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# ***Ball Beverage Packaging Fredericia A/S***

Vejlbyvej 29, DK-7000 Fredericia

## **Annual Report for 1 January - 31 December 2016**

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CVR No 30 91 78 39

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
24/5 2017

Claus Erdmann  
Chairman



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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Ball Beverage Packaging Fredericia A/S for the financial year 1 January - 31 December 2016.

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

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

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

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

Fredericia, 28 April 2017

## Direktion

Lorenzo Garbellini

## Bestyrelse

Karl Bertil Thomas Vestergren  
Chairman

Philip James Hocken

Lorenzo Garbellini

# Independent Auditor's Report

To the Shareholder of Ball Beverage Packaging Fredericia A/S

## Opinion

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

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

## Basis for opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

## Management's responsibilities for the Financial Statements

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

# Independent Auditor's Report

ment, whether due to fraud or error.

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

## **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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

# Independent Auditor's Report

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.

Trekantområdet, 28 April 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Lars Almskou Ohmeyer  
statsautoriseret revisor

## Company Information

### **The Company**

Ball Beverage Packaging Fredericia A/S  
Vejlbyvej 29  
DK-7000 Fredericia

Telephone: 76 20 02 08

CVR No: 30 91 78 39

Financial period: 1 January - 31 December

Financial year: 10th financial year

Municipality of reg. office: Fredericia

### **Bestyrelse**

Karl Bertil Thomas Vestergren, Chairman  
Philip James Hocken  
Lorenzo Garbellini

### **Executive Board**

Lorenzo Garbellini

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Herredsvej 32  
DK-7100 Vejle

### **Lawyers**

Plesner  
Amerikas Plads 37  
2100 København Ø

### **Bankers**

Nordea  
Rendebanen 13  
6000 Kolding

Citi Bank  
4 Harbour Exchange Square  
London E14 9GE

## Financial Highlights

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

|   | 2016<br>TDKK | 2015<br>TDKK | 2014<br>TDKK | 2013<br>TDKK | 2012<br>TDKK |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Key figures</b>                                    |              |              |              |              |              |
| <b>Profit/loss</b>                                    |              |              |              |              |              |
| Gross profit/loss                                     | 158.829      | 141.466      | 156.748      | 165.451      | 153.534      |
| Operating profit/loss                                 | 33.305       | 42.617       | 59.194       | 66.417       | 56.894       |
| Profit/loss before financial income and expenses      | 33.305       | 42.617       | 59.194       | 66.417       | 56.578       |
| Net financials  | -9.721       | -3.995       | -3.532       | -6.165       | -9.888       |
| Net profit/loss for the year                          | 18.444       | 29.442       | 41.875       | 48.504       | 34.983       |
| <b>Balance sheet</b>                                  |              |              |              |              |              |
| Balance sheet total                                   | 774.444      | 682.124      | 542.055      | 576.162      | 618.209      |
| Equity  | 245.263      | 226.819      | 427.377      | 385.502      | 336.998      |
| <b>Cash flows</b>                                     |              |              |              |              |              |
| Cash flows from:                                      |              |              |              |              |              |
| - operating activities                                | 13.550       | 111.705      | 84.532       | 89.151       | 84.238       |
| - investing activities                                | -118.678     | -168.626     | -4.719       | -6.453       | -3.323       |
| including investment in property, plant and equipment | -118.678     | -168.626     | -4.719       | -6.453       | -3.323       |
| - financing activities                                | 105.158      | 56.614       | -82.482      | -97.018      | -70.844      |
| Number of employees                                   | 147          | 118          | 115          | 118          | 116          |
| <b>Ratios</b>   |              |              |              |              |              |
| Return on assets                                      | 4,3%         | 6,2%         | 10,9%        | 11,5%        | 9,2%         |
| Solvency ratio  | 31,7%        | 33,3%        | 78,8%        | 66,9%        | 54,5%        |
| Return on equity                                      | 7,8%         | 9,0%         | 10,3%        | 13,4%        | 10,4%        |

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.



# Management's Review

## **Main activity**

The company's main activity is to manufacture and sell beverage cans.

## **Development in the year**

The income statement of the Company for 2016 shows a profit of DKK 18,444,451, and at 31 December 2016 the balance sheet of the Company shows equity of DKK 245,263,217.

## **The past year and follow-up on development expectations from last year**

The Company expected to realise a profit of DKK 36.7 million for 2016 before taxes. The actual profit amounted to DKK 18.4 million, which is a variance of DKK 18.3 million.

The result is heavily impacted by massive investments in increased production capacity. The startup of production after installation of the equipment did not go according to the timetable planned, causing loss of volume.

At end of 2016 we also saw the impact of the market movements since Ball Group's acquisition of the Rexam Group leading to volume shifts in the European market.

The profit for the year is considered unsatisfactory.

## **Special risks - operating risks and financial risks**

### ***Operating risks***

The Company is assessed not to have any particular operating risks.

### ***Market risks***

The Company forms part of the Group's overall value chain as a consignment manufacturer by providing its production capacity. The Company's production is planned based on the requirements defined by the Group.

### ***Foreign exchange risks***

In our assessment, the Company is not subject to any individual foreign exchange risks.

### ***Interest rate risks***

In our assessment, the Company is not subject to any individual foreign interest rate risks.

# Management's Review

## ***Credit risks***

In our assessment, the Company is not subject to any individual foreign credit risks.

## **Strategy and objectives**

### **Strategy**

The Company is one among many manufacturing companies which together support the Group's vision of being the leading global can maker.

The Company's overall goal is to ensure optimal utilization of the entirely new and modern factory as well as to ensure a low rate of scrapping and the highest quality for the end customers.

### **Targets and expectations for the year ahead**

The Company expects a profit for 2017 of approx. DKK 42.2 million before taxes and expect to utilize the investments made in 2016.

### **Basis of earnings**

### **External environment**

It is important for the Company to preserve and protect the environment. The Company monitors its emissions closely, which are optimized on a current basis, and the Company is constantly reducing its energy consumption.

### **Uncertainty relating to recognition and measurement**

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

### **Unusual events**

The financial position at 31 December 2016 of the Company and the results of the activities and cash flows of the Company for the financial year for 2016 have not been affected by any unusual events.

### **Subsequent events**

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

## Income Statement 1 January - 31 December

|  | Note | 2016<br>DKK        | 2015<br>DKK        |
|--|------|--------------------|--------------------|
| <b>Gross profit/loss</b>   |      | <b>158.828.966</b> | <b>141.465.708</b> |
| Staff expenses   | 1    | -87.562.794        | -67.098.582        |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment |      | -37.960.726        | -31.749.980        |
| <b>Profit/loss before financial income and expenses</b>  |      | <b>33.305.446</b>  | <b>42.617.146</b>  |
| Financial income   | 2    | 600.768            | 701.796            |
| Financial expenses   | 3    | -10.321.494        | -4.696.440         |
| <b>Profit/loss before tax</b>  |      | <b>23.584.720</b>  | <b>38.622.502</b>  |
| Tax on profit/loss for the year  | 4    | -5.140.269         | -9.180.963         |
| <b>Net profit/loss for the year</b>  |      | <b>18.444.451</b>  | <b>29.441.539</b>  |

## Distribution of profit

### Proposed distribution of profit

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| Retained earnings | 18.444.451        | 29.441.539        |
|                   | <b>18.444.451</b> | <b>29.441.539</b> |

## Balance Sheet 31 December

### Assets

|  | Note | 2016<br>DKK        | 2015<br>DKK        |
|--|------|--------------------|--------------------|
| Land and buildings                               |      | 213.596.433        | 219.992.980        |
| Plant and machinery                              |      | 427.334.204        | 258.800.072        |
| Other fixtures and fittings, tools and equipment |      | 199.893            | 490.583            |
| Property, plant and equipment in progress        |      | 87.352.491         | 168.459.062        |
| <b>Tangible assets</b>                           | 5    | <b>728.483.021</b> | <b>647.742.697</b> |
| <b>Fixed assets</b>                              |      | <b>728.483.021</b> | <b>647.742.697</b> |
| <b>Stocks</b>                                    |      | <b>12.330.260</b>  | <b>9.762.067</b>   |
| Receivables from group enterprises               |      | 27.329.956         | 19.243.226         |
| Other receivables                                |      | 5.728.618          | 4.759.595          |
| Prepayments                                      | 6    | 554.810            | 616.296            |
| <b>Receivables</b>                               |      | <b>33.613.384</b>  | <b>24.619.117</b>  |
| <b>Cash at bank and in hand</b>                  |      | <b>17.832</b>      | <b>0</b>           |
| <b>Currents assets</b>                           |      | <b>45.961.476</b>  | <b>34.381.184</b>  |
| <b>Assets</b>                                    |      | <b>774.444.497</b> | <b>682.123.881</b> |

# Balance Sheet 31 December

## Liabilities and equity

|  | Note | 2016<br>DKK        | 2015<br>DKK        |
|--|------|--------------------|--------------------|
| Share capital  |      | 33.400.000         | 33.400.000         |
| Retained earnings  |      | 211.863.217        | 193.418.766        |
| <b>Equity</b>  | 7    | <b>245.263.217</b> | <b>226.818.766</b> |
| Provision for deferred tax                                     | 8    | 32.774.480         | 27.565.822         |
| <b>Provisions</b>  |      | <b>32.774.480</b>  | <b>27.565.822</b>  |
| Other credit institutions                                      |      | 2.701.841          | 2.714.101          |
| Trade payables   |      | 29.035.545         | 65.470.050         |
| Payables to group enterprises                                  |      | 452.268.569        | 347.110.291        |
| Corporation tax  |      | 0                  | 1.968.080          |
| Other payables   |      | 12.400.845         | 10.476.771         |
| <b>Short-term debt</b>   |      | <b>496.406.800</b> | <b>427.739.293</b> |
| <b>Debt</b>  |      | <b>496.406.800</b> | <b>427.739.293</b> |
| <b>Liabilities and equity</b>                                  |      | <b>774.444.497</b> | <b>682.123.881</b> |
| Contingent assets, liabilities and other financial obligations | 11   |                    |                    |
| Related parties  | 12   |                    |                    |

## Statement of Changes in Equity

|                              | Share capital     | Retained<br>earnings | Total              |
|------------------------------|-------------------|----------------------|--------------------|
|                              | DKK               | DKK                  | DKK                |
| Equity at 1 January          | 33.400.000        | 193.418.766          | 226.818.766        |
| Net profit/loss for the year | 0                 | 18.444.451           | 18.444.451         |
| <b>Equity at 31 December</b> | <b>33.400.000</b> | <b>211.863.217</b>   | <b>245.263.217</b> |

## Cash Flow Statement 1 January - 31 December

|  | Note | 2016<br>DKK         | 2015<br>DKK         |
|--|------|---------------------|---------------------|
| Net profit/loss for the year   |      | 18.444.451          | 29.441.539          |
| Adjustments  | 9    | 52.798.542          | 44.925.587          |
| Change in working capital  | 10   | <u>-46.072.893</u>  | <u>41.430.616</u>   |
| <b>Cash flows from operating activities before financial income and expenses</b> |      | <b>25.170.100</b>   | <b>115.797.742</b>  |
| Financial income   |      | 600.768             | 701.796             |
| Financial expenses   |      | <u>-10.321.494</u>  | <u>-4.696.441</u>   |
| <b>Cash flows from ordinary activities</b>                                       |      | <b>15.449.374</b>   | <b>111.803.097</b>  |
| Corporation tax paid   |      | <u>-1.899.691</u>   | <u>-98.554</u>      |
| <b>Cash flows from operating activities</b>                                      |      | <b>13.549.683</b>   | <b>111.704.543</b>  |
| Purchase of property, plant and equipment  |      | <u>-118.677.871</u> | <u>-168.626.193</u> |
| <b>Cash flows from investing activities</b>                                      |      | <b>-118.677.871</b> | <b>-168.626.193</b> |
| Increase/decrease in payables to group enterprises                               |      | 105.158.280         | 286.613.607         |
| Dividend paid  |      | <u>0</u>            | <u>-230.000.000</u> |
| <b>Cash flows from financing activities</b>                                      |      | <b>105.158.280</b>  | <b>56.613.607</b>   |
| <b>Change in cash and cash equivalents</b>                                       |      | <b>30.092</b>       | <b>-308.043</b>     |
| Cash and cash equivalents at 1 January   |      | <u>-2.714.101</u>   | <u>-2.406.058</u>   |
| <b>Cash and cash equivalents at 31 December</b>                                  |      | <b>-2.684.009</b>   | <b>-2.714.101</b>   |
| Cash and cash equivalents are specified as follows:                              |      |                     |                     |
| Cash at bank and in hand   |      | 17.832              | 0                   |
| Overdraft facility   |      | <u>-2.701.841</u>   | <u>-2.714.101</u>   |
| <b>Cash and cash equivalents at 31 December</b>                                  |      | <b>-2.684.009</b>   | <b>-2.714.101</b>   |

# Notes to the Financial Statements

|  | 2016              | 2015              |
|--|-------------------|-------------------|
|  | DKK               | DKK               |
| <b>1 Staff expenses</b>  |                   |                   |
| Wages and salaries   | 76.341.044        | 58.290.092        |
| Pensions   | 6.314.905         | 5.134.982         |
| Other social security expenses   | 2.084.274         | 1.614.797         |
| Other staff expenses   | 2.822.571         | 2.058.711         |
|  | <b>87.562.794</b> | <b>67.098.582</b> |
| <br>   |                   |                   |
| <b>Average number of employees</b>   | <b>147</b>        | <b>118</b>        |
| <p>Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.</p> |                   |                   |
| <br>   |                   |                   |
| <b>2 Financial income</b>  |                   |                   |
| Exchange adjustments   | 600.768           | 701.796           |
|  | <b>600.768</b>    | <b>701.796</b>    |
| <br>   |                   |                   |
| <b>3 Financial expenses</b>  |                   |                   |
| Interest paid to group enterprises   | 9.546.202         | 4.360.464         |
| Other financial expenses   | 354.976           | 335.976           |
| Exchange adjustments   | 420.316           | 0                 |
|  | <b>10.321.494</b> | <b>4.696.440</b>  |
| <br>   |                   |                   |
| <b>4 Tax on profit/loss for the year</b>   |                   |                   |
| Current tax for the year   | 0                 | 2.427.691         |
| Deferred tax for the year  | 5.208.659         | 6.760.825         |
| Adjustment of tax concerning previous years  | -68.390           | -7.553            |
|  | <b>5.140.269</b>  | <b>9.180.963</b>  |



# Notes to the Financial Statements

## 5 Tangible assets

|  | Land and<br>buildings     | Plant and<br>machinery    | Other fixtures<br>and fittings,<br>tools and<br>equipment | Property, plant<br>and equipment<br>in progress | Total                     |
|--|---------------------------|---------------------------|---|---|---------------------------|
|  | DKK                       | DKK                       | DKK   | DKK   | DKK                       |
| Cost at 1 January                                    | 263.274.505               | 445.146.447               | 6.022.914   | 168.459.062                                     | 882.902.928               |
| Additions for the year                               | 0                         | 52.101.176                | 0   | 66.599.875                                      | 118.701.051               |
| Transfers for the year                               | 0                         | 147.706.446               | 0   | -147.706.446                                    | 0                         |
| Cost at 31 December                                  | <u>263.274.505</u>        | <u>644.954.069</u>        | <u>6.022.914</u>  | <u>87.352.491</u>                               | <u>1.001.603.979</u>      |
| Impairment losses and depreciation at 1<br>January   | 43.281.525                | 186.346.375               | 5.532.331   | 0   | 235.160.231               |
| Depreciation for the year                            | <u>6.396.547</u>          | <u>31.273.490</u>         | <u>290.690</u>  | <u>0</u>  | <u>37.960.727</u>         |
| Impairment losses and depreciation at 31<br>December | <u>49.678.072</u>         | <u>217.619.865</u>        | <u>5.823.021</u>  | <u>0</u>  | <u>273.120.958</u>        |
| <b>Carrying amount at 31 December</b>                | <b><u>213.596.433</u></b> | <b><u>427.334.204</u></b> | <b><u>199.893</u></b>                                     | <b><u>87.352.491</u></b>                        | <b><u>728.483.021</u></b> |
| Interest expenses recognised as part of<br>cost      | <u>5.291.527</u>          | <u>0</u>                  | <u>0</u>  | <u>0</u>  | <u>5.291.527</u>          |

## 6 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

## 7 Equity

The share capital consists of 33,400,000 shares of a nominal value of DKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

## Notes to the Financial Statements

|   | 2016<br><u>DKK</u>        | 2015<br><u>DKK</u>       |
|---|---------------------------|--------------------------|
| <b>8 Provision for deferred tax</b>   |                           |                          |
| Provision for deferred tax at 1 January   | 27.565.822                | 20.804.996               |
| Amounts recognised in the income statement for the year                               | <u>5.208.658</u>          | <u>6.760.826</u>         |
| <b>Provision for deferred tax at 31 December</b>                                      | <b><u>32.774.480</u></b>  | <b><u>27.565.822</u></b> |
| <b>9 Cash flow statement - adjustments</b>  |                           |                          |
| Financial income  | -600.768                  | -701.796                 |
| Financial expenses  | 10.321.494                | 4.696.440                |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 37.937.547                | 31.749.980               |
| Tax on profit/loss for the year   | <u>5.140.269</u>          | <u>9.180.963</u>         |
|   | <b><u>52.798.542</u></b>  | <b><u>44.925.587</u></b> |
| <b>10 Cash flow statement - change in working capital</b>                             |                           |                          |
| Change in inventories   | -2.568.193                | -776.199                 |
| Change in receivables   | -8.994.268                | -2.769.617               |
| Change in trade payables, etc.  | <u>-34.510.432</u>        | <u>44.976.432</u>        |
|   | <b><u>-46.072.893</u></b> | <b><u>41.430.616</u></b> |
| <b>11 Contingent assets, liabilities and other financial obligations</b>              |                           |                          |
| <b>Rental and lease obligations</b>   |                           |                          |
| Lease obligations under operating leases. Total future lease payments:                |                           |                          |
| Within 1 year   | 238.052                   | 119.100                  |
| Between 1 and 5 years   | <u>528.089</u>            | <u>158.800</u>           |
|   | <b><u>766.141</u></b>     | <b><u>277.900</u></b>    |

# Notes to the Financial Statements

## 12 Related parties

|                              | <u>Basis</u>            |
|------------------------------|-------------------------|
| <b>Controlling interest</b>  |                         |
| Rexam Overseas Holdings Ltd. | Controlling shareholder |

## **Notes, Accounting Policies**

### **Basis of Preparation**

The Annual Report of Ball Beverage Packaging Fredericia A/S for 2016 has been prepared 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.

Financial Statements for 2016 are presented in DKK.

### **Recognition and measurement**

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

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

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

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

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

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

### **Translation policies**

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

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt

## **Notes, Accounting Policies**

arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

### **Income Statement**

#### **Gross profit**

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

#### **Revenue**

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

#### **Other external expenses**

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

#### **Staff expenses**

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

#### **Amortisation, depreciation and impairment losses**

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

#### **Other operating income and expenses**

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

#### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

## Notes, Accounting Policies

### Tax on profit/loss for the year

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

### Balance Sheet

#### Tangible assets

Tangible assets are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

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

|  |             |       |
|--|-------------|-------|
| Production buildings                             | 10-40 years |       |
| Plant and machinery                              | 3-20 years  |       |
| Other fixtures and fittings, tools and equipment | 3-6         | years |

Depreciation period and residual value are reassessed annually.

#### Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

#### Stocks

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

The net realisable value of stocks is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

## Notes, Accounting Policies

The cost of goods for resale, raw materials and consumables equals landed cost.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

### Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums etc.

### Deferred tax assets and liabilities

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

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

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

### Current tax receivables and liabilities

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

### Financial debts

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

## 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.

## Notes, Accounting Policies

### Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

### Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of property, plant and equipment.

### Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

### Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

## Financial Highlights

### Explanation of financial ratios

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