



Nutrimin A/S

Bodalen 11, 8643 Ans By
CVR No. 28513518

Annual report 2019

The Annual General Meeting adopted the
annual report on 25.03.2020

Jesper Ørskov Nielsen

Chairman of the General Meeting

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Entity details

Entity

Nutrimin A/S

Bodalen 11

8643 Ans By

CVR No.: 28513518

Date of foundation: 22.03.2005

Registered office: Silkeborg

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Per Lyngaa, chairman

Morten Balle

Jesper Ørskov Nielsen

Torben Nielsen

Lars Bjerre Staunsbæk

Executive Board

Torben Jensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Nutrimin 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.

Ans by, 25.03.2020

Executive Board

Torben Jensen

Board of Directors

Per Lyngaa
chairman

Morten Balle

Jesper Ørskov Nielsen

Torben Nielsen

Lars Bjerre Staunsbæk

Independent auditor's report

To the shareholders of Nutrimin A/S

Opinion

We have audited the financial statements of Nutrimin 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 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.

Aarhus, 25.03.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Michael Bach

State Authorised Public Accountant
Identification No (MNE) mne19691

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Gross profit/loss	36,639	27,141	29,133	28,407	18,201
Operating profit/loss	11,735	6,025	10,067	11,169	6,916
Net financials	1,040	146	(794)	(1,191)	(1,393)
Profit/loss for the year	10,131	4,990	7,225	7,819	4,360
Total assets	93,113	81,700	77,992	77,845	59,281
Investments in property, plant and equipment	7,222	2,370	72	1,216	2,142
Equity	36,039	28,255	23,749	24,493	16,953
Ratios					
Return on equity (%)	31.51	19.19	29.95	37.73	29.60
Equity ratio (%)	38.70	34.58	30.45	31.46	28.60

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

Return on equity (%):

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

Average equity

Equity ratio (%):

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

Total assets

Primary activities

The Company's activities consist of production and direct sale of mineral mixtures and piglet feed on the Danish market as well as production and sale of vitamin mixtures and premixtures to the Danish market as well as the export market.

Development in activities and finances

In 2019, the company managed to increase its net sales by 14%, which is higher than in 2018, even though commodity prices have been falling.

Profit for the year before tax of DKK 12,774k, which is satisfactory.

Outlook

In 2020 Nutrimin A/S still expects growth, and provided with a good starting point for 2020 in a highly competitive Danish market, but expects through a continued market-oriented focus an increasing activity in the export market. As a result, the company expect a positive result at around DKK 8,000k before tax for the financial year 2020. No consequences from COVID-19 have been incorporated into these expectations.

Reference is also made to the management report's section on events after the balance sheet date.

Particular risks

Risk management is a large focus area for Nutrimin A/S. These risks relate primarily to volatile market prices, as well as financial risks within currency and interests. Effective risk management secures, that Nutrimin evaluates and access the risks they are taking on.. The Company's raw material and price risks are minimised, whenever possible, by entering into purchase contracts that minimise open positions on raw materials.

By far the largest part of revenue and purchase is conducted in DKK. The rest is in EUR. If transactions are conducted in other foreign currencies, currency risks are eliminated by entering into forward contracts. Therefore, the Company's currency risks are considered very minimal.

To ensure quality control at Nutrimin A/S, a certification according to the standards GMP+ and VLOG is implemented. The quality control system describes all steps in the process from approval of suppliers and purchase of raw materials to production and delivery of the finished goods to the customer.

The Company is vulnerable to the market conditions of the primary agriculture. To eliminate this risk, debtors are credit insured to the widest possible extent.

Intellectual capital resources

A Nutrimin guide has been prepared to ensure the following:

- An equal partnership
- The ability to acquire and communicate knowledge as well as a good deal of business practice
- Only bearing this in mind, we can ensure our customers the optimal feed mix.

Environmental performance

Nutrimin A/S has no policy for corporate social responsibility, but we pay much attention to environmental impacts from our factory. Nutrimin A/S meets the requirements of workplace evaluation, appraisals and

working environment organisation, the overall task of which is to create the basis for a good, sound and safe working environment at Nutrimin.

Nutrimin A/S applies HACCP - Own check and Risk analysis, which means that all steps in the individual processes are assessed. HACCP provides an overview of the risks and errors that are typical in the manufacturing process. Therefore, HACCP contributes to increasing the level of protection of human and animal health.

To ensure as low environmental impact as possible when delivering goods to Danish customers, Nutrimin A/S uses lorries that are approved according to class Euro 6.

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. The outbreak and spread of COVID-19 at the beginning of 2020 has not been and is not expected to be significant impact on the company's financial position and development. This is because the company's business area with the production and sale of vitamin and mineral mixtures and pig feed for the Danish market and the export market has proceeded according to plan in the first period of the outbreak and spread of COVID-19. This is because the company business area as a subcontractor to the food industry, which will continue to play an important social role.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		36,638,706	27,141,368
Staff costs	1	(21,851,127)	(18,630,398)
Depreciation, amortisation and impairment losses	2	(3,053,054)	(2,486,009)
Operating profit/loss		11,734,525	6,024,961
Other financial income		1,564,350	572,884
Other financial expenses		(524,751)	(427,119)
Profit/loss before tax		12,774,124	6,170,726
Tax on profit/loss for the year	3	(2,643,176)	(1,180,688)
Profit/loss for the year	4	10,130,948	4,990,038

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Completed development projects		0	0
Goodwill		57,517	98,117
Intangible assets	5	57,517	98,117
Plant and machinery		15,445,793	11,224,052
Other fixtures and fittings, tools and equipment		12,418	24,838
Property, plant and equipment in progress		0	1,275,000
Property, plant and equipment	6	15,458,211	12,523,890
Other investments		99,550	99,550
Other financial assets	7	99,550	99,550
Fixed assets		15,615,278	12,721,557
Raw materials and consumables		37,441,587	35,719,191
Prepayments for goods		1,959,372	1,463,723
Inventories		39,400,959	37,182,914
Trade receivables		35,622,635	27,731,751
Receivables from group enterprises		2,266,112	2,833,100
Joint taxation contribution receivable		206,904	0
Prepayments	8	0	65,422
Receivables		38,095,651	30,630,273
Cash		1,087	1,165,124
Current assets		77,497,697	68,978,311
Assets		93,112,975	81,699,868

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital	9	5,000,000	5,000,000
Retained earnings		30,738,647	22,755,440
Proposed dividend		300,000	500,000
Equity		36,038,647	28,255,440
Deferred tax	10	714,000	1,015,600
Provisions		714,000	1,015,600
Finance lease liabilities		3,400,000	1,275,000
Other payables		470,461	0
Non-current liabilities other than provisions	11	3,870,461	1,275,000
Current portion of non-current liabilities other than provisions	11	637,500	0
Bank loans		14,807,314	22,348,695
Prepayments received from customers		110,617	140,617
Trade payables		26,579,044	20,443,787
Payables to group enterprises		2,374,386	7,774
Joint taxation contribution payable		0	1,503,760
Other payables	12	7,981,006	6,709,195
Current liabilities other than provisions		52,489,867	51,153,828
Liabilities other than provisions		56,360,328	52,428,828
Equity and liabilities		93,112,975	81,699,868
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
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Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	5,000,000	22,755,440	500,000	28,255,440
Ordinary dividend paid	0	0	(500,000)	(500,000)
Extraordinary dividend paid	0	(2,100,000)	0	(2,100,000)
Other entries on equity	0	323,409	0	323,409
Tax of entries on equity	0	(71,150)	0	(71,150)
Profit/loss for the year	0	9,830,948	300,000	10,130,948
Equity end of year	5,000,000	30,738,647	300,000	36,038,647

Cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		11,734,525	6,024,961
Amortisation, depreciation and impairment losses		3,053,054	2,486,008
Working capital changes	13	(12,577)	(12,292,625)
Cash flow from ordinary operating activities		14,775,002	(3,781,656)
Financial income received		1,564,350	572,884
Financial expenses paid		(524,751)	(427,119)
Income taxes refunded/(paid)		(4,677,981)	(672,800)
Cash flows from operating activities		11,136,620	(4,308,691)
Acquisition etc of property, plant and equipment		(7,221,776)	(2,370,182)
Sale of fixed asset investments		0	90,600
Cash flows from investing activities		(7,221,776)	(2,279,582)
Loans raised		2,975,000	1,275,000
Repayments of loans etc		(212,500)	0
Dividend paid		(300,000)	(350,000)
Cash flows from financing activities		2,462,500	925,000
Increase/decrease in cash and cash equivalents		6,377,344	(5,663,273)
Cash and cash equivalents beginning of year		(21,183,571)	(15,520,298)
Cash and cash equivalents end of year		(14,806,227)	(21,183,571)
Cash and cash equivalents at year-end are composed of:			
Cash		1,087	1,165,124
Short-term debt to banks		(14,807,314)	(22,348,695)
Cash and cash equivalents end of year		(14,806,227)	(21,183,571)

Notes

1 Staff costs

	2019	2018
	DKK	DKK
Wages and salaries	19,868,807	16,874,223
Pension costs	1,671,001	1,407,153
Other social security costs	311,319	349,022
	21,851,127	18,630,398
Average number of full-time employees	40	39

	Remuneration of management 2019 DKK	Remuneration of management 2018 DKK
Total amount for management categories	1,063,000	1,129,000
	1,063,000	1,129,000

2 Depreciation, amortisation and impairment losses

	2019	2018
	DKK	DKK
Amortisation of intangible assets	40,600	40,600
Depreciation of property, plant and equipment	3,012,454	2,445,409
	3,053,054	2,486,009

3 Tax on profit/loss for the year

	2019	2018
	DKK	DKK
Current tax	2,949,096	1,390,422
Change in deferred tax	(372,750)	(225,800)
Adjustment concerning previous years	66,830	16,066
	2,643,176	1,180,688

4 Proposed distribution of profit and loss

	2019	2018
	DKK	DKK
Ordinary dividend for the financial year	300,000	500,000
Retained earnings	9,830,948	4,490,038
	10,130,948	4,990,038

5 Intangible assets

	Completed development projects DKK	Goodwill DKK
Cost beginning of year	1,018,500	203,000
Cost end of year	1,018,500	203,000
Amortisation and impairment losses beginning of year	(1,018,500)	(104,883)
Amortisation for the year	0	(40,600)
Amortisation and impairment losses end of year	(1,018,500)	(145,483)
Carrying amount end of year	0	57,517

6 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	26,044,432	743,677	1,275,000
Additions	7,221,776	0	0
Disposals	0	0	(1,275,000)
Cost end of year	33,266,208	743,677	0
Depreciation and impairment losses beginning of year	(14,820,380)	(718,839)	0
Depreciation for the year	(3,000,035)	(12,420)	0
Depreciation and impairment losses end of year	(17,820,415)	(731,259)	0
Carrying amount end of year	15,445,793	12,418	0
Recognised assets not owned by entity	4,037,500	0	0

7 Financial assets

	Other investments DKK
Cost beginning of year	99,550
Cost end of year	99,550
Carrying amount end of year	99,550

8 Prepayments

Prepayments comprise costs incurred relating to the next financial year.

9 Share capital

	Number	Par value DKK	Nominal value DKK
Ordinary shares	5,000	1000	5,000,000
	5,000		5,000,000

10 Deferred tax

	2019 DKK	2018 DKK
Intangible assets	(6,000)	(3,900)
Property, plant and equipment	720,000	1,019,500
Deferred tax	714,000	1,015,600

Changes during the year	2019 DKK	2018 DKK
Beginning of year	1,015,600	1,241,400
Recognised in the income statement	(301,600)	(225,800)
End of year	714,000	1,015,600

11 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK	Due after more than 12 months 2019 DKK	Outstanding after 5 years 2019 DKK
Finance lease liabilities	637,500	3,400,000	850,000
Other payables	0	470,461	0
	637,500	3,870,461	850,000

12 Other payables

	2019	2018
	DKK	DKK
VAT and duties	4,108,728	3,082,528
Wages and salaries, personal income taxes, social security costs, etc payable	1,138,662	877,188
Holiday pay obligation	1,466,615	1,450,148
Derivative financial instruments	41,693	365,102
Other costs payable	1,225,308	934,229
	7,981,006	6,709,195

Other debt includes a negative fair value of derivative financial instruments of DKK 42k. The instrument have been entered into to hedge the interest rate risk on floating-rate credit loans. The negative fair value adjustment is recognized directly in equity. The agreements have a residual maturity of 1 years and are entered into with the Group's usual bank connection.

13 Changes in working capital

	2019	2018
	DKK	DKK
Increase/decrease in inventories	(2,218,045)	(11,996,674)
Increase/decrease in receivables	(7,266,248)	6,720,048
Increase/decrease in trade payables etc	9,471,716	(7,015,999)
	(12,577)	(12,292,625)

14 Unrecognised rental and lease commitments

	2019	2018
	DKK	DKK
Liabilities under rental agreements or leases with group enterprises until expiry	22,950,000	25,650,000

15 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Nutrimin Holding Aps serves as the administration company. 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.

16 Assets charged and collateral

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on property in the Group of DKK 8,600k nominal. The carrying amount of mortgaged property amounts to DKK 23,061k.

Bank debt is secured on a floating charge of DKK 27,500k nominal.

Certain items of plant and machinery as well as other fixtures etc have been financed by means of finance leases. The carrying amount of assets held under finance leases is DKK 4,037k.

Collateral provided for group enterprises

The Entity has guaranteed group enterprises' debt with Spar Nord. Bank loans of group enterprises amount to DKK 4.331k.

17 Related parties with controlling interest

Nutrimin Holding ApS, Bodalen 11, Ans By owns alle shares in the company and thus holds the full control.

18 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Nutrimin Holding ApS, Bodalen 11, Ans By, Central Business Registration No. 34352925

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. Plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, 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 from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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 plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as plant and equipment.

Other financial income

Other financial income comprises dividends and net capital or exchange gains on payables and transactions in foreign currencies etc.

Other financial expenses

Other financial expenses comprise interest expenses and net capital or exchange losses on payables and transactions in foreign currencies etc.

Tax on profit/loss for the year

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

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, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 years. Goodwill is written down to the lower of recoverable amount and carrying amount.

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.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 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, and 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.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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	10-15 years
Other fixtures and fittings, tools and equipment	5-10 years

Estimated useful lives and residual values are reassessed annually.

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

Other investments

Other investments comprise unlisted equity investments which are measured at purchase prices fair value at the balance sheet date and unlisted equity investments measured at cost. Unlisted equity investments are written down to any lower net realisable value.

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.

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.

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.

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.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

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 acquisition and divestment of enterprises, activities and fixed asset investments, and 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, and 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 bank loans.