Skjern Paper ApS

Birkvej 14, DK-6900 Skjern

Annual Report for 2022

CVR No. 83 03 12 12

The Annual Report was presented and adopted at the Annual General Meeting of the company on 30/6 2023

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 Financial Statements of Skjern Paper ApS for the financial year 1 January - 31 December 2022.

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 2022 of the Company and of the results of the Company operations and cash flows for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Skjern, 30 June 2023

Executive Board

Nikolaj Bjerre Thybo CEO	Matti Olavi Mykkänen	Sanna Satu Maria Koponen

Board of Directors

Adam George Wood Chairman	Clayton Dave Beck	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 Skjern Paper ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company´s operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Skjern Paper ApS for the financial year 1 January - 31 December 2022, 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, 30 June 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Trangeled Kristensen	Henrik Berring Rasmussen
State Authorised Public Accountant	State Authorised Public Accountant
mne23333	mne34157

Company information

The Company	Skjern Paper ApS Birkvej 14 DK-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 Clayton Dave Beck John Michael Florence Jr Matti Olavi Mykkänen Philip James Woolley Per Uhd Kristensen, employee representative Søren Grum, employee representative
Executive Board	Nikolaj Bjerre Thybo Matti Olavi Mykkänen Sanna Satu Maria Koponen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 8000 Aarhus C

Financial Highlights

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

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	149,714	91,128	88,527	77,537	77,750
Profit/loss of ordinary primary operations	112,930	59,671	56,810	43,327	47,575
Profit/loss of financial income and expenses	-914	-392	-1,376	-289	-1,057
Net profit/loss	89,479	46,358	43,164	33,558	36,285
Balance sheet					
Balance sheet total	257,392	209,788	192,968	183,429	161,823
Investment in property, plant and equipment	5,050	2,651	10,735	33,385	11,168
Equity	216,855	157,376	131,018	117,673	94,219
Cash flows					
Cash flows from:					
- operating activities	110,536	50,225	60,711	46,093	39,229
- investing activities	-4,971	-2,606	-11,403	-34,181	-8,461
- financing activities	-57,912	-37,358	-33,498	-14,235	-10,674
Change in cash and cash equivalents for the year	47,653	10,261	15,810	-2,323	20,094
Number of employees	75	71	72	73	73
Ratios					
Solvency ratio	84.3%	75.0%	67.9%	64.2%	58.2%
Return on equity	47.8%	32.1%	34.7%	31.7%	46.2%

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. Skjern Paper 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 kitchen towels, composite cans, cardboard in binders, solid board boxes, gift wrap paper rolls, or sheet interlayers for pallet goods.

Development in the year

Skjern Paper ApS have through 2022 been able to partly recover the spread between sales prices and variable costs, compared to last year.

The gross profit for the year amounts to DKK 150 million compared to DKK 91 million last year. The ordinary profit after tax amounts to DKK 89 million compared with DKK 46 million last year. Management considers the result for the year satisfactory.

In 2022 Skjern Paper 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 2023, Skjern Paper ApS expects a decrease in sales and production volume between 15% - 20% in 2023 compared to 2022.

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 continuous development of quality and volume increase, respectively, Skjern Paper ApS has developed an investment plan for the future.

If current market conditions continue and recycled paper pricing is maintained, a decrease of DKK 15 - 20 million on the result is expected in 2023 compared to 2022.

Environmental conditions

Skjern Paper 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.

Our sustainability work is described in www.skjernpaper.com/sustainability. Here you will find information about the company's work with the UN's Sustainable Development Goals.

Please also refer to Skjern Paper ApS' separate sustainability report for 2021.

Throughout 2022, the Environment Department has worked with mapping of CO2 emissions in relation to direct and indirect emissions (scope 1 and 2). This has been completed and scope 1 and 2 emissions are now overview. Work on mapping emissions in scope 3 has been initiated. 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.

Management's review

Special risks

Foreign exchange risks:
Skjern Paper 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 revenue are EUR and GBP.

Environmental relationships and risks:
Skjern Paper 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, reduced to a minimum and remedied. The environmental risks are managed from the local environmental department.

Income statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
Gross profit		**149,714**	**91,128**
Distribution expenses	1	-24,915	-22,285
Administrative expenses	1	-11,869	-9,172
Profit/loss before financial income and expenses		**112,930**	**59,671**
Financial income		22	331
Financial expenses		-936	-723
Profit/loss before tax		**112,016**	**59,279**
Tax on profit/loss for the year	2	-22,537	-12,921
Net profit/loss for the year	3	**89,479**	**46,358**

Balance sheet 31 December

Assets

	Note	2022	2021
		TDKK	TDKK
Completed development projects		938	2,063
Acquired licenses		654	297
Intangible assets	4	**1,592**	**2,360**
Land and buildings		19,945	21,391
Plant and machinery		74,952	80,830
Other fixtures and fittings, tools and equipment		3,200	3,262
Property, plant and equipment in progress		2,669	581
Property, plant and equipment	5	**100,766**	**106,064**
Fixed assets		**102,358**	**108,424**
Raw materials and consumables		7,335	12,594
Finished goods and goods for resale		7,199	6,035
Inventories		**14,534**	**18,629**
Trade receivables		34,146	46,158
Receivables from group enterprises		24,433	0
Other receivables		4,035	6,362
Prepayments	6	1,507	1,489
Receivables		**64,121**	**54,009**
Cash at bank and in hand		**76,379**	**28,726**
Current assets		**155,034**	**101,364**
Assets		**257,392**	**209,788**

Balance sheet 31 December

Liabilities and equity

	Note	2022	2021
		TDKK	TDKK
Share capital		2,000	2,000
Retained earnings		214,855	125,376
Proposed dividend for the year		0	30,000
Equity		**216,855**	**157,376**
Provision for deferred tax	7	13,595	17,050
Provisions		**13,595**	**17,050**
Mortgage loans		0	2,392
Credit institutions		0	1,087
Trade payables		15,457	21,254
Corporation tax		7,768	3,617
Other payables	8	3,717	7,012
Short-term debt		**26,942**	**35,362**
Debt		**26,942**	**35,362**
Liabilities and equity		**257,392**	**209,788**

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Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	2,000	125,376	30,000	157,376
Ordinary dividend paid	0	0	-30,000	-30,000
Net profit/loss for the year	0	89,479	0	89,479
Equity at 31 December	**2,000**	**214,855**	**0**	**216,855**

Cash flow statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
Result of the year		89,479	46,358
Adjustments	9	34,488	25,348
Change in working capital	10	9,324	-10,122
Cash flow from operations before financial items		**133,291**	**61,584**
Financial income		22	331
Financial expenses		-936	-723
Cash flows from ordinary activities		**132,377**	**61,192**
Corporation tax paid		-21,841	-10,967
Cash flows from operating activities		**110,536**	**50,225**
Purchase of property, plant and equipment		-5,050	-2,651
Sale of property, plant and equipment		79	45
Cash flows from investing activities		**-4,971**	**-2,606**
Repayment of mortgage loans		-2,392	-18,445
Repayment of loans from credit institutions		-1,087	1,087
Dividend paid		-30,000	-20,000
Loans to group enterprises		-24,433	0
Cash flows from financing activities		**-57,912**	**-37,358**
Change in cash and cash equivalents		**47,653**	**10,261**
Cash and cash equivalents at 1 January		28,726	18,465
Cash and cash equivalents at 31 December		**76,379**	**28,726**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		76,379	28,726
Cash and cash equivalents at 31 December		**76,379**	**28,726**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

1. Staff

	2022 TDKK	2021 TDKK
Wages and salaries	41,962	39,633
Pensions	5,598	5,415
Other social security expenses	650	354
Other staff expenses	283	835
	48,493	**46,237**
Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Production expenses	41,316	39,955
Distribution expenses	1,794	2,045
Administrative expenses	5,383	4,237
	48,493	**46,237**
Including remuneration to the Executive Board and Board of Directors	**2,271**	**1,735**
Average number of employees	**75**	**71**

	2022	2021
	TDKK	TDKK

2. Income tax expense

	2022 TDKK	2021 TDKK
Current tax for the year	25,992	14,069
Deferred tax for the year	-1,314	-1,148
Adjustment of deferred tax concerning previous years	-2,141	0
	22,537	**12,921**

	2022	2021
	TDKK	TDKK

3. Profit allocation

	2022 TDKK	2021 TDKK
Proposed dividend for the year	0	30,000
Retained earnings	89,479	16,358
	89,479	**46,358**

Notes to the Financial Statements

4. Intangible fixed assets

	Completed development projects	Acquired licenses
	TDKK	TDKK
Cost at 1 January	5,200	297
Additions for the year	0	10,833
Disposals for the year	0	-10,476
Cost at 31 December	5,200	654
Impairment losses and amortisation at 1 January	3,137	0
Amortisation for the year	1,125	0
Impairment losses and amortisation at 31 December	4,262	0
Carrying amount at 31 December	**938**	**654**

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. The unrealized value adjustment in the income statement is TDKK 357.

Notes to the Financial Statements

5. 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	55,470	209,090	10,121	581
Additions for the year	0	0	566	4,484
Disposals for the year	0	0	-399	0
Transfers for the year	942	1,356	98	-2,396
Cost at 31 December	56,412	210,446	10,386	2,669
Impairment losses and depreciation at 1 January	34,079	128,260	6,859	0
Impairment losses for the year	801	0	0	0
Depreciation for the year	1,587	7,234	726	0
Reversal of impairment and depreciation of sold assets	0	0	-399	0
Impairment losses and depreciation at 31 December	36,467	135,494	7,186	0
Carrying amount at 31 December	**19,945**	**74,952**	**3,200**	**2,669**

6. Prepayments

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

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

7. Provision for deferred tax

	2022 TDKK	2021 TDKK
Deferred tax liabilities at 1 January	17,050	18,198
Amounts recognised in the income statement for the year	-1,314	-1,148
Amounts recognised in equity for the year	-2,141	0
Deferred tax liabilities at 31 December	**13,595**	**17,050**
Intangible assets	205	454
Property, plant and equipment	12,720	16,028
Inventories	338	250
Amortization	0	-9
Prepaid expenses	332	327
	13,595	**17,050**

8. Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	2022	2021
	TDKK	TDKK
Liabilities, forward exchange contracts	0	489

	2022	2021
	TDKK	TDKK

9. Cash flow statement - Adjustments

	2022 TDKK	2021 TDKK
Financial income	-22	-331
Financial expenses	936	723
Depreciation, amortisation and impairment losses, including losses and gains on sales	11,394	11,544
Tax on profit/loss for the year	22,537	12,921
Other operating income - CO2 quotas, adjustment	-357	491
	34,488	**25,348**

	2022	2021
	TDKK	TDKK

10. Cash flow statement - Change in working capital

	2022 TDKK	2021 TDKK
Change in inventories	4,095	-6,154
Change in receivables	14,321	-9,836
Change in trade payables, etc	-9,092	5,868
	9,324	**-10,122**

	2022	2021
	TDKK	TDKK

11. Contingent assets, liabilities and other financial obligations

Charges and security

	2022 TDKK	2021 TDKK
The following assets have been placed as security with mortgage loans:		
Land and buildings with a carrying amount of	0	21,391
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	165	166
Between 1 and 5 years	141	0
	306	**166**

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Buur Holding ApS, CVR-nr. 34 61 84 45 for the period 1 January to 15 November 2022. The total amount of corporation tax payable for the period is disclosed in the Annual Report of Buur Holding ApS, CVR-nr. 34 61 84 45, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

12. Related parties and disclosure of consolidated financial statements

	Basis
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:

Name	Place of registered office
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 Skjern Paper ApS for 2022 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 2022 are presented in TDKK.

There has been minor changes to the comparative figures. These changes do not affect the result of the year or equity.

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.

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

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. 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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Notes to the Financial Statements

Income statement

Net sales

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.

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.

Notes to the Financial Statements

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.

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.

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 debts

Loans, such as 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.

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.

Financial Highlights

Explanation of financial ratios

Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity