Berlin Packaging Denmark A/S

Bækgårdsvej 56, DK-4140 Borup

Annual Report for 1 January - 31 December 2021

CVR No 66 15 28 12

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 12/05 2022

Bjarke Rolf Halkjær Arlø
Chairman of the General Meeting

Contents

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 2021.

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 2021 of the Company and of the results of the Company operations and cash flows for 2021.

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, 12 May 2022

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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 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 2021, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 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.

- 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, 12 May 2022
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 Bækgårdsvej 56 DK-4140 Borup Telephone: + 45 57561800 Facsimile: + 45 57561818 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:

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	27.550	30.294	25.828	26.791	25.540
Profit/loss before financial income and expenses	-835	5.965	2.469	2.575	5.959
Net financials	-1.367	-1.412	-1.182	-1.463	-1.601
Net profit/loss for the year	-1.599	3.427	997	964	3.381
Balance sheet					
Balance sheet total	86.893	83.393	79.948	90.027	70.143
Investment in property, plant and equipment	5.447	4.841	3.282	5.832	8.447
Equity	20.371	21.970	18.543	17.546	16.969
Cash flows					
Cash flows from:					
Number of employees	38	37	39	45	37
Ratios					
Return on capital employed	-1,5%	10,3%	6,6%	6,5%	19,2%
Solvency ratio	23,4%	26,3%	23,2%	19,5%	24,2%
Return on equity	-7,6%	16,9%	5,5%	5,6%	22,1%

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 2021 shows a loss of DKK 1,598,607, and at 31 December 2021 the balance sheet of the Company shows equity of DKK 20,371,181.

Management considered the results for the year as not satisfactory and below expectations.

During the year the Company has experienced growth in sales. How ever increases in costs such as raw material, trading components, energy and freight has had a negative impact on the profit.

All these variable costs can according to customer agreements and contracts be passed on, how ever this is with a delay of 3-6 month.

Prices for raw material has increased with app 50% during 2021. Holding this costs for 3-6 month before passing it on to our customers has had a negative impact of approx. 5 mill. DKK.

Should the price for raw material go down again, which with a high probability will happen, the current structure of passing on price changes with a delay with an equal positive impact on the profits at the time.

The company has continued the investments in automation, robotics technology and vision detection technology and has thereby been able grow productivity without increasing head count.

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

The year's result was not improvement over last year's results, however this was mainly caused by resin increases and pass-on structures. Productivity was higher then last year and with equal resin costs the results this year would also have surpassed last years profits.

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 15% during 2022 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 significant uncertainty.

Income Statement 1 January - 31 December

	Note	2021	2020
		DKK	DKK
Gross profit/loss		**27.549.568**	**30.293.501**
Staff expenses	1	-22.008.649	-18.051.879
Depreciation, amortisation and impairment		-6.375.843	-6.277.065
Profit/loss before financial income and expenses		**-834.924**	**5.964.557**
Financial income	2	0	73.006
Financial expenses	3	-1.367.337	-1.484.695
Profit/loss before tax		**-2.202.261**	**4.552.868**
Tax on profit/loss for the year	4	603.654	-1.125.713
Net profit/loss for the year		**-1.598.607**	**3.427.155**

Balance Sheet 31 December

Assets

	Note	2021	2020
		DKK	DKK
Plant and machinery		31.851.383	33.707.754
Other fixtures and fittings, tools and equipment		14.724.170	14.191.286
Leasehold improvements		3.453.678	3.058.614
Property, plant and equipment	5	**50.029.231**	**50.957.654**
Deposits		379.560	379.560
Fixed asset investments	6	**379.560**	**379.560**
Fixed assets		**50.408.791**	**51.337.214**
Inventories	7	**19.653.730**	**17.025.012**
Trade receivables		13.914.187	11.667.208
Receivables from group enterprises		623.155	541.595
Other receivables		732.025	620.796
Prepayments	8	606.230	701.492
Receivables		**15.875.597**	**13.531.091**
Cash at bank and in hand		**955.176**	**1.499.189**
Currents assets		**36.484.503**	**32.055.292**
Assets		**86.893.294**	**83.392.506**

Balance Sheet 31 December

Liabilities and equity

	Note	2021	2020
		DKK	DKK
Share capital		2.250.000	2.250.000
Retained earnings		18.121.181	19.719.788
Equity		**20.371.181**	**21.969.788**
Provision for deferred tax	10	3.122.059	3.725.713
Provisions		**3.122.059**	**3.725.713**
Lease obligations		9.592.134	12.940.802
Payables to group enterprises		18.205.885	17.720.199
Other payables		1.266.493	1.536.774
Long-term debt	11	**29.064.512**	**32.197.775**
Credit institutions		10.787.151	8.813.063
Lease obligations	11	5.115.993	5.391.645
Prepayments received from customers		0	67.520
Trade payables		13.316.569	7.575.938
Payables to group enterprises	11	2.040.527	0
Other payables	11	3.075.302	3.651.064
Short-term debt		**34.335.542**	**25.499.230**
Debt		**63.400.054**	**57.697.005**
Liabilities and equity		**86.893.294**	**83.392.506**
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	2.250.000	19.719.788	21.969.788
Net profit/loss for the year	0	-1.598.607	-1.598.607
Equity at 31 December	**2.250.000**	**18.121.181**	**20.371.181**

Cash Flow Statement 1 January - 31 December

	Note	2021	2020
		DKK	DKK
Net profit/loss for the year		-1.598.607	3.427.155
Adjustments	12	7.212.588	8.816.619
Change in working capital	13	-64.598	-2.449.967
Cash flows from operating activities before financial income and expenses		**5.549.383**	**9.793.807**
Financial income		0	73.006
Financial expenses		-1.367.334	-1.484.694
Cash flows from operating activities		**4.182.049**	**8.382.119**
Purchase of property, plant and equipment		-2.567.430	-1.835.563
Fixed asset investments made etc		0	-19.560
Cash flows from investing activities		**-2.567.430**	**-1.855.123**
Change in loans from credit institutions		1.974.088	-1.030.764
Reduction of lease obligations		-6.049.695	-4.596.228
Change in payables to group enterprises		1.916.975	0
Cash flows from financing activities		**-2.158.632**	**-5.626.992**
Change in cash and cash equivalents		**-544.013**	**900.004**
Cash and cash equivalents at 1 January		1.499.189	599.185
Cash and cash equivalents at 31 December		**955.176**	**1.499.189**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		955.176	1.499.189
Cash and cash equivalents at 31 December		**955.176**	**1.499.189**

Notes to the Financial Statements

		2021	2020
		DKK	DKK
1	**Staff expenses**		
	Wages and salaries	20.310.857	16.739.850
	Pensions	2.045.935	1.908.152
	Other social security expenses	128.652	124.676
	Other staff expenses	303.205	259.201
		22.788.649	**19.031.879**
	Employee expenses transferred to assets	-780.000	-980.000
		22.008.649	**18.051.879**
	Average number of employees	**38**	**37**

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

		2021	2020
2	**Financial income**		
	Exchange adjustments	0	73.006
		0	**73.006**
3	**Financial expenses**		
	Interest paid to group enterprises	597.082	605.689
	Other financial expenses	764.324	879.006
	Exchange adjustments, expenses	5.931	0
		1.367.337	**1.484.695**
4	**Tax on profit/loss for the year**		
	Current tax for the year	0	0
	Deferred tax for the year	-603.654	1.125.713
		-603.654	**1.125.713**

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	62.107.597	30.798.253	12.217.983
Additions for the year	2.047.805	2.470.949	928.666
Cost at 31 December	64.155.402	33.269.202	13.146.649
Impairment losses and depreciation at 1 January	28.399.843	16.606.967	9.159.369
Depreciation for the year	3.904.176	1.938.065	533.602
Impairment losses and depreciation at 31 December	32.304.019	18.545.032	9.692.971
Carrying amount at 31 December	**31.851.383**	**14.724.170**	**3.453.678**
Including assets under finance leases amounting to	28.391.014	0	0

6 Fixed asset investments

	Deposits
	DKK
Cost at 1 January	379.560
Cost at 31 December	379.560
Carrying amount at 31 December	**379.560**

7 Inventories

	2021	2020
	DKK	DKK
Raw materials and consumables	3.206.563	2.600.744
Finished goods and goods for resale	16.165.836	14.340.180
Goods in transit	281.331	84.088
	19.653.730	**17.025.012**

Notes to the Financial Statements

8 Prepayments

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

	2021	2020
	DKK	DKK

9 Distribution of profit

Retained earnings	-1.598.607	3.427.155
	-1.598.607	**3.427.155**

10 Provision for deferred tax

Provision for deferred tax at 1 January	3.725.713	2.600.000
Amounts recognised in the income statement for the year	-603.654	1.125.713
Provision for deferred tax at 31 December	**3.122.059**	**3.725.713**

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:

Lease obligations

After 5 years	0	412.169
Between 1 and 5 years	9.592.134	12.528.633
Long-term part	9.592.134	12.940.802
Within 1 year	5.115.993	5.391.645
	14.708.127	**18.332.447**

Payables to group enterprises

After 5 years	18.205.885	17.720.199
Long-term part	18.205.885	17.720.199
Other short-term debt to group enterprises	2.040.527	0
	20.246.412	**17.720.199**

Notes to the Financial Statements

11 Long-term debt (continued)

	2021	2020
	DKK	DKK
Other payables		
Between 1 and 5 years	1.266.493	1.536.774
Long-term part	1.266.493	1.536.774
Other short-term payables	3.075.302	3.651.064
	4.341.795	**5.187.838**

12 Cash flow statement - adjustments

Financial income	0	-73.006
Financial expenses	1.361.406	1.484.695
Depreciation, amortisation and impairment losses, including losses and gains on sales	6.375.843	6.277.065
Tax on profit/loss for the year	-603.654	1.125.713
Other adjustments	78.993	2.152
	7.212.588	**8.816.619**

13 Cash flow statement - change in working capital

Change in inventories	-2.628.720	-3.595.892
Change in receivables	-2.262.946	-416.197
Change in trade payables, etc	4.827.068	1.562.122
	-64.598	**-2.449.967**

Notes to the Financial Statements

14 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 67.683.

Trade receivables with a total accounting value of TDKK 13.914 have been given as collateral for debt to banks of TDKK 10.787.

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 1.558 at 31 December 2021.

The Company's contractual lease commitments, which are not recognized in the balance at 31 December 2021, amounts to TDKK 26.

15 Related parties

The Company is included in the consolidated financial statements of:
Berlin Packaging Holding Netherlands B.V.
The Company's consolidated financial statements can be obtained by contacting the Company.

	Basis
Controlling interest	
Berlin Packaging Holding Netherlands B.V. Bijsterhuizen 2401 6604LK Wijchen	Main shareholder

Notes to the Financial Statements

15 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.

16 Subsequent events

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

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Berlin Packaging Denmark A/S for 2021 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 2021 are presented in DKK.

Recognition and measurement

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

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

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

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

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

17 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

17 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.

Interest expenses on loans raised directly for financing the construction of property, plant and equip-

Notes to the Financial Statements

17 Accounting Policies (continued)

ment are recognised in cost over the period of construction.

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	5-15	years
Other fixtures and fittings, tools and equipment	3-15	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

17 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

17 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$
Return on capital employed	$\dfrac{\text{EBIT x 100}}{\text{Employed capital}}$