
Sonoco Skjern ApS

Birkvej 14, DK-6900 Skjern

Annual Report for 2023

CVR No. 83 03 12 12

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 26/6 2024

John Michael Florence
Jr
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 Sonoco Skjern ApS 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 and cash flows 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.

Skjern, 26 June 2024

Executive Board

Matti Olavi Mykkänen

Sanna Satu Maria Koponen

Board of Directors

Adam George Wood
Chairman

John Michael Florence Jr

Matti Olavi Mykkänen

Philip James Woolley

Per Uhd Kristensen
Employee representative

Søren Grum
Employee representative

Independent Auditor's report

To the shareholder of Sonoco Skjern ApS

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 and cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sonoco Skjern ApS for the financial year 1 January - 31 December 2023, 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 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 C, 26 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Trangeled Kristensen
State Authorised Public Accountant
mne23333

Henrik Berring Rasmussen
State Authorised Public Accountant
mne34157

Company information

The Company	Sonoco Skjern ApS Birkvej 14 6900 Skjern CVR No: 83 03 12 12 Financial period: 1 January - 31 December Municipality of reg. office: Ringkoebing-Skjern
Board of Directors	Adam George Wood, chairman John Michael Florence Jr Matti Olavi Mykkänen Philip James Woolley Per Uhd Kristensen, employee representative Søren Grum, employee representative
Executive Board	Matti Olavi Mykkänen Sanna Satu Maria Koponen
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	109,285	149,714	91,128	88,527	77,537
Profit/loss of financial income and expenses	4,420	-914	-392	-1,376	-289
Net profit/loss for the year	64,103	89,479	46,358	43,164	33,558
Balance sheet					
Balance sheet total	333,458	257,392	209,788	192,968	183,429
Investment in property, plant and equipment	12,551	5,050	2,651	10,735	33,385
Equity	190,958	216,855	157,376	131,018	117,673
Cash flows					
Cash flows from:					
- operating activities	174,735	110,536	60,711	46,093	39,229
- investing activities	-12,551	-4,971	-11,403	-34,181	-8,461
- financing activities	-232,972	-57,912	-33,498	-14,235	-10,674
Change in cash and cash equivalents for the year	-70,788	47,653	15,810	-2,323	20,094
Number of employees	75	75	72	73	73
Ratios					
Solvency ratio	57.3%	84.3%	75.0%	67.9%	64.2%
Return on equity	31.4%	47.8%	32.1%	34.7%	37.2%

Management's review

Key activities

The company's main activity is production of paper and board, produced from 100% recycled paper mainly from the Nordic countries. Sonoco Skjern ApS products are produced to order and sold in different dimensions of rolls and sheets. The products are mainly sold as semi-finished products for further processing in England, Germany, Holland, Central Europe, and the Scandinavian countries. The majority of our products end up as cardboard cores in toilet rolls and paper kitchen rolls, composite cans, cardboard in binders, solid board boxes, gift wrap paper rolls, or sheet interlayers for pallet goods.

Development in the year

2023 has been a challenging year for Sonoco Skjern ApS. The market has experienced low levels of activity and huge overcapacity within the industry which has resulted in lower sales prices. And lower gross profit. The gross profit for the year was DKK 109 million compared to DKK 150 million last year. The ordinary profit after tax was DKK 64 million as compared with DKK 89 million last year. Management considers the result for the year satisfactory. In 2022 Sonoco Skjern ApS became a part of Sonoco Group. Sonoco is a global provider of consumer, industrial, healthcare and protective packaging. Sonoco is committed to creating sustainable products, services and programs for our customers, employees and communities that support our corporate purpose of "Better Packaging, Better Life".

Targets and expectations for the year ahead

Based on the market trend in first half of 2024, Sonoco Skjern ApS expect increased net sales to around DKK 290 million (DKK 281 million in 2023) but a lower Gross Profit of DKK 96 million (DKK 106 million) due to the increased cost of raw material.

Contracts for the purchase of energy have been concluded for the entire period, and fluctuations in market prices in this sector will therefore not have a major effect on energy costs. In order to maintain the continued development of quality and volume increases respectively, Sonoco Skjern ApS has developed an investment plan for the future. It is expected that in H2 of 2024 we will see increased sales prices given current trends in the marketplace in the first half of 2023.

Environmental conditions

Sonoco Skjern ApS is an environmentally optimized, energy-efficient and socially responsible company, which today should be considered one of the world's most sustainable paper mills. Throughout 2023, the Environment Department worked with mapping of CO2 emissions in relation to direct and indirect emissions (scope 1 and 2). This has been completed. Work on mapping emissions in scope 3 is in progress. Once this is complete, reduction targets should be set for 2030. As part of the company's strategy, there is a goal to prepare climate accounts by 2025.

Special risks

Foreign exchange risks:

Sonoco Skjern ApS' international activities mean that the company's profit, cash flows and equity are affected by price developments for a number of currencies. The primary currencies of trading are EUR and GBP.

Environmental relationships and risks:

Sonoco Skjern ApS is environmentally certified under the following standards: ISO14001, ISO 50001, FSC and PEFC. In addition, the company is also certified under the ISO9001 standard. The company has also joined the UN GLOBAL COMPACT.

The company's environmental policy relates to Skjern Paper ApS environmental management model, which effectively and professionally ensures that damage to the external environment is prevented or reduced to a minimum and remedied. The environmental risks are managed by the local environmental department.

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Gross profit		109,285	149,717
Distribution expenses	1	-20,722	-24,915
Administrative expenses	1	-13,292	-11,872
Profit/loss before financial income and expenses		75,271	112,930
Financial income	2	4,586	22
Financial expenses		-166	-936
Profit/loss before tax		79,691	112,016
Tax on profit/loss for the year	3	-15,588	-22,537
Net profit/loss for the year	4	64,103	89,479

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Completed development projects		0	938
Acquired licenses		9,589	654
Intangible assets	5	9,589	1,592
Land and buildings		20,336	19,945
Plant and machinery		71,834	74,952
Other fixtures and fittings, tools and equipment		2,983	3,200
Property, plant and equipment in progress		8,179	2,669
Property, plant and equipment	6	103,332	100,766
Fixed assets		112,921	102,358
Raw materials and consumables		7,465	7,335
Finished goods and goods for resale		6,547	7,199
Inventories		14,012	14,534
Trade receivables		27,896	34,146
Receivables from group enterprises		167,405	24,433
Other receivables		5,004	4,035
Prepayments	7	629	1,507
Receivables		200,934	64,121
Cash at bank and in hand		5,591	76,379
Current assets		220,537	155,034
Assets		333,458	257,392

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital		2,000	2,000
Retained earnings		188,958	214,855
Equity		190,958	216,855
Provision for deferred tax	8	12,614	13,595
Provisions		12,614	13,595
Trade payables		32,454	15,457
Payables to group enterprises		92,016	0
Corporation tax		570	7,768
Other payables		4,846	3,717
Short-term debt		129,886	26,942
Debt		129,886	26,942
Liabilities and equity		333,458	257,392
Contingent assets, liabilities and other financial obligations	11		
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Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	2,000	214,855	216,855
Extraordinary dividend paid	0	-90,000	-90,000
Net profit/loss for the year	0	64,103	64,103
Equity at 31 December	2,000	188,958	190,958

Cash flow statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Result of the year		64,103	89,479
Adjustments	9	13,156	34,488
Change in working capital	10	116,824	9,324
Cash flow from operations before financial items		194,083	133,291
Financial income		4,586	22
Financial expenses		-166	-936
Cash flows from ordinary activities		198,503	132,377
Corporation tax paid		-23,768	-21,841
Cash flows from operating activities		174,735	110,536
Purchase of property, plant and equipment		-12,551	-5,050
Sale of property, plant and equipment		0	79
Cash flows from investing activities		-12,551	-4,971
Repayment of mortgage loans		0	-2,392
Repayment of loans from credit institutions		0	-1,087
Raising of payables to group enterprises		-142,972	0
Dividend paid		-90,000	-30,000
Other adjustments		0	-24,433
Cash flows from financing activities		-232,972	-57,912
Change in cash and cash equivalents		-70,788	47,653
Cash and cash equivalents at 1 January		76,379	28,726
Cash and cash equivalents at 31 December		5,591	76,379
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		5,591	76,379
Cash and cash equivalents at 31 December		5,591	76,379

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
1. Staff		
Wages and salaries	45,134	41,962
Pensions	5,983	5,598
Other social security expenses	283	650
Other staff expenses	652	283
	<u>52,052</u>	<u>48,493</u>
Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Production expenses	43,229	41,316
Distribution expenses	1,307	1,794
Administrative expenses	7,516	5,383
	<u>52,052</u>	<u>48,493</u>
Including remuneration to the Executive Board and Board of Directors:		
Executive board	2,759	
Board of directors	140	
	<u>2,899</u>	
Including remuneration to the Executive Board and Board of Directors		<u>2,271</u>
Average number of employees	<u>75</u>	<u>75</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
2. Financial income		
Interest received from group enterprises	2,950	0
Other financial income	1,037	22
Exchange adjustments	599	0
	<u>4,586</u>	<u>22</u>

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
3. Income tax expense		
Current tax for the year	16,570	25,992
Deferred tax for the year	-982	-1,314
Adjustment of deferred tax concerning previous years	0	-2,141
	15,588	22,537
	2023	2022
	TDKK	TDKK
4. Profit allocation		
Extraordinary dividend paid	90,000	0
Retained earnings	-25,897	89,479
	64,103	89,479
5. Intangible fixed assets		
	Completed development projects	Acquired licenses
	TDKK	TDKK
Cost at 1 January	5,200	655
Exchange adjustment	0	-50
Additions for the year	0	8,984
Cost at 31 December	5,200	9,589
Impairment losses and amortisation at 1 January	4,262	0
Amortisation for the year	938	0
Impairment losses and amortisation at 31 December	5,200	0
Carrying amount at 31 December	0	9,589

Acquired licenses consist of CO2 quotas. CO2 quotas are measured at fair value. The balance date valuation is based on a fair value calculated using the active trading exchanges for European Union Allowances (EUA) Futures.

Notes to the Financial Statements

6. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	56,412	210,446	10,386	2,669
Additions for the year	0	0	477	12,073
Disposals for the year	0	0	0	-662
Transfers for the year	1,800	3,912	190	-5,901
Cost at 31 December	<u>58,212</u>	<u>214,358</u>	<u>11,053</u>	<u>8,179</u>
Impairment losses and depreciation at 1 January	36,468	135,494	7,186	0
Depreciation for the year	1,408	7,030	884	0
Impairment losses and depreciation at 31 December	<u>37,876</u>	<u>142,524</u>	<u>8,070</u>	<u>0</u>
Carrying amount at 31 December	<u>20,336</u>	<u>71,834</u>	<u>2,983</u>	<u>8,179</u>

7. Prepayments

Prepayments comprises prepaid expenses relating to licenses, telecommunications and insurance premiums, etc.

	2023	2022
	TDKK	TDKK
8. Provision for deferred tax		
Deferred tax liabilities at 1 January	13,595	17,050
Amounts recognised in the income statement for the year	-981	-1,314
Amounts recognised in equity for the year	0	-2,141
Deferred tax liabilities at 31 December	<u>12,614</u>	<u>13,595</u>
Intangible assets	0	205
Property, plant and equipment	12,132	12,720
Inventories	344	338
Prepaid expenses	138	332
	<u>12,614</u>	<u>13,595</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
9. Cash flow statement - Adjustments		
Financial income	-4,586	-22
Financial expenses	166	936
Depreciation, amortisation and impairment losses, including losses and gains on sales	10,922	11,394
Tax on profit/loss for the year	15,588	22,537
Other adjustments	-8,934	-357
	<u>13,156</u>	<u>34,488</u>

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
10. Cash flow statement - Change in working capital		
Change in inventories	522	4,095
Change in receivables	6,160	14,321
Change in trade payables, etc	110,142	-9,092
	<u>116,824</u>	<u>9,324</u>

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
11. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	170	165
Between 1 and 5 years	71	141
	<u>241</u>	<u>306</u>

Notes to the Financial Statements

12. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Sonoco Products Company	Ultimate Parent company
Sonoco Holdings, Inc.	Parent Company

Transactions

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

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
Sonoco Products Company	Hartsville, South Carolina (USA)

13. Subsequent events

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

Notes to the Financial Statements

14. Accounting policies

The Annual Report of Sonoco Skjern ApS 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.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies. If currency positions are considered to hedge future cash flows, value adjustments are recognized directly in equity.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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 for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

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

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, production expenses and other operating income.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Notes to the Financial Statements

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.

Balance sheet

Intangible fixed assets

Development projects

Completed development projects consist of IT-licenses. IT-licenses are measured at cost less accumulated amortization and impairment losses or at a lower recoverable amount.

IT-licenses are amortized on a straight-line basis over a period of 5 years.

Other intangible fixed assets

Acquired licenses consist of CO2 quotas. CO2 quotas are measured at fair value. CO2 quotas are valued based on the market value on the balance sheet date.

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. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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	5-25 years
Plant and machinery	5-25 years
Other fixtures and fittings, tools and equipment	3-10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

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.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

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 with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

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

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.

Notes to the Financial Statements

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

Loans 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.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Solvency ratio

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

Return on equity

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