
Berlin Packaging Denmark A/S

Bækgårdsvej 56, DK-4140 Borup

Annual Report for 1 January - 31 December 2020

CVR No 66 15 28 12

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
30/6 2021

Bjarke Rolf Halkjær Arlø
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 Berlin Packaging Denmark 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.

Borup, 30 June 2021

Executive Board

Bjarke Rolf Halkjær Arlø
CEO

Board of Directors

Hanne Zinck Jørgensen
Chairman

Marcus Cornelius Martinus
Jansen

Erik Leonard Adolf Trum

Bjarke Rolf Halkjær Arlø

Independent Auditor's Report

To the Shareholder of Berlin Packaging Denmark 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 Berlin Packaging Denmark 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.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

- 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.

Hellerup, 30 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Allan Knudsen

State authorized public accountant

mne29465

Company Information

The Company

Berlin Packaging Denmark A/S
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DK-4140 Borup

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Facsimile: + 45 +4557561818
E-mail: info@novio.dk

CVR No: 66 15 28 12
Financial period: 1 January - 31 December
Municipality of reg. office: Køge

Board of Directors

Hanne Zinck Jørgensen, Chairman
Marcus Cornelius Martinus Jansen
Erik Leonard Adolf Trum
Bjarke Rolf Halkjær Arlø

Executive Board

Bjarke Rolf Halkjær Arlø

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Gross profit/loss	30.294	25.828	26.791	25.540	20.255
Profit/loss before financial income and expenses	5.965	2.469	2.575	5.959	2.354
Net financials	-1.412	-1.182	-1.463	-1.601	-315
Net profit/loss for the year	3.427	997	964	3.381	1.567
Balance sheet					
Assets	83.393	79.948	90.027	70.143	51.912
Investment in property, plant and equipment	4.841	3.282	5.832	8.447	3.584
Equity	21.970	18.543	17.546	16.969	13.588
Number of employees	37	39	45	37	37
Ratios					
Return on capital employed	14,8%	6,6%	6,5%	19,2%	9,3%
Solvency ratio	26,3%	23,2%	19,5%	24,2%	26,2%
Return on equity	16,9%	5,5%	5,6%	22,1%	11,9%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

The main activity of the Company is design, development, manufacturing and sales of standard and specialty packaging.

Development in the year

The income statement of the Company for 2020 shows a profit of DKK 3,427,155, and at 31 December 2020 the balance sheet of the Company shows equity of DKK 21,969,788.

Management considered the results for the year as satisfactory.

During the year the Company has experienced growth in sales and also considerable growth in profits.

Even though some parts of the business were negatively impacted by the pandemic during 2020 the core business of the business remained strong and showed growth and thereby compensated for any negative pandemic effect.

Further investments mainly in automation, robotics technology and vision detection technology has been made during the year, making the Company stronger in efficiency and the ability to deliver quality products within increasing head count.

During the year the Company has increased sales resources and combined with increased integration with the European Novio Packaging Group B.V. and Berlin Packaging Europe giving benefits of supply chain synergy, general cost savings and cross selling activities the Company is in a strong position to secure future positive growth.

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

The year's result was an improvement over last year's performance and mainly due to the increased production capacity, increased sales effort and leveraging the supply advantages of the Berlin Packaging Group.

Special risks - operating risks and financial risks

Market risks

Main risks in the coming years for the Company are the global development of raw material prices (plastic, glass and metal) and any scarcity of supply. Efforts in securing supply and maintaining as stable prices on the market as possible are made at both Company and group level. Projects for securing and improving transport (import and export) are ongoing to secure customer deliveries.

Management's Review

Targets and expectations for the year ahead

It is the forecast of the Company that the sales will grow with approximately 10% during 2021 and that the profit margins will remain stable. The Company is monitoring the global development in raw material prices and availability and is acting on this to prevent any negative effect on customer supply and on the Company's performance.

Environmental matters

During the year the company has maintained its certifications within quality management (ISO9001), food safety (ISO22000 and also environmental management (ISO14001).

The Company's continued focus on sustainability has resulted in a marked leading role in proving sustainable packaging solutions to the Scandinavian marked.

In line with the Company's ISO14001, environmental management, certification the Company is continuing to reduce energy cost and emissions. The sale of Post Consumer Regrind material (PCR) is forecasted to increase during next year and also further tests of new and sustainable packaging materials are planned.

Uncertainty relating to recognition and measurement

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

Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Gross profit/loss		30.293.501	25.827.825
Staff expenses	1	-18.051.879	-17.583.103
Depreciation, amortisation and impairment		<u>-6.277.065</u>	<u>-5.775.470</u>
Profit/loss before financial income and expenses		5.964.557	2.469.252
Financial income	2	73.006	220.028
Financial expenses	3	<u>-1.484.695</u>	<u>-1.401.529</u>
Profit/loss before tax		4.552.868	1.287.751
Tax on profit/loss for the year	4	<u>-1.125.713</u>	<u>-291.000</u>
Net profit/loss for the year		<u>3.427.155</u>	<u>996.751</u>

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Plant and machinery		33.707.754	34.490.946
Other fixtures and fittings, tools and equipment		14.191.286	17.902.467
Leasehold improvements		3.058.614	0
Property, plant and equipment	5	50.957.654	52.393.413
Deposits		379.560	360.000
Fixed asset investments	6	379.560	360.000
Fixed assets		51.337.214	52.753.413
Inventories	7	17.025.012	13.429.119
Trade receivables		11.667.208	11.853.122
Receivables from group enterprises		541.595	593.208
Other receivables		620.796	179.500
Prepayments	8	701.492	540.677
Receivables		13.531.091	13.166.507
Cash at bank and in hand		1.499.189	599.185
Currents assets		32.055.292	27.194.811
Assets		83.392.506	79.948.224

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		2.250.000	2.250.000
Retained earnings		19.719.788	16.292.633
Equity		21.969.788	18.542.633
Provision for deferred tax	10	3.725.713	2.600.000
Provisions		3.725.713	2.600.000
Lease obligations		12.940.802	15.783.331
Other payables		1.536.774	565.533
Long-term debt	11	14.477.576	16.348.864
Credit institutions		8.813.063	9.843.827
Lease obligations	11	5.391.645	4.823.114
Prepayments received from customers		67.520	33.952
Trade payables		7.575.938	6.984.522
Payables to group enterprises		17.720.199	17.086.145
Other payables	11	3.651.064	3.685.167
Short-term debt		43.219.429	42.456.727
Debt		57.697.005	58.805.591
Liabilities and equity		83.392.506	79.948.224
Subsequent events	14		
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	12		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	2.250.000	16.292.633	18.542.633
Net profit/loss for the year	0	3.427.155	3.427.155
Equity at 31 December	2.250.000	19.719.788	21.969.788

Notes to the Financial Statements

	2020	2019
	DKK	DKK
1 Staff expenses		
Wages and salaries	16.739.850	16.638.186
Pensions	1.908.152	1.873.446
Other social security expenses	124.676	292.395
Other staff expenses	259.201	263.076
	19.031.879	19.067.103
Employee expenses transferred to assets	-980.000	-1.484.000
	18.051.879	17.583.103
Average number of employees	37	39
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
2 Financial income		
Interest received from group enterprises	0	220.028
Exchange adjustments	73.006	0
	73.006	220.028
3 Financial expenses		
Interest paid to group enterprises	605.689	0
Other financial expenses	879.006	1.401.529
	1.484.695	1.401.529
4 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	1.125.713	291.000
	1.125.713	291.000

Notes to the Financial Statements

5 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK	DKK
Cost at 1 January	58.924.244	29.336.449	12.021.833
Additions for the year	3.183.353	1.461.804	196.150
Cost at 31 December	<u>62.107.597</u>	<u>30.798.253</u>	<u>12.217.983</u>
Impairment losses and depreciation at 1 January	24.433.298	14.758.212	8.697.603
Depreciation for the year	3.966.545	1.848.755	461.766
Impairment losses and depreciation at 31 December	<u>28.399.843</u>	<u>16.606.967</u>	<u>9.159.369</u>
Carrying amount at 31 December	<u>33.707.754</u>	<u>14.191.286</u>	<u>3.058.614</u>
Including assets under finance leases amounting to	<u>29.921.405</u>	<u>0</u>	<u>0</u>

6 Fixed asset investments

	Deposits
	DKK
Cost at 1 January	360.000
Additions for the year	19.560
Cost at 31 December	<u>379.560</u>
Carrying amount at 31 December	<u>379.560</u>

7 Inventories

	2020	2019
	DKK	DKK
Raw materials and consumables	2.600.744	2.308.128
Finished goods and goods for resale	14.340.180	10.950.726
Goods in transit	84.088	170.265
	<u>17.025.012</u>	<u>13.429.119</u>

Notes to the Financial Statements

8 Prepayments

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

	2020 DKK	2019 DKK
9 Distribution of profit		
Retained earnings	3.427.155	996.751
	3.427.155	996.751

10 Provision for deferred tax

Provision for deferred tax at 1 January	2.600.000	2.309.000
Amounts recognised in the income statement for the year	1.125.713	291.000
Provision for deferred tax at 31 December	3.725.713	2.600.000

11 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:

	2020 DKK	2019 DKK
Lease obligations		
After 5 years	412.169	0
Between 1 and 5 years	12.528.633	15.783.331
Long-term part	12.940.802	15.783.331
Within 1 year	5.391.645	4.823.114
	18.332.447	20.606.445
Other payables		
Between 1 and 5 years	1.536.774	565.533
Long-term part	1.536.774	565.533
Other short-term payables	3.651.064	3.685.167
	5.187.838	4.250.700

Notes to the Financial Statements

12 Contingent assets, liabilities and other financial obligations

Charges and security

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

As collateral for debt to banks and other credit institutions, the Company has issued mortgage deeds of a total of TDKK 24.000, which give security in fixed assets and inventory with a accounting value of total TDKK 67.983.

Trade receivables with a total accounting value of TDKK11.667 have been given as collateral for debt to banks of TDKK 8.813.

The parent company has provided security to the Company's credit institution. This guarantee involves any present and future obligation which the Company has or may have towards the credit institution.

Contingent liabilities

The Company has rent commitments of TDKK 2.719 at 31 December 2020.

The Company's contractual lease commitments, which are not recognized in the balance at 31 December 2020, amounts to DKK 41.920.

13 Related parties

The Company is included in the consolidated financial statements of:

Novio Packaging Group B.V.

The Company's consolidated financial statements can be obtained by contacting the Company.

Basis

Controlling interest

Novio Packaging Group B.V.
Bijsterhuizen 2401
6604LK Wijchen

Main shareholder

Notes to the Financial Statements

13 Related parties (continued)

Transactions

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

All transactions have been carried out on an arm's length basis.

14 Subsequent events

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

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Berlin Packaging Denmark A/S for 2020 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 2020 are presented in DKK.

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 , 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

15 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.

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.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

Other external expenses

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

Gross profit/loss

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

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 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 wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

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

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

Plant and machinery	5-14 years
Other fixtures and fittings, tools and equipment	3-14 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and 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.

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, 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 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.

Notes to the Financial Statements

15 Accounting Policies (continued)

Prepayments

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

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 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.

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

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$

Return on capital employed

$$\frac{\text{EBIT} \times 100}{\text{Employed capital}}$$