
Nagel Liller A/S

Handelsvej 28, DK-5260 Odense S

Annual Report for 1 January - 31 December 2020

CVR No 38 33 88 62

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/6 2021

Tobias Nagel
Chairman of the General
Meeting



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Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Notes to the Financial Statements	13

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Nagel Liller A/S for the financial year 1 January - 31 December 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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.

Odense, 28 June 2021

Executive Board

Hans-Joachim Franz Brockmeyer Ole Brødsgaard

Board of Directors

Tobias Nagel
Chairman

Hans-Joachim Franz
Brockmeyer

Erik Christensen

Independent Auditor's Report

To the Shareholders of Nagel Liller 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Nagel Liller A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity 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 Financials 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 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Bunk Harbo Larsen
State Authorised Public Accountant
mne30224

Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Company Information

The Company

Nagel Liller A/S
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DK-5260 Odense S

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Facsimile: + 45 74 30 74 00
E-mail: dk.info@nagel-group.dk
Website: www.nagel-group.dk

CVR No: 38 33 88 62
Financial period: 1 January - 31 December
Incorporated: 16 January 2017
Financial year: 4th financial year
Municipality of reg. office: Odense

Board of Directors

Tobias Nagel, Chairman
Hans-Joachim Franz Brockmeyer
Erik Christensen

Executive Board

Hans-Joachim Franz Brockmeyer
Ole Brødsgaard

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Financial Highlights

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

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures				
Profit/loss				
Revenue	525.291	557.561	525.926	409.980
Operating profit/loss	4.418	-8.988	-34.358	-28.273
Profit/loss before financial income and expenses	7.417	-8.809	-34.358	-28.273
Net financials	-1.193	-1.460	-1.013	-460
Net profit/loss for the year	11.553	-1.792	-34.224	-28.733
Balance sheet				
Balance sheet total	125.899	125.877	107.552	91.424
Equity	-52.696	-64.249	-62.457	-28.233
Investment in property, plant and equipment	0	157	-78	-945
Number of employees	329	325	309	319
Ratios				
Gross margin	36,4%	31,2%	27,5%	28,3%
Profit margin	1,4%	-1,6%	-6,5%	-6,9%
Return on assets	5,9%	-7,0%	-31,9%	-30,9%
Solvency ratio	-41,9%	-51,0%	-58,1%	-30,9%
Return on equity	N/A	N/A	N/A	N/A

For definitions, see under accounting policies.

Management's Review

Key activities

The company's main activities comprise national logistics services with focus on especially temperature-controlled transportation for the food processing industry and trade in Denmark.

The company moreover offers chilled and frozen storage, dry goods storage, re-usable packaging systems, analyses and consultancy services.

Development in the year

Revenue for the year reached DKK 525 million compared to the last year's DKK 558 million. The net result for the year amounted to DKK 11.6 million compared to DKK -1.8 million last year.

The profit before tax of DKK 6.2 is slightly above expectations expressed in the Annual Report 2019.

The COVID-19 outbreak and subsequent restrictions from government have affected Nagel Liller and the food logistics market in general with lower and fluctuating volume. Nagel Liller has mitigated the impact successfully. Multiple measures have minimized the risk for contamination of employees and business partners, and the flexible production model has mitigated the turnover decrease and fluctuations.

The profit before tax and the net result are considered satisfactory.

Development expectations

Also 2021 is expected to be challenging for both the transport industry and Nagel Liller due to competition, traffic bottlenecks, as well as increasing waiting times in connection with offloading at the central warehouses in Denmark.

COVID-19 is expected to impact the market and business in 2021 similarly as in 2020.

Nagel Liller expects a profit before tax in 2021 in the range of DKK 7 - 11 million.

Statement of corporate social responsibility ref. Danish Financial Statements Act section 99a

Regarding the statement of corporate social responsibility, the management refers to the group annual report for Andreas Andresen Holding ApS.

Statement on gender composition ref. Danish Financial Statements Act section 99b

Target for female representation on the Board of Directors

When appointing candidates for the Board of Directors it is important that the candidates show a specific professional background and qualifications. It is moreover important that appointments are made with no regard to ethnicity, religious belief, political conviction, age or gender.

Management's Review

Especially in respect of gender representation, we are attentive to increasing the female representation on the Board of Directors within the period 2018-2023. In order to reach this target we must ensure that employees and external partners are informed of our gender representation policy in future recruitment procedures.

Target until 2023: One female member on the Board of Directors.

At the moment Nagel Liller has no female representation on the Board of Directors. The main reason for not meeting the objective is due to reelection of the board.

Target for appointment of women at other management levels

The company considers a diverse workforce an asset. We employ our staff based on qualifications and personality and we offer all our employees equal opportunities with no regard to their background, religious belief, political conviction, age or gender. The group encourages every employee to pursue and realise his or her personal goals.

The company is working on promoting its female talents. This work has produced a result that is satisfactory for the industry. Through further training and education, we have succeeded in retaining female talents.

At management and administrative levels, the representation of women is currently 41%, an increase from 39% in 2019

Income Statement 1 January - 31 December

	Note	2020 TDKK	2019 TDKK
Revenue	2	525.291	557.561
Other operating income		2.999	179
Direct freight expenses		-310.677	-359.262
Other external expenses		-26.315	-24.334
Gross profit/loss		191.298	174.144
Staff expenses	4	-183.544	-182.738
Depreciation, amortisation and impairment of property, plant and equipment		-337	-215
Profit/loss before financial income and expenses		7.417	-8.809
Financial income	5	267	249
Financial expenses	6	-1.460	-1.709
Profit/loss before tax		6.224	-10.269
Tax on profit/loss for the year	7	5.329	8.477
Net profit/loss for the year		11.553	-1.792

Balance Sheet 31 December

Assets

	Note	2020 TDKK	2019 TDKK
Software		3.256	0
Development projects in progress		0	2.138
Intangible assets	8	3.256	2.138
Other fixtures and fittings, tools and equipment		21	126
Property, plant and equipment	9	21	126
Other investments		23	23
Deposits		1.550	1.507
Fixed asset investments	10	1.573	1.530
Fixed assets		4.850	3.794
Trade receivables		96.966	108.623
Receivables from group enterprises		16.507	569
Other receivables		356	0
Deferred tax asset	13	3.655	0
Corporation tax		1.720	9.160
Prepayments	11	1.841	3.496
Receivables		121.045	121.848
Cash at bank and in hand		4	235
Currents assets		121.049	122.083
Assets		125.899	125.877

Balance Sheet 31 December

Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital		500	500
Reserve for development costs		2.539	1.668
Retained earnings		-55.735	-66.417
Equity		-52.696	-64.249
Other provisions	14	4.003	5.569
Provisions		4.003	5.569
Prepayments received from customers		45	0
Trade payables		56.694	69.598
Payables to group enterprises		62.889	86.281
Other payables		54.964	28.678
Short-term debt		174.592	184.557
Debt		174.592	184.557
Liabilities and equity		125.899	125.877
Going concern	1		
Subsequent events	3		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		
Accounting Policies	18		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	500	1.668	-66.417	-64.249
Development costs for the year	0	871	-871	0
Net profit/loss for the year	0	0	11.553	11.553
Equity at 31 December	500	2.539	-55.735	-52.696

Notes to the Financial Statements

1 Going concern

Management has continued in 2020 with the initiated measures with a view to strengthening and improving operations, which will continue further in 2021. Moreover, the Company's Parent Company has provided adequate financing for the Company to carry on its operations in the year ahead.

Consequently, the Annual Report has been prepared under the going concern assumption.

	<u>2020</u> TDKK	<u>2019</u> TDKK
2 Revenue		
Geographical segments		
Denmark	525.291	557.561
	525.291	557.561
Business segments		
Freight by road	516.291	548.561
Various	9.000	9.000
	525.291	557.561

3 Subsequent events

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

Notes to the Financial Statements

	2020 <u>TDKK</u>	2019 <u>TDKK</u>
4 Staff expenses		
Wages and salaries	166.537	166.607
Pensions	13.114	12.574
Other social security expenses	2.745	2.028
Other staff expenses	1.148	1.529
	<u>183.544</u>	<u>182.738</u>
Including remuneration to the Executive Board of:		
Executive Board	<u>1.576</u>	
	<u>1.576</u>	
Average number of employees	<u>329</u>	<u>325</u>
Remuneration to the Executive Board has not been disclosed in 2019 accordance with section 98 B(3) of the Danish Financial Statements Act.		
5 Financial income		
Interest received from group enterprises	51	0
Other financial income	214	249
Exchange gains	2	0
	<u>267</u>	<u>249</u>
6 Financial expenses		
Interest paid to group enterprises	1.216	1.294
Other financial expenses	205	389
Exchange loss	39	26
	<u>1.460</u>	<u>1.709</u>

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
7 Tax on profit/loss for the year		
Current tax for the year	-1.674	-8.477
Deferred tax for the year	-3.655	0
	-5.329	-8.477
8 Intangible assets		
	Software TDKK	Development projects in progress TDKK
Cost at 1 January	0	2.138
Additions for the year	1.350	0
Transfers for the year	2.138	-2.138
Cost at 31 December	3.488	0
Amortisation for the year	232	0
Impairment losses and amortisation at 31 December	232	0
Carrying amount at 31 December	3.256	0
Amortised over	5 years	

Notes to the Financial Statements

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK
Cost at 1 January	1.180
Cost at 31 December	1.180
Impairment losses and depreciation at 1 January	1.054
Depreciation for the year	105
Impairment losses and depreciation at 31 December	1.159
Carrying amount at 31 December	21
Depreciated over	3-5 years

10 Fixed asset investments

	Other investments TDKK	Deposits TDKK
Cost at 1 January	23	1.507
Additions for the year	0	43
Cost at 31 December	23	1.550
Carrying amount at 31 December	23	1.550

11 Prepayments

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

Notes to the Financial Statements

	2020 <u>TDKK</u>	2019 <u>TDKK</u>
12 Distribution of profit		
Retained earnings	11.553	-1.792
	<u>11.553</u>	<u>-1.792</u>

13 Deferred tax asset

Deferred tax asset at 1 January	0	0
Amounts recognised in the income statement for the year	3.655	0
Deferred tax asset at 31 December	<u>3.655</u>	<u>0</u>

The recognised tax asset comprises tax loss carry-forwards expected to be utilised within the next three to four years. In connection with the assessment of the utilisation of the tax asset, special emphasis has been placed on the Company having implemented efficiency measures which are expected to increase the Company's income.

14 Other provisions

Other provisions include obligations in respect of pallets and packing materials and are recognised net in the balance sheet.

Other provisions	4.003	5.569
	<u>4.003</u>	<u>5.569</u>

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
15 Contingent assets, liabilities and other financial obligations		
Contingent assets		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	17.460	21.095
Between 1 and 5 years	9.923	10.696
	27.383	31.791
Rental obligations, period of interminability up to 18 months (2019: 30 months)	5.608	10.356

Other contingent liabilities

The Danish group enterprises are jointly and severally liable for tax on the consolidated jointly taxed income etc. The total corporation tax payable is shown in the Annual Report of Andreas Andresen Holding ApS, which is the management company of the joint taxation. The Danish group enterprises are moreover jointly and severally liable for Danish withholding taxes. Any subsequent adjustments of corporation tax and withholding taxes may imply that the Company is liable for a higher amount.

The company has registered a pledge ban regarding the company's accounts receivables.

Notes to the Financial Statements

16 Related parties

	<u>Basis</u>
Controlling interest	
Nagel Danmark A/S, Thorsvej 19, 6330 Padborg	Immediate Parent Company
Other related parties	
Nagel-Group SE & Co. KG, D-33775 Versmold	Ultimate Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The company is included in the Consolidated Financial Statements of its parent company Andreas Andresen Holding ApS, CVR No 29 24 17 67.

Moreover, the company is included in the Consolidated Financial Statements of its ultimate parent company, Nagel-Group SE & Co. KG.

<u>Name</u>	<u>Place of registered office</u>
Nagel-Group SE & Co. KG	D-33775 Versmold, Germany
Andreas Andresen Holding ApS	6330 Padborg, Denmark

The Group Annual Report of Nagel-Group SE & Co. KG may be obtained at the following address:

Friedrich-Menzefricke-Straße 6
D-33775 Versmold
Germany

Notes to the Financial Statements

16 Related parties (continued)

The Group Annual Report of Andreas Andresen Holding ApS may be obtained at the following address:

Thorsvej 19
Frøslev
6330 Padborg
Denmark

17 Fee to auditors appointed at the general meeting

Pursuant to section 96(3) of the Danish Financial Statements Act, the fee to the auditors appointed at the general meeting has been disclosed in the Consolidated Financial Statements of Andreas Andresen Holding ApS, Padborg, Denmark.

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Nagel Liller A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Andreas Andresen Holding ApS, the Company has not prepared a cash flow statement.

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.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Notes to the Financial Statements

18 Accounting Policies (continued)

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 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.

Segment reporting

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Direct freight expenses

Direct freight expenses comprise the transport costs etc. incurred to achieve revenue for the year.

Other external expenses

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

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 main activities of the Company, 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.

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.

The Company is jointly taxed with the parent company Andreas Andresen Holding ApS and its subsidiaries. Andreas Andresen Holding ApS has been selected as the administrative company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Notes to the Financial Statements

18 Accounting Policies (continued)

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

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:

Other fixtures and fittings, tools and equipment 2 - 5 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.

Fixed asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of other investments which are measured in the balance sheet at the lower of amortised cost and net realisable value.

Inventories

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

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

The cost of goods for resale equals landed cost.

Notes to the Financial Statements

18 Accounting Policies (continued)

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

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 or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

18 Accounting Policies (continued)

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

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$