
DAFA A/S

Holmstrupgårdvej 12, DK-8220 Brabrand

Annual Report for 2023

CVR No. 40 08 88 73

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 28/6 2024

Kaare Bo Nielsen
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DAFA A/S for the financial year 1 January - 31 December 2023.

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 2023 of the Company and of the results of the Company operations for 2023.

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.

Aarhus, 28 June 2024

Executive Board

Steen Agerbo Bødtker
CEO

Board of Directors

Vilhelm Eigil Hahn-Petersen
Chairman

Kaare Bo Nielsen
Vice chairman

Steen Agerbo Bødtker

Independent Auditor's report

To the shareholder of DAFA 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 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of DAFA A/S for the financial year 1 January - 31 December 2023, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 misstatement, whether due to fraud or error.

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

Independent Auditor's report

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 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.

Aarhus, 28 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kragh
State Authorised Public Accountant
mne26783

Linda Højland
State Authorised Public Accountant
mne45871

Company information

The Company	DAFA A/S Holmstrupgårdvej 12 8220 Brabrand Telephone: 87476666 Email: dafa@dafa.dk CVR No: 40 08 88 73 Financial period: 1 January - 31 December Incorporated: 5 December 2018 Financial year: 6th financial year Municipality of reg. office: Aarhus
Board of Directors	Vilhelm Eigil Hahn-Petersen, chairman Kaare Bo Nielsen, vice chairman Steen Agerbo Bødtker
Executive Board	Steen Agerbo Bødtker
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	70,287	80,740	106,984	89,140	92,715
Profit/loss of primary operations	8,592	11,528	29,042	28,881	29,709
Profit/loss of financial income and expenses	-766	896	785	-285	-143
Net profit/loss for the year	7,072	9,784	23,368	35,355	31,229
Balance sheet					
Balance sheet total	118,979	132,118	141,425	217,449	155,832
Investment in property, plant and equipment	3,869	5,655	5,918	5,916	9,073
Equity	73,650	76,578	86,794	112,548	77,193
Number of employees	101	118	123	129	127
Ratios					
Solvency ratio	61.9%	58.0%	61.4%	51.8%	49.5%
Return on equity	9.4%	12.0%	23.4%	37.3%	80.4%
Return on invested capital	7.0%	8.4%	16.2%	15.5%	38.0%

Management's review

Key activities

DAFA contributes sustainable, long-lasting foam and rubber solutions which seal, absorb and protect. The goal is that customers experience added value by collaborating with DAFA and that they choose DAFA as their preferred supplier.

DAFA focuses on two key segments; Industrial Solutions and Building Solutions.

DAFA's business model is through a global footprint to follow our customers development and requirements by offering high service and quality in sustainable, long-lasting foam and rubber solutions which seal, absorb and protect. We want to grow together with our customers by focusing on close customer relations and development of innovative quality products and solutions.

DAFA delivers World-class solutions driven by our passion for Innovation and Sustainability.

The solutions are produced and distributed through divisions in Denmark, Poland, Italy and China. In addition, there are sales offices in the USA, Sweden, Norway, Germany and India

Development in the year

The income statement of the Company for 2023 shows a profit of TDKK 7,072, and at 31 December 2023 the balance sheet of the Company shows equity of TDKK 73,650.

Outlook

In 2024 revenue is expected to increase at a range between 10% to 15%, and expectation is also a profit before tax in the range of DKK 15 million to DKK 20 million. The growth expectation is based on the continuing investment initiated in the last couple of years when DAFA Group has moved from having a local footprint to being present with a global footprint to support both existing global key customers as well as to gain new customers and new markets.

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

Overall, financial performance for 2023 was not satisfactory as the result was not in line with expectations.

Special risks - operating risks and financial risks

Particular Risk

In DAFA, risk is a natural part of the way the business is operating. Efficient risk management ensures that the risk is evaluated periodically and addressed daily to reduce the risk to an acceptable level. The Board of Directors has the overall responsibility for DAFA's risk management and for identifying and controlling the risk. Management has the daily responsibility to follow the overall guidelines and to report to the Board of Directors about the most important risk areas.

Operating risks

The Group's key operating risks relate to the ability to maintain and develop its position at existing customers while increasing the market share. The Company's global footprint supports thereby the ability to minimise operating risks.

Market risks

Due to a relatively high solvency ratio and with a global presence, the Company is only to a limited extent exposed to major periodic fluctuations in sales.

Management's review

Foreign exchange risks

Due to foreign activities, profit, cash flows and equity are affected by the exchange and interest rate developments for several currencies. It is the Company's currency policy not to hedge the currency risks as most transactions are naturally hedged through purchases and sales in the same currencies.

Interest rate risks

Due to its high solvency ratio and financial resources, the Company is only to a limited extent exposed to interest rate changes.

Credit risks

According to the Company's credit policy, all major customers are rated on a current basis.

Research and development

DAFA continuously develops and improves its products in cooperation with its customers. Related costs are charged to the income statement as they are incurred. Resources spent on implementation of new technology is capitalized under the item completed development projects.

External environment

DAFA aims to live in harmony with our surroundings, neighbors as well as the environment. Therefore, DAFA has set out an ambitious strategy: "DAFA Go Green" based on the most significant risks and impacts for climate, environment and CSR. The goals and the status of achievement are reported on DAFAs website on an annual basis:

<https://dafa-group.com/en/sustainability>

Intellectual capital resources

It is essential for DAFA's continued growth to retain and develop employees; therefore, significant resources are allocated to these efforts.

To ensure competitiveness and efficiency, new technology investments are made continuously alongside continued competence development.

Intellectual capital resources are of great importance to DAFA. In the construction segment, continuous product development is carried out based on knowledge of the market and our customers. In the industry segment, customized quality solutions are developed for which our employees' know-how of materials and possible solutions is a key factor.

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	2023	2022
		TDKK	TDKK
Gross profit		70,287	80,740
Staff expenses	1	-55,455	-63,080
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-6,240	-6,124
Other operating expenses	2	0	-8
Profit/loss before financial income and expenses		8,592	11,528
Financial income	3	15	1,203
Financial expenses	4	-781	-307
Profit/loss before tax		7,826	12,424
Tax on profit/loss for the year	5	-754	-2,640
Net profit/loss for the year	6	7,072	9,784

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Acquired licenses		1,460	943
Intangible assets	7	1,460	943
Land and buildings		789	808
Plant and machinery		16,313	20,592
Other fixtures and fittings, tools and equipment		4,361	4,242
Leasehold improvements		3,893	1,651
Property, plant and equipment	8	25,356	27,293
Deposits	9	1,654	1,608
Fixed asset investments		1,654	1,608
Fixed assets		28,470	29,844
Raw materials and consumables		10,309	12,995
Work in progress		901	1,832
Finished goods and goods for resale		13,770	16,791
Inventories		24,980	31,618
Trade receivables		22,958	24,464
Receivables from group enterprises		38,503	43,463
Prepayments	10	3,676	2,729
Receivables		65,137	70,656
Cash at bank and in hand		392	0
Current assets		90,509	102,274
Assets		118,979	132,118

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital		25,000	25,000
Retained earnings		38,650	41,578
Proposed dividend for the year		10,000	10,000
Equity		73,650	76,578
Provision for deferred tax	11	605	2,298
Provisions		605	2,298
Lease obligations		3,098	4,576
Long-term debt	12	3,098	4,576
Lease obligations	12	1,274	1,131
Trade payables		18,289	26,046
Payables to group enterprises		9,756	13,044
Corporation tax		879	1,314
Other payables		11,428	7,131
Short-term debt		41,626	48,666
Debt		44,724	53,242
Liabilities and equity		118,979	132,118
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	25,000	41,578	10,000	76,578
Ordinary dividend paid	0	0	-10,000	-10,000
Net profit/loss for the year	0	-2,928	10,000	7,072
Equity at 31 December	25,000	38,650	10,000	73,650

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
1. Staff Expenses		
Wages and salaries	47,884	54,703
Pensions	4,640	4,556
Other social security expenses	482	1,034
Other staff expenses	2,449	2,787
	<u>55,455</u>	<u>63,080</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	<u>101</u>	<u>118</u>
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	2023	2022
	TDKK	TDKK
2. Special items		
Integration and strategy costs in connection with changed ownership of DAFA Group A/S	2,326	3,266
	<u>2,326</u>	<u>3,266</u>

	2023	2022
	TDKK	TDKK
3. Financial income		
Interest received from group enterprises	13	4
Other financial income	2	578
Exchange gains	0	621
	<u>15</u>	<u>1,203</u>

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
4. Financial expenses		
Interest paid to group enterprises	0	58
Other financial expenses	404	249
Exchange loss	377	0
	<u>781</u>	<u>307</u>

	2023	2022
	TDKK	TDKK
5. Income tax expense		
Current tax for the year	2,447	2,640
Deferred tax for the year	-1,693	0
	<u>754</u>	<u>2,640</u>

	2023	2022
	TDKK	TDKK
6. Profit allocation		
Proposed dividend for the year	10,000	10,000
Retained earnings	-2,928	-216
	<u>7,072</u>	<u>9,784</u>

	Acquired licenses
	TDKK
7. Intangible fixed assets	
Cost at 1 January	7,158
Additions for the year	1,185
Cost at 31 December	<u>8,343</u>
Impairment losses and amortisation at 1 January	6,215
Amortisation for the year	668
Impairment losses and amortisation at 31 December	<u>6,883</u>
Carrying amount at 31 December	<u>1,460</u>

Notes to the Financial Statements

8. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	954	59,405	19,810	4,758
Additions for the year	0	0	1,309	2,560
Disposals for the year	0	-301	-75	0
Cost at 31 December	<u>954</u>	<u>59,104</u>	<u>21,044</u>	<u>7,318</u>
Impairment losses and depreciation at 1 January	146	38,813	15,568	3,107
Depreciation for the year	19	4,044	1,190	318
Reversal of impairment and depreciation of sold assets	0	-66	-75	0
Impairment losses and depreciation at 31 December	<u>165</u>	<u>42,791</u>	<u>16,683</u>	<u>3,425</u>
Carrying amount at 31 December	<u>789</u>	<u>16,313</u>	<u>4,361</u>	<u>3,893</u>
Including assets under finance leases amounting to	<u>0</u>	<u>5,094</u>	<u>0</u>	<u>0</u>

9. Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	1,608
Additions for the year	46
Cost at 31 December	<u>1,654</u>
Carrying amount at 31 December	<u>1,654</u>

10. Prepayments

Prepayments comprise the accrual of costs incurred relating to subsequent financial years, including insurance and IT licences, etc.

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
11. Provision for deferred tax		
Deferred tax liabilities at 1 January	2,298	2,360
Adjustment for the year in the income statement	0	-62
Amounts recognised in the income statement for the year	-1,693	0
Deferred tax liabilities at 31 December	605	2,298

	2023	2022
	TDKK	TDKK
12. Long-term debt		

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

The debt falls due for payment as specified below:

Lease obligations

After 5 years	0	0
Between 1 and 5 years	3,098	4,576
Long-term part	3,098	4,576
Within 1 year	1,274	1,131
	4,372	5,707

	2023	2022
	TDKK	TDKK
13. Contingent assets, liabilities and other financial obligations		

Charges and security

The following assets have been placed as security with mortgage credit institutes:

As partly security for borrowings and bank commitments in the DAFA Holding I ApS Danish Group companies, security in share capital, regarding the Group companies DAFA Building Solutions A/S and DAFA A/S is effective.

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
13. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	6,654	6,450
Between 1 and 5 years	24,267	17,548
After 5 years	51,437	0
	<u>82,358</u>	<u>23,998</u>

The Company has entered into operating leases with a remaining term of 46 months. The total obligation of operating leases amounts to DKK 985 thousand as of 31 December 2023. Of the total obligation, DKK 421 thousand falls due within 1 year.

The Company has entered into rental agreements with a remaining term of 164 months. The total obligation of rental agreements amounts to DKK 81,728 thousand as of 31 December 2023. Of the total obligation, DKK 6,233 thousand falls due within 1 year.

Guarantee obligations

The Company has issued a partly guarantee of payment between the Danish DAFA Holding I ApS Group companies DAFA Holding I ApS, DAFA Holding II ApS, DAFA Group A/S, DAFA Building Solutions A/S and DAFA A/S and the DAFA Holding I ApS Groups credit institutions.

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of CC DAFA Invest ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

DAFA A/S has provided collateral of DKK 25 thousand to an owners' association.

Notes to the Financial Statements

14. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
DAFA Group A/S	Parent company
The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:	
<u>Name</u>	<u>Place of registered office</u>
DAFA Holding I ApS as the largest.	Holmstrupgårdvej 12, DK-8220 Brabrand, Denmark
DAFA Group A/S as the smallest.	Holmstrupgårdvej 12, DK-8220 Brabrand, Denmark

Notes to the Financial Statements

15. Accounting policies

The Annual Report of DAFA A/S for 2023 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.

The Financial Statements for 2023 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 DAFA Group A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statement

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.

Notes to the Financial Statements

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and 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 comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with CC DAFA Invest ApS. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Acquired licenses is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over 3 years.

Property, plant and equipment

Property, plant and equipment 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 contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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	40-50 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Notes to the Financial Statements

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.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

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

Financial Highlights

Explanation of financial ratios

Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$
Return on invested capital	$\text{Operating profit} \times 100 / \text{Average invested capital}$