 |
| Tax payables | | 587.998 | 807.958 |
| Other payables | | 1.848.729 | 1.068.892 |
| Lease commitments | | 364.738 | 286.538 |
| Short-term liabilities other than provisions | | 11.592.514 | 9.327.578 |
| Liabilities other than provisions within the business | | 14.145.387 | 11.943.373 |
| Liabilities and equity | | 27.589.237 | 22.820.913 |
| Related parties | 14 | | |

Trivium Packaging Denmark A/S

Statement of changes in Equity

| | Contributed capital | Retained earnings | Total |
|--------------------------------|--------------------------------|------------------------------|--------------------------|
| Equity 1 January 2020 | 67.190 | 9.124.069 | 9.191.259 |
| Other adjustments of equity | 0 | 42.437 | 42.437 |
| Profit (loss) | <u>0</u> | <u>2.424.957</u> | <u>2.424.957</u> |
| Equity 31 December 2020 | <u>67.190</u> | <u>11.591.463</u> | <u>11.658.653</u> |

The share capital has remained unchanged for the last 5 years.

Cash Flow Statement

| | 2020 EUR | 2019 EUR |
|---|-------------------|-------------------|
| Profit | 2.424.957 | 3.207.563 |
| Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets | 1.608.403 | 1.512.597 |
| Adjustments of interest and similar incomes | -125.984 | -15.489 |
| Adjustments of interest and similar expenses | 107.392 | 179.073 |
| Adjustments of tax expense | 686.914 | 923.608 |
| Decrease (increase) in inventories | -270.651 | -54.285 |
| Decrease (increase) in receivables | -220.508 | 65.605 |
| Decrease (increase) in trade payables | 2.396.659 | -863.939 |
| Cash flow from operating activities before financial items | 6.607.182 | 4.954.733 |
| Interest received | 125.984 | 15.489 |
| Interest paid | -107.392 | -179.073 |
| Cash flow from ordinary operating activities | 6.625.774 | 4.791.149 |
| Income taxes paid | -807.958 | -397.842 |
| Cash flows from operating activities | 5.817.816 | 4.393.307 |
| Purchase of property, plant and equipment | -830.372 | -1.093.096 |
| Sales of property, plant and equipment | 14.788 | 91.292 |
| Cash flows from investing activities | -815.584 | -1.001.804 |
| Repayments of long-term liabilities | -361.515 | -251.733 |
| Repayment of debt to group enterprises | -4.738.387 | -2.934.150 |
| Cash flows from financing activities | -5.099.902 | -3.185.883 |
| Net increase (decrease) in cash and cash equivalents | -97.670 | 205.620 |
| Cash and cash equivalents, beginning balance | 205.886 | 266 |
| Cash and cash equivalents, ending balance | 108.216 | 205.886 |

Notes

| | 2020 | 2019 |
|---|------------------|------------------|
| 1. Depreciation and amortisation | | |
| Depreciations land and buildings | 354.817 | 299.827 |
| Depreciations intangible assets | 4.027 | 4.076 |
| Depreciations plant & machinery | 1.218.087 | 1.179.308 |
| Depreciations equipment | 31.472 | 29.386 |
| | 1.608.403 | 1.512.597 |
| 2. Employee benefits expense | | |
| Wages and salaries | 3.895.163 | 3.832.916 |
| Post-employment benefit expense | 364.830 | 353.074 |
| Social security contributions | 358.132 | 327.789 |
| Other employee expense | 2.468 | 18.137 |
| | 4.620.593 | 4.531.916 |
| <i>Employee benefits expense are allocated as follows in the income statement</i> | | |
| Cost of production | 3.731.097 | 3.726.965 |
| Administrative expenses | 889.496 | 804.951 |
| | 4.620.593 | 4.531.916 |
| Average number of employees | 65 | 65 |
| 3. Finance expenses | | |
| Finance expenses arising from group enterprises | 19.813 | 16.970 |
| Other finance expenses | 87.579 | 162.103 |
| | 107.392 | 179.073 |
| 4. Tax expense | | |
| Current Tax | 587.998 | 807.499 |
| Deferred Tax | 98.916 | 116.109 |
| | 686.914 | 923.608 |
| 5. Proposed distribution of results | | |
| Retained earnings | 2.424.957 | 3.207.562 |
| | 2.424.957 | 3.207.562 |

Notes

| | 2020 | 2019 |
|--|-------------------|-------------------|
| 6. Acquired intangible assets | | |
| Cost at the beginning of the year | 38.001 | 38.001 |
| Cost at the end of the year | 38.001 | 38.001 |
| Depreciation and amortisation at the beginning of the year | -8.130 | -4.054 |
| Amortisation for the year | -4.027 | -4.076 |
| Impairment losses and amortisation at the end of the year | -12.157 | -8.130 |
| Carrying amount at the end of the year | 25.844 | 29.871 |
| Amortised over 3-5 years. | | |
| 7. Land and buildings | | |
| Cost at the beginning of the year | 4.272.540 | 0 |
| Addition during the year, incl. improvements | 42.827 | 4.272.540 |
| Cost at the end of the year | 4.315.367 | 4.272.540 |
| Revaluations at the beginning of the year | 0 | 0 |
| Revaluations for the year | 155.812 | 0 |
| Revaluations at the end of the year | 155.812 | 0 |
| Depreciation and amortisation at the beginning of the year | -1.574.093 | 0 |
| Change due to change in accounting policies | 0 | -1.274.266 |
| Amortisation for the year | -104.962 | -299.827 |
| Impairment losses and amortisation at the end of the year | -1.679.055 | -1.574.093 |
| Carrying amount at the end of the year | 2.792.124 | 2.698.447 |
| Carrying amount of recognised assets not owned by the Company | 2.752.657 | 2.698.447 |
| Depreciated over 10 years. | | |

Notes

| | 2020 | 2019 |
|--|--------------------|--------------------|
| 8. Plant and machinery | | |
| Cost at the beginning of the year | 21.631.806 | 21.474.016 |
| Change due to change in accounting policies | 0 | 120.407 |
| Addition during the year, incl. improvements | 768.057 | 918.470 |
| Disposal during the year | 0 | -881.087 |
| Transfers during the year to other items | 123.168 | 0 |
| Cost at the end of the year | 22.523.031 | 21.631.806 |
| Revaluations at the beginning of the year | 0 | 0 |
| Revaluations for the year | -4.593 | 0 |
| Revaluations at the end of the year | -4.593 | 0 |
| Depreciation and amortisation at the beginning of the year | -12.218.463 | -11.791.504 |
| Change due to change in accounting policies | 0 | -43.480 |
| Amortisation for the year | -1.201.364 | -1.173.277 |
| Reversal of impairment losses and amortisation of disposed assets | 0 | 789.798 |
| Impairment losses and amortisation at the end of the year | -13.419.827 | -12.218.463 |
| Carrying amount at the end of the year | 9.098.611 | 9.413.343 |
| Carrying amount of recognised assets not owned by the Company Depreciated over 10-20 years. | 44.204 | 56.859 |

Notes

| | 2020 | 2019 |
|---|------------------|------------------|
| 9. Fixtures, fittings, tools and equipment | | |
| Cost at the beginning of the year | 1.287.701 | 1.234.259 |
| Change due to change in accounting policies | 0 | 52.955 |
| Addition during the year, incl. improvements | 19.489 | 36.670 |
| Disposal during the year | 0 | -36.183 |
| Cost at the end of the year | 1.307.190 | 1.287.701 |
| Revaluations at the beginning of the year | 0 | 0 |
| Revaluations for the year | -9.511 | 0 |
| Revaluations at the end of the year | -9.511 | 0 |
| Depreciation and amortisation at the beginning of the year | -631.921 | -592.199 |
| Change due to change in accounting policies | 0 | -40.489 |
| Amortisation for the year | -20.529 | -35.416 |
| Reversal of impairment losses and amortisation of disposed assets | 0 | 36.183 |
| Impairment losses and amortisation at the end of the year | -652.450 | -631.921 |
| Carrying amount at the end of the year | 645.229 | 655.780 |
| Carrying amount of recognised assets not owned by the Company Depreciated over 3-10 years. | 15.000 | 29.567 |

10. Property, plant and equipment in progress and prepayments for property, plant and equipment

| | | |
|---|----------|----------------|
| Cost at the beginning of the year | 137.956 | 0 |
| Addition during the year, incl. improvements | 0 | 137.956 |
| Disposal during the year | -14.788 | 0 |
| Transfers during the year to other items | -123.168 | 0 |
| Cost at the end of the year | 0 | 137.956 |
| Carrying amount at the end of the year | 0 | 137.956 |

Notes

| | 2020 | 2019 |
|---|------------------|------------------|
| 11. Inventories | | |
| <i>Inventories are stated as follows:</i> | | |
| Raw materials and consumables | 1.750.485 | 1.418.402 |
| Manufactured goods and goods for resale | 1.424.987 | 1.486.419 |
| Inventories in total | 3.175.472 | 2.904.821 |
| 12. Provisions for deferred tax | | |
| Deferred Taxes | 1.785.197 | 1.686.281 |
| Balance at the end of the year | 1.785.197 | 1.686.281 |
| Intangible assets | | |
| Intangible assets | 5.685 | 6.572 |
| Property, plant and equipment | 1.580.049 | 1.518.320 |
| Inventories | 201.696 | 174.964 |
| Prepayments | -2.233 | -13.575 |
| | 1.785.197 | 1.686.281 |

Deferred tax has been provided at 22% corresponding to the current tax rate.

13. Long-term liabilities

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

The debt falls due for payments as specified below:

| | Due after 1 year | Due within 1 year | Due after 5 years |
|-------------------|---------------------|----------------------|----------------------|
| Lease commitments | 2.552.873 | 364.738 | 1.138.052 |
| | 2.552.873 | 364.738 | 1.138.052 |

14. Related parties

Other related parties
 Trivium Packaging Group Netherlands B.V.
 Zutphenseweg 51
 7418 AH
 Deventer
 Netherlands

Accounting Policies

Reporting Class

The Annual Report of Trivium Packaging Denmark A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in Euros.

Translation policies

Euro is used as the presentation currency. All other currencies are regarded as foreign currencies. Transactions in foreign currencies are translated at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

General Information

Basis of recognition and measurement

The financial statement have been prepared under the historical cost princip.

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. 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 accrue 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 attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are 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 term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Accounting Policies

Income Statement

Revenue

Revenue is recognised in the income statement if the goods have been delivered and the risk has passed to the buyer before year-end and if the revenue can be reliably calculated and expected to be received. Revenue is recognised exclusive of VAT and net of sales discounts.

Other sales revenues includes financial items of secondary nature in relation to the company's main activity, including profits from the sales of intangible and tangible assets.

Other external expenses

Other external costs include costs for distribution, sales, advertising, administration, premises, loss of debtors, operating leasing costs etc.

Distribution costs

Distribution costs comprise costs incurred for the distribution goods sold during the year, including costs for sales staff, transport, promotion activities and similar costs as well as amortisation and impairment of intangible and tangible assets.

Administration expenses

Expenses incurred during the year for management and administration are recognised in administration expenses. This includes expenses incurred for the administrative staff, Management, offices as well as office expenses and similar expenses and amortisation and impairment of intangible and tangible assets.

Amortisation and impairment of tangible and intangible assets

Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

| | Useful life | Residual value |
|--|--------------------|-----------------------|
| Properties | 10 years | 0% |
| Plant and machinery | 10-20 years | 10% |
| Other fixtures and fittings, tools and equipment | 3-10 years | 0% |

Profit or loss resulting from the sale of intangible or tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement based on the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses, finance charges in respect of finance leases, realised and unrealised capital gains and losses regarding securities, accounts payable and transactions in foreign currencies, repayment on mortgage loans, and surcharges and allowances under the tax prepayment scheme.

Dividends equity investments are recognised as income in the financial year in which the dividends are declared.

Tax on net profit for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Accounting Policies

Balance Sheet

Intangible assets

Other intangible assets, including licences and acquired rights etc., are measured at cost less accumulated amortisation and impairment losses.

Tangible assets

Tangible assets are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the data of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual components differ.

Tangible assets that are leased and meet the conditions for financial leasing are treated according to the same guidelines as those applying to purchased assets.

The cost of financially leased assets is measured at the lower value of the purchase prices according to the leases and the present value of the lease payments, determined on the basis of the interest rate implicit in the leases.

Inventories

Inventories are measured at cost on the basis of the FIFO principle. Where the net realisable value is lower than cost, the inventories are written down to this lower value.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs incurred to make the sale. The value is determined taking into account the negotiability of inventories, obsolescence and expected development in sales price.

The cost of goods for resale, raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The cost of work in progress and manufactured goods are the cost of raw materials, consumables, direct payroll, and direct and indirect production costs. Indirect production costs include indirect materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment, factory administration and management, and capitalised product development costs.

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Impairment of accounts receivables past due is established on individual assessment of receivables.

Accounting Policies

Accrued income, assets

Accrued income recognised in assets comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Equity

Equity comprises the working capital and a number of equity items that may be statutory or stipulated in the articles of association.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Liabilities

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the Income Statement over the life of the financial instrument.

Mortgage debt is accordingly measured at amortised cost, corresponding to the outstanding balance in case of cash loans. In case of bond loans, amortised cost corresponds to the outstanding balance determined as the underlying cash value of the loans at the time of borrowing adjusted for amortisation of capital losses on the loans over the repayment period.

Other liabilities, comprising deposits, trade payables and other accounts payable, are measured at amortised cost, which usually corresponds to the nominal value.

Lease commitments

Lease commitments are measured at the present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the individual leases.

Other payables

Other payables are measured at amortised cost, which usually corresponds to the nominal value

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Accounting policies Cash Flow Statement

The Cash Flow Statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flow from the operating activity is determined as the profit/loss for the year adjusted for changes in working capital and non-cash income statement items such as amortisation and impairment losses and provisions. The working capital comprises current assets less short-term liabilities, exclusive of the items that are included in cash and cash equivalents.

Cash flow from the investing activity comprises cash flows from purchase and sale of intangible, tangible and investments.

Accounting Policies

Cash flow from the financing activity comprises cash flows from raising and repaying long-term liabilities and payments to and from the owners.

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Explanation of financial ratios

| | | |
|----------------------|---|---|
| Gross margin (%) | = | $\frac{\text{Gross profit X 100}}{\text{Revenue}}$ |
| Profit margin (%) | = | $\frac{\text{Operating profit (EBIT) X 100}}{\text{Revenue}}$ |
| Return in assets (%) | = | $\frac{\text{Profit before financials x 100}}{\text{Total assets}}$ |
| Solvency ratio (%) | = | $\frac{\text{Equity at year end x 100}}{\text{Total assets}}$ |
| Return on equity (%) | = | $\frac{\text{Profit/loss for the year}}{\text{Avg. equity}}$ |