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Advanced Industries Packaging A/S

Stigsborgvej 36
9400 Nørresundby
CVR No. 31536715

Annual report 2024

The Annual General Meeting adopted the annual report on 25.06.2025

Jan Degn
Chairman of the General Meeting

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Entity details

Entity

Advanced Industries Packaging A/S
Stigsborgvej 36
9400 Nørresundby

Business Registration No.: 31536715
Registered office: Aalborg
Financial year: 01.01.2024 - 31.12.2024

Board of Directors

Rinat Stark
Andrey Volokhov
Dmitry Vardashkin
Annette Vecht

Executive Board

Jan Degn

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4th floor
9000 Aalborg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Advanced Industries Packaging A/S for the financial year 01.01.2024 - 31.12.2024.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2024 and of the results of its operations and cash flows for the financial year 01.01.2024 - 31.12.2024.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Nørresundby, 25.06.2025

Executive Board

Jan Degn

Board of Directors

Rinat Stark

Andrey Volokhov

Dmitry Vardashkin

Annette Vecht

Independent auditor's report

To the shareholders of Advanced Industries Packaging A/S

Opinion

We have audited the financial statements of Advanced Industries Packaging A/S for the financial year 01.01.2024 - 31.12.2024, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2024 and of the results of its operations and cash flows for the financial year 01.01.2024 - 31.12.2024 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required by relevant law and regulations.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aalborg, 25.06.2025

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jakob Olesen
State Authorised Public Accountant
Identification No (MNE) mne34492

Management commentary

Financial highlights

	2024 DKK'000	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000
Key figures					
Revenue	269,260	255,431	292,792	250,733	224,448
Gross profit/loss	22,844	13,588	20,984	21,465	18,847
Operating profit/loss	(704)	3,570	3,893	3,262	2,928
Net financials	(1,368)	(1,124)	(1,306)	(506)	(627)
Profit/loss for the year	(1,648)	1,926	2,022	2,159	1,810
Total assets	170,951	174,407	192,336	177,385	158,278
Investments in property, plant and equipment	3,667	619	9,159	5,736	566
Equity	114,821	116,469	114,542	112,521	110,362
Cash flows from (used in) operating activities	10,620	(19,237)	16,581	(2,552)	13,509
Cash flows from (used in) investing activities	(2,033)	(729)	(13,108)	(6,622)	(2,644)
Cash flows from (used in) financing activities	(8,277)	19,676	(3,659)	8,291	(9,923)
Average number of employees	97	102	111	113	114
Ratios					
Gross margin (%)	8.48	5.32	7.17	8.56	8.40
EBIT margin (%)	(0.26)	1.40	1.33	1.30	1.30
Net margin (%)	(0.61)	0.75	0.69	0.86	0.81
Return on equity (%)	(1.43)	1.67	1.78	1.94	1.65
Equity ratio (%)	67.17	66.78	59.55	63.43	69.73

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):
Gross profit/loss * 100
Revenue

EBIT margin (%):
Operating profit/loss * 100
Revenue

Net margin (%):
Profit/loss for the year * 100
Revenue

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Total assets

Primary activities

The company's principal activities are production, marketing, and sale of:

Paper sacks for packaging of consumer products, industrial products and for collection and sorting of waste and for packaging of consumer.

The activities also include sale and servicing of filling equipment for filling and handling of sacks for packaging of consumer and industrial products.

Development in activities and finances

The company's income statement for 2024 shows a loss of DKK 1.6m, compared to a profit in 2023 of DKK 1.9m.

The company's balance sheet as of 31 December 2024 shows equity of DKK 114.8m.

The activity level in 2024 was higher than the level in 2023 when measured in volume, but the number of employees decreased from 102 in 2023 to 97 in 2024.

The staff has been very stable throughout the year and has shown a high degree of flexibility in relation to the variations in the order volume during the year.

The main segment (food) had a positive development in 2024. The company therefore continues its focus on this sector in relation to products and equipment, to meet the requirements of the food sector regarding packing of food. The company intends to pursue this strategy in 2025 and beyond.

The sale of sacks for industrial purposes decreased from 2023 to 2024. This decrease is also seen in many European industrial activity statistics.

The sale of paper sacks for the collection of waste continues to drop. The use of sacks in the Nordic countries in this segment is generally declining because of changes in the way household waste is handled.

Generally, the beginning of 2024 was lower in terms of orders than 2023 levels but there are signs of market improvements. The second half of 2024 was strong and caught up with the volumes lagging behind.

The competition in the company's primary markets continues to be high and the sales prices in the market are constantly under pressure.

Higher customer demands for quality, reliability of delivery, service in general and sustainability issues became more pronounced during 2024. This is not expected to change in the coming years. The company sees the higher customer demands primarily as an advantage because it will bind the customers even closer to the company. Activities are started currently to ensure this development.

The prices of the main raw material, paper, has fluctuated during 2024, but with a decreasing tendency end of year. 2025 the prices are expected to decrease a bit in Q1, and stabilize in Q2.

The company's total investments in 2024 amount to DKK 2.6m which have been used mainly for improvements in production equipment and IT equipment.

Profit/loss for the year in relation to expected developments

2024 was a year impacted by a higher activity level measured in sales and a relatively smaller increase in production costs.

Consequently, the gross profit for the year was recognized at DKK 22.8m, compared to DKK 13.6m in 2023. The initial expectation for 2024 was a gross profit in the range of DKK 14 - 16m.

However, due to an increased administrative costs, the company's income statement for 2024 shows a loss of DKK 1.6m, compared to a profit of DKK 1.9m in 2023.

The Management characterizes the results for the year as being satisfactory given the market, competitive conditions and increased administrative costs.

Refer to the section on the development of activities and the financial position.

Outlook

The company expects a positive development in 2025 within the sale of paper sacks for industrial purposes and high-care sacks, through both additional sales to existing customers and new customers.

The company's Management has a positive outlook for 2025 and the company's results. The result will reflect higher activity and results are expected to increase compared to 2024. An expected increase in revenue and an expected change in the product mix, combined with continued tight cost management to address fluctuations in demand, contribute to the expectations. The gross profit is expected to be in the range of DKK 25 - 30m in 2025.

Research and development activities

The company's development activities have mainly been aimed at a continuous adjustment and enhancement of the company's products and machines. Development costs in 2024 are recognized as expenses as they do not meet the requirements for capitalization.

Education

The company continuously works with the development of employees and processes with efficiency and quality improvement as the focus.

Management system

The company's integrated management system is updated regularly to match the development of the company. The company is certified according to the international ISO standard ISO 9001: 2015 and for food safety ISO22000: 2018, FSSC 22000 Version 3.1-ISO TS 22002-4:2013 and has a FSC Certificate.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2024

	Notes	2024 DKK	2023 DKK
Revenue		269,259,719	255,431,454
Production costs		(246,415,780)	(241,843,148)
Gross profit/loss		**22,843,939**	**13,588,306**
Distribution costs		(6,256,464)	(6,765,404)
Administrative expenses		(19,899,582)	(5,780,917)
Other operating income	4	2,608,201	2,527,642
Operating profit/loss		**(703,906)**	**3,569,627**
Other financial income		429,248	525,414
Other financial expenses		(1,796,945)	(1,649,505)
Profit/loss before tax		**(2,071,603)**	**2,445,536**
Tax on profit/loss for the year	5	423,901	(519,133)
Profit/loss for the year	6	**(1,647,702)**	**1,926,403**

Balance sheet at 31.12.2024

Assets

	Notes	2024 DKK	2023 DKK
Acquired intangible assets		1,279,883	2,903,420
Intangible assets	7	**1,279,883**	**2,903,420**
Land and buildings		32,129,885	32,129,885
Plant and machinery		40,858,965	46,807,252
Other fixtures and fittings, tools and equipment		2,118,862	313,917
Prepayments for property, plant and equipment		1,075,098	0
Property, plant and equipment	8	**76,182,810**	**79,251,054**
Fixed assets		**77,462,693**	**82,154,474**
Raw materials and consumables		23,447,408	22,972,903
Work in progress		938,010	864,697
Manufactured goods and goods for resale		17,786,125	20,643,674
Prepayments for goods		4,188,540	0
Inventories		**46,360,083**	**44,481,274**
Trade receivables		45,228,726	45,752,521
Receivables from group enterprises		1,028,733	1,698,681
Prepayments	9	560,454	320,298
Receivables		**46,817,913**	**47,771,500**
Cash		**310,238**	**160**
Current assets		**93,488,234**	**92,252,934**
Assets		**170,950,927**	**174,407,408**

Equity and liabilities

	Notes	2024 DKK	2023 DKK
Contributed capital	10	50,000,000	50,000,000
Retained earnings		64,821,195	66,468,897
Equity		**114,821,195**	**116,468,897**
Deferred tax	11	20,846	444,747
Provisions		**20,846**	**444,747**
Lease liabilities		1,042,472	23,560
Other payables		790,000	790,000
Non-current liabilities other than provisions	12	**1,832,472**	**813,560**
Current portion of non-current liabilities other than provisions	12	328,809	45,217
Bank loans		24,677,791	32,648,004
Trade payables		16,850,318	15,557,927
Payables to group enterprises		2,488,177	0
Other payables		9,931,319	8,429,056
Current liabilities other than provisions		**54,276,414**	**56,680,204**
Liabilities other than provisions		**56,108,886**	**57,493,764**
Equity and liabilities		**170,950,927**	**174,407,408**

Events after the balance sheet date	1
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Statement of changes in equity for 2024

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	50,000,000	66,468,897	116,468,897
Profit/loss for the year	0	(1,647,702)	(1,647,702)
Equity end of year	**50,000,000**	**64,821,195**	**114,821,195**

Cash flow statement for 2024

	Notes	2024 DKK	2023 DKK
Operating profit/loss		(703,906)	3,569,627
Amortisation, depreciation and impairment losses		8,358,582	9,402,503
Working capital changes	13	4,333,043	(30,648,421)
Other adjustments		0	(436,823)
Cash flow from ordinary operating activities		**11,987,719**	**(18,113,114)**
Financial income received		429,248	525,414
Financial expenses paid		(1,796,945)	(1,649,505)
Cash flows from operating activities		**10,620,022**	**(19,237,205)**
Acquisition etc of intangible assets		0	(109,342)
Acquisition etc of property, plant and equipment		(2,032,786)	(619,264)
Cash flows from investing activities		**(2,032,786)**	**(728,606)**
Free cash flows generated from operations and investments before financing		**8,587,236**	**(19,965,811)**
Reduction of lease commitments		(306,945)	0
Change in bank facility		(7,970,213)	19,675,605
Cash flows from financing activities		**(8,277,158)**	**19,675,605**
Increase/decrease in cash and cash equivalents		**310,078**	**(290,206)**
Cash and cash equivalents beginning of year		160	290,366
Cash and cash equivalents end of year		**310,238**	**160**
Cash and cash equivalents at year-end are composed of:			
Cash		310,238	160
Cash and cash equivalents end of year		**310,238**	**160**

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Staff costs

	2024 DKK	2023 DKK
Wages and salaries	45,398,194	42,439,447
Pension costs	4,368,215	4,203,365
Other social security costs	978,031	1,031,699
	50,744,440	**47,674,511**

Number of employees at balance sheet date	**97**	**102**

	Remuneration of Management 2024 DKK
Executive Board	2,233,523
	2,233,523

According to section 98b, subsection 3 of the Danish Financial Statements Act information on management's remuneration is not disclosed for 2023.

3 Depreciation, amortisation and impairment losses

	2024 DKK	2023 DKK
Amortisation of intangible assets	1,623,537	2,549,209
Depreciation of property, plant and equipment	6,735,045	6,853,290
	8,358,582	**9,402,499**

4 Other operating income

Other operating income primarily contains income from rental of premises.

5 Tax on profit/loss for the year

	2024 DKK	2023 DKK
Change in deferred tax	(423,901)	519,133
	(423,901)	**519,133**

6 Proposed distribution of profit and loss

	2024 DKK	2023 DKK
Retained earnings	(1,647,702)	1,926,403
	(1,647,702)	**1,926,403**

7 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	7,903,273
Cost end of year	**7,903,273**
Amortisation and impairment losses beginning of year	(4,999,853)
Amortisation for the year	(1,623,537)
Amortisation and impairment losses end of year	**(6,623,390)**
Carrying amount end of year	**1,279,883**

8 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Prepayments for property, plant and equipment DKK
Cost beginning of year	117,002,444	205,857,900	9,420,875	0
Additions	0	357,159	2,234,544	1,075,098
Disposals	0	(15,508,811)	(450,340)	0
Cost end of year	**117,002,444**	**190,706,248**	**11,205,079**	**1,075,098**
Depreciation and impairment losses beginning of year	(84,872,559)	(159,050,648)	(9,106,958)	0
Depreciation for the year	0	(6,305,446)	(429,599)	0
Reversal regarding disposals	0	15,508,811	450,340	0
Depreciation and impairment losses end of year	**(84,872,559)**	**(149,847,283)**	**(9,086,217)**	**0**
Carrying amount end of year	**32,129,885**	**40,858,965**	**2,118,862**	**1,075,098**
Recognised assets not owned by entity	0	0	1,462,044	0

9 Prepayments

Prepayments comprise prepaid costs, primarily freight and mebership fees, relating to the next financial year.

10 Share capital

	Nominal value DKK
A-shares, 50.000 unit in the denomination of 1.000 DKK	50,000,000
	50,000,000

11 Deferred tax

Changes during the year	2024 DKK	2023 DKK
Beginning of year	444,747	(74,386)
Recognised in the income statement	(423,901)	519,133
End of year	**20,846**	**444,747**

Deferred tax relates to intangible assets, property, plant and equipment, financial assets, liabilities other than provisions and receivables.

12 Non-current liabilities other than provisions

	Due within 12 months 2024 DKK	Due within 12 months 2023 DKK	Due after more than 12 months 2024 DKK
Lease liabilities	328,809	45,217	1,042,472
Other payables	0	0	790,000
	328,809	**45,217**	**1,832,472**

Other payables relate to rent deposits for the tenancies, which have not been terminated by the tenant.
There are no outstanding debt after 5 years.

13 Changes in working capital

	2024 DKK	2023 DKK
Increase/decrease in inventories	(1,878,810)	13,467,842
Increase/decrease in receivables	953,887	(4,577,239)
Increase/decrease in trade payables etc	5,257,966	(39,539,024)
	4,333,043	**(30,648,421)**

14 Contingent liabilities

The entity has entered agreements of leasing production machinery and operating equipment with an annual lease cost of DKK ('000) 866. The contracts are irredeemable for up to 76 months and have an outstanding commitment of DKK ('000) 3,182.

15 Assets charged and collateral

Of the company's assets at 31 December 2024, an amount of DKK ('000) 135,642 is assessed to be subject to a floating charge of a nominal amount of DKK ('000) 40,000.

The company has issued a mortgage deed to bank of a total amount of DKK ('000) 25,000, which provides security on land and buildings of a carrying amount of DKK ('000) 32,130 at 31 December 2024.

The company has bank debt of DKK ('000) 24,678 at 31 December 2024.

The carrying amount of charged assets has been disclosed only on the basis of the distribution used in the annual report. The carrying amount of any operating equipment, which will be subject to the charge according to section 37 of the Danish Land Registration Act, should be added to this amount.

16 Related parties with controlling interest

Advanced Industries Packaging Sweden AB (Sweden) is the sole shareholder of the company. Advanced Industries Packaging Sweden AB (Sweden) is 100% owned by Advanced Industries Packaging Limited (Ireland) which in its turn is 100% owned by ADVANCED PACKAGING GROUP GmbH (Austria).

17 Transactions with related parties

The company did not carry out any transactions with related parties that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only ontransactions that were not performed on common market conditions.

18 Group relations

The company's ultimate parent undertaking is ADVANCED PACKAGING GROUP GmbH, Schwarzenbergplatz 3, 1010 Vienna, Austria. The parent of the largest group in which the results are consolidated is Advanced Industries Packaging Limited, Unit 1, Block 4, Ashbourne Business Park, Ashbourne, Co. Meath, Ireland. Advanced Industries Packaging Limited is a company registered in the Republic of Ireland.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise costs, including wages and salaries and depreciation, incurred to achieve the net revenue for the year. Cost of sales include direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing and depreciation of production plant.

Research costs and the development costs that do not fulfil the criteria for capitalization are also recognized in production costs.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses
Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including profit from the sale of intangible assets and property, plant and equipment.

Other financial income
Other financial income comprises interest income, including interest income on payables and transactions in foreign currencies etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables and transactions in foreign currencies, amortisation of financial liabilities etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc
Intellectual property rights etc comprise intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. The depreciation base is cost less estimated residual value after end of useful life. Software are depreciated over 3 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Buildings	25 years	27-30 %
Plant and machinery	8-20 years	0 %
Other fixtures and fittings, tools and equipment	3-10 years	0 %

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt, payment of dividend to shareholders and bank overdraft.