

## **DSV Frø Danmark A/S**

Energivej 3  
7500 Holstebro  
Business Registration No  
35411399

## **Annual report 01.07.2017 - 30.06.2018**

The Annual General Meeting adopted the annual report on 24.10.2018

### **Chairman of the General Meeting**

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Name: Lasse Skovlund Bech

## Contents

	<b><u>Page</u></b>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2017/18	8
Balance sheet at 30.06.2018	9
Statement of changes in equity for 2017/18	11
Cash flow statement 2017/18	12
Notes	13
Accounting policies	17

## Entity details

### Entity

DSV Frø Danmark A/S  
Energivej 3  
7500 Holstebro

Central Business Registration No (CVR): 35411399  
Registered in: Holstebro  
Financial year: 01.07.2017 - 30.06.2018

Phone: 97420533  
Fax: 97420174  
Website: [www.dsv-froe.dk](http://www.dsv-froe.dk)

### Board of Directors

Clive Krückemeyer, Chairman  
Edwin Dennes van Sligter  
Johannes Peter Matthias Angenendt

### Executive Board

Lasse Skovlund Bech, Chief Executive Officer

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
City Tower, Værkmestergade 2  
8000 Aarhus C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of DSV Frø Danmark A/S for the financial year 01.07.2017 - 30.06.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2018 and of the results of its operations and cash flows for the financial year 01.07.2017 - 30.06.2018.

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.

Holstebro, 24.10.2018

### Executive Board

Lasse Skovlund Bech  
Chief Executive Officer

### Board of Directors

Clive Krückemeyer  
  
Chairman

Edwin Dennes van Sligter

Johannes Peter Matthias  
Angenendt

# Independent auditor's report

## To the shareholders of DSV Frø Danmark A/S

### Opinion

We have audited the financial statements of DSV Frø Danmark A/S for the financial year 01.07.2017 - 30.06.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2018 and of the results of its operations and cash flows for the financial year 01.07.2017 - 30.06.2018 in accordance with the Danish Financial Statements Act.

### Basis for opinion

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

### Management's responsibilities for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

## Independent auditor's report

- 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.

## Independent auditor's report

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, 24.10.2018

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Kenneth Biirsdahl

State Authorised Public Accountant

Identification No (MNE) mne32123

Jacob Tækker Nørgaard

State Authorised Public Accountant

Identification No (MNE) mne40049

## Management commentary

	2017/18	2016/17	2015/16	2014/15	2013/14
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	249.265	195.183	198.719	176.443	172.556
Gross profit/loss	40.761	31.924	30.207	30.403	29.777
Operating profit/loss	13.423	7.435	6.578	7.293	6.145
Net financials	(1.446)	(2.138)	(2.425)	(2.589)	(3.533)
Profit/loss for the year	9.220	4.089	3.287	3.573	1.849
Total assets	124.348	114.193	115.037	115.776	135.417
Investments in property, plant and equipment	3.504	3.486	7.981	1.272	767
Equity	75.962	70.013	64.990	60.946	56.687
<b>Ratios</b>					
Gross margin (%)	16,4	16,4	15,2	17,2	17,3
Net margin (%)	3,7	2,1	1,7	2,0	1,1
Return on equity (%)	12,6	6,1	5,2	6,1	3,3
Equity ratio (%)	61,1	61,3	56,5	52,6	41,9

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

## Management commentary

### Primary activities

The Company's primary activity is wholesaling and retailing of seed, primarily processed from Danish grown seed as well as minor import.

### Development in activities and finances

Profit of the year amounts to DKK 9,220k, which is considered satisfactory and in line with the expected resultat for the financial year.

### Uncertainty relating to recognition and measurement

There is no material uncertainties related to recognition and measurement of assets and liabilities.

### Outlook

A positive result is expected for the fiscal year 2018/19.

### Events after the balance sheet date

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

## Income statement for 2017/18

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK</u>
Revenue		249.265.300	195.183.418
Other operating income		1.287.026	1.249.867
Cost of sales		(189.271.448)	(149.294.203)
Other external expenses		<u>(20.520.059)</u>	<u>(15.215.436)</u>
<b>Gross profit/loss</b>		<b>40.760.819</b>	<b>31.923.646</b>
Staff costs	1	(24.000.415)	(21.208.576)
Depreciation, amortisation and impairment losses		<u>(3.337.327)</u>	<u>(3.280.479)</u>
<b>Operating profit/loss</b>		<b>13.423.077</b>	<b>7.434.591</b>
Other financial income		139.331	83.683
Other financial expenses		<u>(1.585.174)</u>	<u>(2.221.937)</u>
<b>Profit/loss before tax</b>		<b>11.977.234</b>	<b>5.296.337</b>
Tax on profit/loss for the year	2	<u>(2.756.931)</u>	<u>(1.207.253)</u>
<b>Profit/loss for the year</b>	3	<u><b>9.220.303</b></u>	<u><b>4.089.084</b></u>

## Balance sheet at 30.06.2018

	<b>Notes</b>	<b>2017/18 DKK</b>	<b>2016/17 DKK</b>
Land and buildings		51.141.297	52.537.073
Plant and machinery		5.160.039	6.825.958
Other fixtures and fittings, tools and equipment		0	0
Property, plant and equipment in progress		3.228.017	0
<b>Property, plant and equipment</b>	<b>4</b>	<b>59.529.353</b>	<b>59.363.031</b>
Other investments		7.284	23.965
<b>Fixed asset investments</b>	<b>5</b>	<b>7.284</b>	<b>23.965</b>
<b>Fixed assets</b>		<b>59.536.637</b>	<b>59.386.996</b>
Manufactured goods and goods for resale		44.591.759	32.971.669
<b>Inventories</b>		<b>44.591.759</b>	<b>32.971.669</b>
Trade receivables		7.075.668	6.095.272
Receivables from group enterprises		0	3.833.086
Other receivables		11.390.657	3.930.661
Income tax receivable		0	252.261
<b>Receivables</b>		<b>18.466.325</b>	<b>14.111.280</b>
<b>Cash</b>		<b>1.752.839</b>	<b>7.723.273</b>
<b>Current assets</b>		<b>64.810.923</b>	<b>54.806.222</b>
<b>Assets</b>		<b>124.347.560</b>	<b>114.193.218</b>

## Balance sheet at 30.06.2018

	<b>Notes</b>	<b>2017/18 DKK</b>	<b>2016/17 DKK</b>
Contributed capital		500.000	500.000
Retained earnings		71.736.559	65.788.002
Proposed dividend		3.725.000	3.725.000
<b>Equity</b>		<b>75.961.559</b>	<b>70.013.002</b>
Deferred tax	6	5.158.000	5.464.000
Other provisions	7	3.553.000	3.212.500
<b>Provisions</b>		<b>8.711.000</b>	<b>8.676.500</b>
Mortgage debt		22.649.169	24.696.589
<b>Non-current liabilities other than provisions</b>	8	<b>22.649.169</b>	<b>24.696.589</b>
Current portion of long-term liabilities other than provisions	8	2.071.344	2.038.578
Trade payables		4.871.857	2.782.688
Payables to group enterprises		150.188	0
Income tax payable		2.347.180	0
Other payables		7.585.263	5.985.861
<b>Current liabilities other than provisions</b>		<b>17.025.832</b>	<b>10.807.127</b>
<b>Liabilities other than provisions</b>		<b>39.675.001</b>	<b>35.503.716</b>
<b>Equity and liabilities</b>		<b>124.347.560</b>	<b>114.193.218</b>
Unrecognised rental and lease commitments	10		
Contingent liabilities	11		
Assets charged and collateral	12		
Transactions with related parties	13		
Group relations	14		

## Statement of changes in equity for 2017/18

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	65.788.002	3.725.000	70.013.002
Ordinary dividend paid	0	0	(3.725.000)	(3.725.000)
Other entries on equity	0	453.254	0	453.254
Profit/loss for the year	0	5.495.303	3.725.000	9.220.303
<b>Equity end of year</b>	<b>500.000</b>	<b>71.736.559</b>	<b>3.725.000</b>	<b>75.961.559</b>

## Cash flow statement for 2017/18

	<b>Notes</b>	<b>2017/18 DKK</b>	<b>2016/17 DKK</b>
Operating profit/loss		13.423.077	7.434.591
Amortisation, depreciation and impairment losses		3.337.327	3.280.479
Other provisions		340.500	(262.500)
Working capital changes	9	<u>(11.935.383)</u>	<u>4.176.014</u>
<b>Cash flow from ordinary operating activities</b>		<b>5.165.521</b>	<b>14.628.584</b>
Financial income received		139.331	83.683
Financial expenses paid		(1.585.174)	(2.221.937)
Income taxes refunded/(paid)		<u>(463.490)</u>	<u>(2.452.735)</u>
<b>Cash flows from operating activities</b>		<b>3.256.188</b>	<b>10.037.595</b>
Acquisition etc of property, plant and equipment		(3.503.649)	(3.486.433)
Sale of property, plant and equipment		<u>0</u>	<u>22.500</u>
<b>Cash flows from investing activities</b>		<b>(3.503.649)</b>	<b>(3.463.933)</b>
Repayments of loans etc		(2.014.654)	(2.055.658)
Dividend paid		<u>(3.725.000)</u>	<u>0</u>
<b>Cash flows from financing activities</b>		<b>(5.739.654)</b>	<b>(2.055.658)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(5.987.115)</b>	<b>4.518.004</b>
Cash and cash equivalents beginning of year		<u>7.747.238</u>	<u>3.229.234</u>
<b>Cash and cash equivalents end of year</b>		<b>1.760.123</b>	<b>7.747.238</b>
Cash and cash equivalents at year-end are composed of:			
Cash		1.752.839	7.723.273
Securities		<u>7.284</u>	<u>23.965</u>
<b>Cash and cash equivalents end of year</b>		<b>1.760.123</b>	<b>7.747.238</b>

## Notes

	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK</b>	<b>DKK</b>
<b>1. Staff costs</b>		
Wages and salaries	21.779.443	19.219.625
Pension costs	1.893.040	1.666.140
Other social security costs	104.845	97.127
Other staff costs	223.087	225.684
	<b>24.000.415</b>	<b>21.208.576</b>
 Average number of employees	 <b>46</b>	 <b>43</b>
		<b>Remuneration of management</b>
		<b>2017/18</b>
		<b>DKK</b>
Total amount for management categories		1.106.597
		<b>1.106.597</b>
	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Tax on profit/loss for the year</b>		
Current tax	3.062.931	743.182
Change in deferred tax	(306.000)	464.071
	<b>2.756.931</b>	<b>1.207.253</b>
	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	3.725.000	3.725.000
Retained earnings	5.495.303	364.084
	<b>9.220.303</b>	<b>4.089.084</b>

## Notes

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
<b>4. Property, plant and equipment</b>				
Cost beginning of year	82.486.402	57.106.790	159.187	0
Additions	0	275.632	0	3.228.017
<b>Cost end of year</b>	<b>82.486.402</b>	<b>57.382.422</b>	<b>159.187</b>	<b>3.228.017</b>
Depreciation and impairment losses beginning of year	(29.949.329)	(50.280.832)	(159.187)	0
Depreciation for the year	(1.395.776)	(1.941.551)	0	0
<b>Depreciation and impairment losses end of year</b>	<b>(31.345.105)</b>	<b>(52.222.383)</b>	<b>(159.187)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>51.141.297</b>	<b>5.160.039</b>	<b>0</b>	<b>3.228.017</b>
<b>5. Fixed asset investments</b>				<b>Other investments DKK</b>
Cost beginning of year				34.400
Additions				284
<b>Cost end of year</b>				<b>34.684</b>
Revaluations beginning of year				(10.435)
Fair value adjustments				(16.965)
<b>Revaluations end of year</b>				<b>(27.400)</b>
<b>Carrying amount end of year</b>				<b>7.284</b>

## Notes

	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK</b>	<b>DKK</b>
<b>6. Deferred tax</b>		
Property, plant and equipment	6.405.000	6.391.000
Inventories	(311.000)	(220.000)
Provisions	(936.000)	(707.000)
	<b>5.158.000</b>	<b>5.464.000</b>

### Changes during the year

Beginning of year	5.464.000
Recognised in the income statement	(306.000)
<b>End of year</b>	<b>5.158.000</b>

### 7. Other provisions

Other provisions consists of provisions for non-recourse commitments etc.

	<b>Due within 12 months 2017/18 DKK</b>	<b>Due within 12 months 2016/17 DKK</b>	<b>Due after more than 12 months 2017/18 DKK</b>	<b>Outstanding after 5 years DKK</b>
<b>8. Liabilities other than provisions</b>				
Mortgage debt	2.071.344	2.038.578	22.649.169	14.318.892
	<b>2.071.344</b>	<b>2.038.578</b>	<b>22.649.169</b>	<b>14.318.892</b>

	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK</b>	<b>DKK</b>
<b>9. Change in working capital</b>		
Increase/decrease in inventories	(11.620.090)	10.284.105
Increase/decrease in receivables	(4.607.306)	(4.486.596)
Increase/decrease in trade payables etc	4.292.013	(1.621.495)
	<b>(11.935.383)</b>	<b>4.176.014</b>

	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK</b>	<b>DKK</b>
<b>10. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<b>1.109.354</b>	<b>693.842</b>

## Notes

### 11. Contingent liabilities

When Hunsballe Holding A/S (formerly Hunsballe Frø A/S), was demerged at 1. August 2013, all assets and liabilities, including all existing contracts, permissions and approvals related to the operating activity, were transferred to DSV Frø Danmark A/S. The companies included in the demerger are jointly and severally liable for the obligations existing at the time of the publication at the demerger plan.

The Parent is a party to a transfer pricing case in Germany, which may have consequences for DSV Frø Danmark A/S in the next financial years. The transfer pricing case covers the period 2014/15 - 2017/18.

### 12. Assets charged and collateral

The Company has granted a floating charge in favour of Sydbank A/S for a total amount of DKK 25,000 k. The floating charge comprises unsecured claims and inventories. Carrying amount thereof amounts to DKK 51.667.427 as of 30.06.2017 and DKK 39,066,941 as of 30.06.2017.

Bank debt is secured by a deposited letter of indemnity for property of a nominal value of DKK 30,000 k. Carrying amounts of mortgaged properties and machinery amounts to DKK 31.347.787 as of 30.06.2018 and DKK 29,709,306 as of 30.06.2017.

### 13. Transactions with related parties

During the financial year, related party transactions have been conducted on an arm's length basis in addition to the above transactions.

### 14. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Deutsche Saatveredelung AG, Germany.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Deutsche Saatveredelung AG, Germany

## Accounting policies

### Reporting class

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

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

### Recognition and measurement

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

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

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

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

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

### Foreign currency translation

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

### 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

#### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

## Accounting policies

### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property plant and equipment.

### Cost of sales

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

### 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 as well as social security contributions, pension contributions, etc for entity staff.

### Depreciation, amortisation and impairment losses

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

### Other financial income

Other financial income comprises dividends etc received on other investments, interest income payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

### Other financial expenses

Other financial expenses comprise interest expenses, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

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

### Balance sheet

#### Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

## Accounting policies

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.

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:

Buildings	50 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	5 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 listed securities which are measured at fair value (market price) at the balance sheet date, and unlisted equity investments measured at the lower of cost and net realisable value. Unlisted equity investments are written down to any lower net realisable value.

### Inventories

Inventories are measured at the lower of cost using the weighted average price method and net realisable value.

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

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

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

### Receivables

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

### 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.

## Accounting policies

### 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 or the planned settlement of each liability.

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.

### Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

### Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

### Operating leases

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

### Other financial liabilities

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

### Income tax receivable or payable

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

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

## Accounting policies

Cash flows from investing activities comprise payments in connection with purchase, development, improvement and sale, etc of property, plant and equipment

Cash flows from financing activities comprise repayments of interest-bearing debt.

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