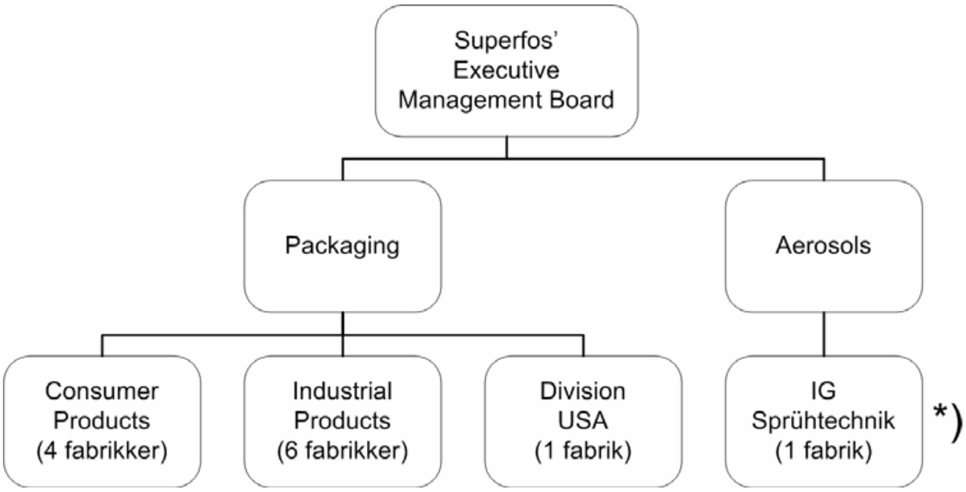
Annual Report | 2006

Superfos Industries a/s

Superfos® - *part of your day*

Contents

Activities and structure



Following the divestment of the German aerosol company IG Sprühtechnik in July 2006, the activities of the Superfos Group with Superfos a/s as the parent company solely comprise the core business area of **Packaging**.

Packaging manufactures and sells injection-moulded plastic pots and pails for packaging. Activities are undertaken from 10 factories in Europe and one factory in the United States, which combined employ about 1,525 people.

*) The legal structure of the **Group** is shown on page 38

**) The aerosol company IG Sprühtechnik was divested as of 31 July 2006*

Endorsements and auditors' report

Management endorsement

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Superfos Industries a/s and the Superfos Industries Group for the year ended 31 December 2006.

The Annual Report has been prepared in compliance with the provisions of the Danish Financial Statements Act. In our opinion, the accounting policies applied are appropriate and the Annual Report therefore gives a true and fair view of the Company's and Group's assets, liabilities and financial position at 31 December 2006 and of the results of the Company's and Group's operations and cash flows for the financial year ended 31 December 2006.

The Annual Report is laid before the Annual General Meeting for adoption. The AGM will be held on 5 March 2007, at 2.00 pm, at the registered office of the Company.

Vipperød, 21 February 2007

Executive Board

Hans Pettersson
President & CEO

René Frederiksen
Executive Vice President & CFO

Benny Nielsen
Executive Vice President, Technology

Søren Lisbjerg
Executive Vice President & COO

Board of Directors

Waldemar Schmidt
Chairman

Gerard De Geer
Deputy Chairman

Mads Ryum Larsen

Torben Bjerre-Madsen

Thomas Mossberg

Tove Langlet

Independent auditors' report

To the shareholders of Superfos Industries a/s

We have audited the Annual Report of Superfos Industries a/s for the financial year ended 31 December 2006, comprising management endorsement, management's review, accounting policies, profit and loss accounts, balance sheets, cash flow statement, notes and statement of changes in equity. The Annual Report is presented in accordance with the provisions of the Danish Financial Statements Act.

Responsibility of management for the Annual Report

Management is responsible for preparing and presenting an annual report which gives a true and fair view in conformity with the provisions of the Danish Financial Statements Act. This responsibility includes establishing, implementing and maintaining internal controls of relevance to the preparation and presentation of an annual report which gives a true and fair view and is free of material misstatement, regardless of whether such misstatement is the result of fraud or error, and choosing and applying appropriate accounting policies and making accounting estimates which are reasonable under the circumstances.

Responsibility of the auditors and basis of opinion

Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with Danish auditing standards. These standards require that we comply with ethical standards and plan and perform our audit to obtain reasonable assurance that the Annual Report is free of material misstatement.

An audit comprises procedures to obtain audit evidence of the amounts and disclosures stated in the Annual Report. The procedures chosen depend on the auditors' assessment, including an assessment of the risk of material misstatement in the Annual Report, regardless of whether such misstatement is the result of fraud or error. In the risk assessment, the auditors consider internal controls of relevance to the Company's preparation and presentation of an annual report which gives a true and fair view for the purpose of establishing audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes assessing whether the accounting policies applied by management are appropriate, assessing whether the accounting estimates made by management are reasonable and assessing the overall presentation of the Annual Report.

In our opinion, the audit evidence obtained provides a reasonable and suitable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's assets, liabilities and financial position at 31 December 2006 and of the results of the Group's operations and cash flows for the financial year ended 31 December 2006 in accordance with the Danish Financial Statements Act.

Vipperød, 21 February 2007

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Finn L. Meyer
State-Authorised Public Accountant

Per Ejsing Olsen
State-Authorised Public Accountant

Management's review

Five-year summary

(mEUR)	2006	2005	2004	2003	2002
Profit and loss account					
Net turnover	342	355	344	353	373
Profit before financial items and tax (EBIT)	**9**	**0**	**23**	**7**	**9**
Gain on sale of business	0	14			
Financial items	(9)	(13)	(13)	(13)	(16)
Profit / (loss) on ordinary operations before ta	**(1)**	**1**	**10**	**(6)**	**(7)**
Net profit / (loss) for the year	**(7)**	**(5)**	**3**	**(6)**	**(8)**
Balance sheet					
Assets					
Fixed assets	204	231	299	306	318
Current assets	108	124	105	116	129
Total assets	**312**	**355**	**404**	**422**	**447**
Liabilities					
Shareholders' equity	99	107	109	106	113
Provisions	13	15	13	12	21
Long-term debt	119	166	180	213	238
Short-term debt	81	67	102	91	75
Total liabilities	**312**	**355**	**404**	**422**	**447**
Average number of employees	1,597	1,788	1,878	2,150	2,359
Cash flows					
Cash flows from operating activities	24	22	49	25	40
Investment in tangible fixed assets	26	19	28	34	33
Acquisition and sale () of business	(17)	(51)			92
Key financial figures and ratios					
Operating profit margin (%)	2.6	0.0	6.7	2.0	2.4
Equity-to-assets ratio (%)	31.7	30.0	27.0	25.1	25.3
Net interest-bearing debt	134	155	216	238	231

For the computation of key financial figures and ratios, the following definitions have been applied:

Operating profit margin: $\frac{\text{Profit before financial items and tax X 100}}{\text{Net turnover}}$

Equity-to-assets ratio: $\frac{\text{Shareholders' equity at year-end X 100}}{\text{Total assets}}$

Net interest-bearing debt: Interest-bearing liabilities less cash and cash equivalents and other current assets that can readily be converted into cash

In 2002 comparative figures were restated to reflect the changed accounting policy for proposed dividends, which as from 2002 is included in equity until the final resolution of the general meeting. Comparative figures for 2001 have been translated into EUR at the rate of exchange ruling at 31 December 2001.

Management's review

Management's review

Superfos Industries a/s was founded in 1999 for the purpose of acquiring the total share capital of Superfos a/s.

Superfos Industries a/s pursues no activities other than the ownership of Superfos a/s, which is the parent company of the Superfos a/s Group.

Following the divestment of the German aerosol company IG Sprühtechnik in July 2006, the activities of the Superfos Industries Group solely comprise the core business area of **Packaging**.

Packaging manufactures and sells injection-moulded plastic packaging. Activities are undertaken from 10 factories in Europe and one factory in the United States, which combined employ about 1,525 people (2005: 1,660 employees).

Group turnover came to EUR 342.3m (2005: EUR 354.7m), and EBIT was EUR 8.7m (2005: EUR -0.1m). The decline in turnover can be ascribed to the divestment of Division Pharma at the close of 2005 and the divestment of the aerosol company IG Sprühtechnik at 31 July 2006. Turnover for continuing operations increased by EUR 23.2m. The improvement in earnings was mainly due to the fact that 2005 was affected by the impairment of goodwill attributable to Aerosols (IG Sprühtechnik) in a total amount of EUR 11.0m. Adjusted for the earnings realised by the above-mentioned divested businesses, EBIT from continuing operations was EUR 8.3m, against EUR 9.0m in 2005. The decrease was attributable to a number of one-off items, see below, which had a significant impact on 2006.

Packaging

Packaging posted total turnover of EUR 326.7m (2005: EUR 328.9m) and EBITA of EUR 12.4m (2005: EUR 15.6m).

Disregarding Division Pharma, which was divested at the close of 2005 and contributed EUR 25.4m to turnover, 2006 turnover was 8% up on last year, equivalent to a rise of EUR 23.2m. The forecast of a rising activity level in 2006, expressed in the Annual Report for 2005, therefore came true. The improvement was supported by continued sales growth in a wide array of European markets and in the United States. Higher sales prices also pushed up turnover, which mainly resulted from the 15% rise in prices of raw materials compared with the level of 2005.

Adjusted for the divestment of Division Pharma at the close of 2005, EBITA was EUR 0.8m down on last year. Competition is still intense in some of the European markets, and it has consequently been difficult to obtain sufficient compensation for the increased expenses for raw materials. Moreover, the financial performance for 2006 was affected by various strategic decisions. The third quarter saw the inauguration of a newly erected production facility in Poland, which offered expanded capacity compared with the existing, outdated Polish factory. The relocation of production to the new factory implied a reduction in the organisations in Denmark and the UK according to plan. Overall, it generated special one-off costs for termination benefits and start-up of production in Poland. Towards the end of the year, production at the factory in Tamworth in the UK was discontinued and the sales office in Switzerland was closed down, which also caused one-off costs for termination benefits etc. In 2006 total additional costs incurred in connection with the structural rationalisations mentioned above were EUR 3.1m. Disregarding these one-off costs, the underlying business thus showed improvement over 2005.

Management's review

Aerosols (divested as of 31 July 2006)
Aerosols posted turnover of EUR 15.6m (2005: EUR 25.8m) and EBITA of EUR 0.8m (2005: EUR 1.4m).

The business area was sold to the management with effect from 31 July 2006. The consideration totalled EUR 16.9m, and the loss on the divestment was recognised in the accounts at EUR 0.2m. Usual guarantees and warranties were provided in connection with the divestment.

Description of risks

General risks
The Group is to some extent exposed to fluctuations in the price of plastic granulate (Polypropylene), which is the Group's primary raw material. An attempt is made to meet the exposure by incorporating price clauses into the sales contracts. The market-related response time is usually two to three months, and a change in the raw material price by EUR 100 per tonne will affect gross profit by EUR 2m.

Financial risks
The Group's foreign exchange and interest rate risks are managed centrally. For both types of exposure, position-taking is made exclusively against the background of business-related factors.

Foreign exchange risks
The Group's international operations mean that about 80% of operations stem from outside Denmark. Despite this high percentage, the foreign exchange exposure is limited since most of the costs underlying foreign turnover are incurred in the same currencies. Payments crossing the currency borders thus account for a mere 15 to 20% of turnover. Forward cover, which is taken out on a selective basis for anticipated payments up to 12 months, is for the sole purpose of reducing risk.

Foreign exchange risks on recognised financial assets and liabilities in a single currency are hedged through the conclusion of financial agreements, usually in the form of forward exchange contracts and options.

As a general rule, invoices are made out in the currency of the recipient country, and endeavours are made to achieve a balance between amounts invoiced and payments received in foreign currencies. The Group's primary exposure is in GBP, SEK and NOK.

Interest rate risks
Financial instruments in the form of forward rate agreements and interest rate swaps are used to hedge the Group's interest rate risk. Most of the Group's bank loans have been taken out with short interest-rate adjustment periods. In the event of a 1%point increase in interest rates, the Group's interest rate exposure will be in the region of EUR 1.5m.

Credit risks
The Group's credit risks are primarily linked to trade debtors. The Group's policy for assuming credit risks implies the regular assessment of all major customers' creditworthiness. The Group has assumed no significant risks in connection with a single customer.

Management's review

Knowledge resources

The Group endeavours to use efficient and automated production processes and, in that manner, secure a product quality that constantly meets the various segments' specific requirements for plastic packaging – an effort mainly targeted at customers in the food industry as well as the building and construction sector.

This calls for a continuously high competence level throughout all stages of the production process, and the ongoing updating of the skills and knowledge of the Group's technicians is therefore a focus area in that connection. Training courses are provided in-house as well as on the premises of our suppliers of injection-moulding machines and robots.

Environment and hygiene

Production of plastic containers is primarily based on the plastic granulate of the Polypropylene (PP) type. This granulate is not a pollutant in itself. Packaging produced of PP or a similar granulate is converted into CO_2 and water in connection with complete incineration and, therefore, does not have an impact on the environment during such a process of destruction.

The Group is a major supplier to the food industry, which places exacting demands on the standard of hygiene in production.
Continuous steps are taken to improve the standard of hygiene and ensure that it meets specific customer requirements at all times, which is regularly verified by auditors.

Finances

The financing of the Superfos Industries a/s Group is covered by a bank agreement setting out various ordinary covenants with regard to developments in the Superfos Industries a/s Group's key financial ratios. Against the background of the budgets and plans for 2007, the management estimates that these covenants will be met. The Group's loan facility has therefore been included under long-term debt, except for next year's reduction in loan principal.
As mentioned in note 10 to the accounts of the parent company, all shares in Superfos a/s have been pledged as security for the financing. The Group's net interest-bearing debt at end-2006 was EUR 134m (2005: EUR 155m). Most of the debt reduction stems from the divestment of Aerosols, which trimmed net interest-bearing debt by EUR 16.9m, coupled with the sale of the factory property in Tamworth, which yielded just over EUR 5m.

Total assets at end-2006 were EUR 312.3m (2005: EUR 355.2m), and shareholders' equity stood at EUR 98.8m (2005: EUR 106.9m), equivalent to an equity-to-assets ratio of 31.7% (2005: 30.0%).

The book value of goodwill at 31 December 2005 totalled EUR 56.8m (2005: EUR 61.8m), which stems partly from the acquisition by Superfos Industries a/s of Superfos a/s in 1999, partly from the acquisition of Jotipac Group in 2002. The book value of goodwill relating to Aerosols at 31 July 2006 of EUR 0.5m is included in the loss on the divestment recognised in the accounts, see description under Aerosols above. Remaining goodwill is amortised over 20 years. Against the background of budgets for 2007 and plans for the years ahead, the Board of Directors and Executive Board predict that earnings (EBITA) will be sufficient to provide return on and amortise capitalised goodwill and have consequently found no basis for adjusting the value.

The Group cash flow statement shows that operating activities brought a net cash inflow of EUR 24.4m (2005: EUR 22.0m). EUR 26.0m (2005: EUR 19.5m) was invested in tangible fixed assets, which was mainly used for injection-moulding and decoration machines, tools as well as robots and the establishment of the new factory in Poland of EUR 7.1m. The divestment of

Management's review

Aerosols contributed EUR 16.9m, whereas sales of other tangible fixed assets for EUR 6.1m primarily comprised the sale of the factory property in Tamworth. Hence, cash flows from operating and investing activities were EUR 21.4m in 2006 (2005: EUR 60.2m). In 2005, the divestment of Division Pharma contributed EUR 51.5m.

The Group came out of 2006 with a loss before tax of EUR 0.5m (2005: profit of EUR 1.0m). Tax on the loss for the year of EUR 6.4m should be seen against the background of non-deductible goodwill amortisation of EUR 4.6m as well as foreign tax loss carryforwards that have not been capitalised on grounds of prudence.

Adjusted for the goodwill impairment of EUR 11.0m in 2005 pertaining to Aerosols and the loss of earnings from the businesses divested in 2005 and 2006 (Division Pharma and Aerosols), EBIT from continuing operations was EUR 8.3m in 2006 (2005: EUR 9.0m). Considering the additional costs of EUR 3.1m incurred in connection with structural initiatives in 2006, it appears that the forecast for 2006 of a rise in the Group's profit before financial items and tax (EBIT), as set out in the Annual Report for 2005, came true.

Management and organisation changes

In January 2006 Kim Andersen stepped down as President & CEO. Torben Bjerre-Madsen, member of the Board of Directors, was appointed acting President & CEO for a temporary period expiring in mid-September, at which point Hans Pettersson took up the position as President & CEO of Superfos.
In January 2007 it was decided to change the functional organisation structure into a regional structure made up of six independent geographical regions. On that occasion, Søren Lisbjerg joined the Executive Board at the beginning of 2007, assuming overall responsibility for production and logistics across regional boundaries. At the same time, Benny Nielsen became responsible for the Group's product and technology development. Martin Malmros, Executive Vice President of Sales and Marketing, chose to resign from his post at 31 January 2007.

Outlook

The new management anticipates a rising activity level and an improvement in Group profit before financial items and tax (EBIT) for 2007.

Ownership

The following interests of 5% or more in the shares of Superfos Industries a/s were recorded in the company's register of substantial interests:

- *Industri Kapital 1997 Limited Partnership I*
  Charles Bisson House, 30-32 New Street, St. Helier, Jersey JE2 3RA, Channel Islands

- *Industri Kapital 1997 Limited Partnership II*
  Charles Bisson House, 30-32 New Street, St. Helier, Jersey JE2 3RA, Channel Islands

- *Industri Kapital 1997 Limited Partnership III*
  Charles Bisson House, 30-32 New Street, St. Helier, Jersey JE2 3RA, Channel Islands

- *Industri Kapital 1997 Limited Partnership IV*
  Charles Bisson House, 30-32 New Street, St. Helier, Jersey JE2 3RA, Channel Islands

- *Ratos AB (publ)*
  PO Box 1661, S-111 96 Stockholm, Sweden

Accounting policies

The Annual Report of Superfos Industries a/s for the year ended 31 December 2006 is presented in conformity with the provisions of the Danish Financial Statements Act governing class C companies.

The consolidated and annual accounts have been drawn up on the basis of the same accounting policies as those applied last year, except for the profit and loss account.

As from 2006, the Company's management has chosen to reclassify the profit and loss account items with the effect that they are now classified by nature rather than by function.

The reason for the change is that the management would like to show depreciation of fixed assets and amortisation of Group goodwill in separate items in the profit and loss account, which is not allowed in the profit and loss account classified by function where the amounts of depreciation and amortisation are required to be distributed on the individual items.

Comparative figures for 2005 and key financial figures and ratios have been restated to reflect the new classification of the profit and loss account.

Recognition and measurement in general
Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the group and the value of the asset can be measured reliably.
Liabilities are recognised in the balance sheet when they are probable and can be measured reliably.
At the time of initial recognition, assets and liabilities are measured at cost. Subsequent to initial recognition, assets and liabilities are measures as described for each individual accounting item below.
Certain financial assets and liabilities are measured at amortised cost, in which case a constant effective interest rate is recognised over the life of the asset or liability. Amortised cost is the original cost less principal repayments, if any, with the addition of or net of the accumulated amortisation of the difference between cost and nominal amount.
For recognition and measurement purposes, due consideration is given to gains, losses and risks arising before the annual report is prepared and proving and disproving conditions existing at the balance sheet date.
Income is recognised in the profit and loss account as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Moreover, costs incurred to generate earnings for the year are recognised, including depreciation, amortisation, write-downs and provisions as well as reversals resulting from changed accounting estimates of amounts that used to be recognised in the profit and loss account.

Consolidated accounts
The consolidated accounts comprise the Parent Company, Superfos Industries a/s, and subsidiaries in which Superfos Industries a/s directly or indirectly holds more than 50% of the voting rights or, in any other way, has a controlling interest.
Companies in which the Group holds between 20 and 50% of the voting rights and has a significant but not controlling interest are considered associated undertakings. The accounts of associated undertakings are consolidated and included in the consolidated accounts on a pro rata basis (pro rata consolidation).
The consolidated accounts have been prepared by consolidating the audited annual accounts of the Parent Company and the individual subsidiaries, whose accounts have all been drawn up in compliance with the accounting policies of the Superfos Industries Group.
Intercompany income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains and losses on transactions between consolidated companies are eliminated on consolidation.

Accounting policies

Newly acquired or newly established companies are recognised in the consolidated accounts from the date of acquisition or establishment. Divested or liquidated companies are recognised in the consolidated profit and loss account up to the time of divestment or liquidation. Comparative figures are not restated for newly acquired, divested or liquidated companies.
In the event of company acquisitions, the acquisition accounting method is used, according to which the identifiable assets and liabilities of the newly acquired companies are measured at fair value at the date of acquisition. Provisions are made for the cost of decided and published plans to restructure the acquired company in connection with the acquisition. Allowance is made for the tax effect of revaluations.
Positive differences (goodwill) between the acquisition cost and fair value of acquired identifiable assets and liabilities, including provisions for restructuring expenses, are recognised as intangible fixed assets and amortised systematically in the profit and loss account on the basis of the estimated useful life of the asset not exceeding twenty years.
Negative differences (negative goodwill), reflecting an expected unfavourable development of the companies in question, are recognised in the balance sheet under prepayments and accruals and recognised in the profit and loss account in parallel with the realisation of the unfavourable development. An amount of negative goodwill not related to an expected unfavourable development is recognised in the balance sheet, equalling the fair value of non-monetary assets, which is subsequently recognised in the profit and loss account over the average life of such non-monetary assets.
Goodwill and negative goodwill from acquired companies are adjustable until the end of the year following the acquisition.
Any gain or loss on the divestment or liquidation of subsidiaries and associated undertakings is calculated as the difference between the selling or liquidation price and the net asset value at the date of divestment or liquidation, including non-amortised goodwill as well as the expected cost of divestment or liquidation.

Minority interests
The items of subsidiaries are fully recognised in the consolidated accounts. Minority interests' proportionate share of the results and shareholders' equity of subsidiaries are adjusted on an annual basis and recorded separately in the profit and loss account and balance sheet.

Foreign currency translation
At the time of initial recognition, transactions in foreign currencies are translated at the rates of exchange ruling at the date of transaction. Exchange differences arising between the exchange rates at the date of transaction and the date of payment are recognised in the financial items of the profit and loss account.
Debtors, creditors and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates ruling at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the date when the amount receivable or payable originated or was recognised in the latest annual accounts is recognised in the profit and loss account under financial income and expenses.
For the recognition of foreign subsidiaries and associated undertakings, all of which are independent entities, the profit and loss accounts are translated at average exchange rates for the month, and the balance sheet items are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of the shareholders' equity of foreign subsidiaries at the beginning of the year at the exchange rates ruling at the balance sheet date and from the translation of the profit and loss accounts based on average exchange rates at the exchange rates ruling at the balance sheet date are recognised directly in equity.
Exchange gains and losses on intercompany balances with independent foreign subsidiaries that are considered a part of the total investment in the subsidiary are recognised directly in

equity. Exchange gains and losses on loans and derivative financial instruments used for hedging foreign subsidiaries are also recognised directly in equity.

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other debtors and creditors, respectively.
Changes in the fair value of derivative financial instruments classified as and qualifying for recognition as an instrument used for hedging the fair value of a recognised asset or liability are recognised in the profit and loss account together with changes in the value of the hedged asset or liability.
Changes in the fair value of derivative financial instruments classified as and qualifying for recognition as an instrument used for hedging future assets or liabilities are recognised directly in equity. Income and expenses relating to such hedging transactions are transferred from shareholders' equity on the realisation of the hedged item and recognised in the same accounting item as the hedged item.
In regard to derivative financial instruments that do not qualify for hedge accounting treatment, changes in fair value are recognised in the profit and loss account when they occur.
Changes in the fair value of derivative financial instruments used for hedging net investments in independent foreign subsidiaries or associated undertakings are recognised directly in equity.

Profit and loss account

Net turnover
Net turnover from the sale of goods for resale and finished goods is booked to the profit and loss account if delivery and transfer of risk to the individual purchaser took place before the end of the year and if income can be calculated reliably and is likely to be received. Net turnover is measured exclusive of value added tax, other taxes and discounts in relation to the sale.
Contracted work in progress is recognised in net turnover as production is completed, which means that net turnover equals the sales value of work performed during the year (percentage of completion method).

Costs for raw materials, consumables and goods for resale
Costs for raw materials, consumables and goods for resale comprise costs incurred to generate net turnover for the year. Cost of sales is recognised in regard to goods for resale, and production costs are recognised in regard to self-produced goods at net turnover for the year. Such costs include direct and indirect cost for raw materials and consumables as well as development costs that do not qualify for capitalisation.

Other external expenses
External expenses comprise administrative expenses and selling and marketing expenses.

Other operating income and costs
Other operating income and costs comprise items secondary to the principal activities of the companies, including gains and losses on the sale of intangible and tangible fixed assets.

Results of participating interests in subsidiaries
The proportionate share of the results before tax of the individual subsidiaries is recognised in the profit and loss account of the Parent Company after full elimination of intercompany gains/losses and deduction of goodwill amortisation. The share of the taxes and extraordinary items of subsidiaries is recognised as tax on profit on ordinary operations and profit on extraordinary operations after tax, respectively.

Accounting policies

Financial income and expenses
Financial income and expenses comprise interest income and expenses, gains and losses on securities, creditors and transactions in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme etc. Financial income and expenses are recognised at the amounts relating to the financial year.

Extraordinary income and charges
Extraordinary income and charges comprise income and expenses arising from events or transactions that are clearly distinct from ordinary operations, are beyond the control of the company and are not expected to recur.

Tax on profit for the year
Superfos Industries a/s is jointly taxed with a number of wholly-owned Danish subsidiaries. The current Danish corporation tax is distributed among the Danish companies included in the joint taxation in proportion to their taxable incomes (full distribution with reimbursement relating to tax losses). The jointly taxed companies are included in the on-account tax scheme. Tax for the year comprises current tax and changes in deferred taxes for the year. The tax expense relating to the profit for the year is recognised in the profit and loss account, and the tax expense relating to changes taken directly to equity is recognised directly in equity. The tax expense recognised in the profit and loss account relating to the extraordinary profit for the year is allocated to this item, whereas the remaining tax expense is allocated to profit on ordinary operations for the year.

Balance sheet

Intangible fixed assets

Goodwill
Goodwill is amortised over its estimated useful economic life, determined on the basis of the Management's experience within the individual business areas. Goodwill is amortised on a straight-line basis over a period not exceeding 20 years, the longest amortisation period being for strategically acquired companies with strong market positions and long-term earnings profiles.
The net book value of goodwill is continuously assessed and written down to recoverable amount in the profit and loss account provided that the net book value exceeds the expected future net income from the company or activity to which the goodwill relates.

Development projects, patents and licences
Development costs comprise costs, wages and salaries and other costs, including amortisation, that are directly and indirectly attributable to the company's development activities as well as externally acquired rights. Patent and license costs are also included.
Development projects that are clearly defined and identifiable, where the capacity utilisation rate, sufficient resources and a potential future market or development prospects for the company can be established, and where the intention is to produce, market or use the project, are recognised as intangible fixed assets if the cost can be determined reliably and there is adequate certainty that future earnings will cover production costs, selling and administrative expenses and development costs. Other development costs are recognised in the profit and loss account as incurred.
Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.
On completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset. The period of amortisation is usually five years and does not exceed twenty years.

Accounting policies

Intangible fixed assets are written down to the lower of recoverable amount or net book value. Impairment tests are conducted annually in respect of each individual asset or group of assets.

Tangible fixed assets
Land and buildings, plant and machinery, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.
Cost comprises the acquisition cost and any costs directly attributable to the acquisition up to the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages and salaries.
Interest expenses on loans to finance the production of tangible fixed assets and relating to the period of production are included in cost. All other borrowing costs are recognised in the profit and loss account.
The cost of leases is stated at the lower of fair value or net present value of future lease payments. For the calculation of net present value, the internal rate of interest specified in a particular lease, or an approximation thereof, is used as a discount rate.
Tangible fixed assets are written down on a straight-line basis over their estimated useful lives, which are as follows:

Building structures	20-50 years
Domestic services	15-30 years
Injection-moulding machines	10 years
Moulds and tools	5 years
Other plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	3-5 years

Minor acquisitions and assets with short useful lives are charged to the profit and loss account as incurred.
Depreciation is recognised in the profit and loss account as production costs, distribution costs and administrative expenses, respectively.
Tangible fixed assets are written down to the lower of recoverable amount or net book value. Impairment tests are conducted annually in respect of each individual asset or group of assets.
Any gain or loss on the disposal of tangible fixed assets is stated as the difference between the selling price less selling costs and net book value at the date of disposal. The gain or loss is recognised in the profit and loss account under other operating income or other operating costs.

Impairment of assets
The carrying amount of assets, not including stocks, deferred tax assets and financial assets, are subject to an annual impairment test. When there is an indication of impairment, the recoverable amount of the asset is determined. The recoverable amount is the higher of the net selling price of an asset or its value in use. If neither the net selling price of an asset nor its value in use is determinable, for instance if cash flows from the asset are dependent on cash flows from other assets, the value is use is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or the net assets of a cash-generating unit, respectively, exceeds the recoverable amount of the asset or cash-generating unit. Impairment losses are recognised in the profit and loss account.

Leases
Leases for fixed assets in respect of which the company has all significant risks and benefits related to ownership (finance leases) are measured at the time of initial recognition in the balance sheet at the lower of fair value and net present value of future lease payments. For

Accounting policies

the calculation of net present value, the internal rate of interest specified in a particular lease, or an approximation thereof, is used as a discount rate. Assets under finance leases are subsequently treated like the company's other fixed assets.

Any capitalised remaining lease commitment is recognised in the balance sheet as a liability, and the interest portion of the lease payments is recognised in the profit and loss account over the term of the lease.

All other leases are regarded as operating leases. Payments under operating and other leases are recognised in the profit and loss account over the term of the lease. The company's total liability relating to operating leases appears from contingencies etc.

Participating interests in subsidiaries

Participating interests in subsidiaries are measured according to the equity method.
Participating interests in subsidiaries are measured in the balance sheet at the Parent Company's proportionate share of the net asset values of such subsidiaries in compliance with the Parent Company's accounting policies with the addition of or less unrealised intercompany gains or losses and with the addition of or less the residual value of goodwill or negative goodwill.
Subsidiaries with negative net asset values are measured at EUR 0 (nil), and any amounts owed by such companies are written down by the Parent Company's share of the negative net asset value. Where the negative net asset value exceeds the amount owed, the outstanding balance is recognised as provisions for subsidiaries.
Net revaluation of participating interests in subsidiaries is taken to the reserve for net revaluation according to the equity method under shareholders' equity to the extent that the net book value exceeds acquisition cost.

Stocks

Stocks are measured at cost in accordance with the FIFO method. Where net realisable value is lower than cost, stocks are written down this lower value.
Goods for resale and raw materials and consumables are measured at cost, comprising acquisition cost with the addition of delivery costs.
Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and production overheads. Production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the production process and the cost of factory administration and management. Borrowing costs are not recognised.
The net realisable value of stocks is calculated as selling price less completion costs and costs involved in executing the sale and is determined with due regard to marketability, obsolescence and movements in expected selling price.

Debtors

Debtors are measured at amortised cost. Provision is made for expected losses.

Prepaid expenses and accrued revenue

Prepaid expenses and accrued revenue comprise costs paid but relating to subsequent financial years.

Other securities and participating interests

Listed securities and participating interests, recognised as current assets, are measured at fair value at the balance sheet date.

Accounting policies

Shareholders' equity

Dividends
Proposed dividends are recognised as a liability at the time of their adoption at the Annual General Meeting of the company (date of declaration). Dividends payable for the year are shown as a separate item under shareholders' equity.

Own shares
The acquisition cost, selling price and dividends pertaining to own shares are recognised directly as retained profits under shareholders' equity. Accordingly, gains and losses on the sale of own shares are not recognised in the profit and loss account. Capital reductions resulting from the cancellation of own shares reduce the share capital of the company by an amount corresponding to the nominal value of the shares.

Incentive programmes
The Superfos Group's incentive programmes comprise a share option programme and employee shares.

Share option programme
The value of services received in exchange for granted options is measured at the fair value of the options granted.

For equity-settled programmes, the share options are measured at fair value at the grant date and recognised in the profit and loss account under staff costs over the vesting period. The set-off item is recognised directly in equity.
On initial recognition of the share options, the Company estimates the number of options expected to vest in the employees, see the service condition. The estimate is subsequently revised for changes in the number of options vested. Accordingly, recognition is based on the number of options ultimately vested.
The fair value of granted options is estimated in accordance with an option pricing model, taking into account the terms and conditions on which the options were granted.

Employee shares
When the Superfos Group's employees are granted the right to subscribe for shares at a price below the market price, the bonus element is recognised under staff costs. The set-off item is recognised directly in equity. The bonus element is determined at the subscription date as the difference between the fair value and the subscription price of the shares.

Pension obligations and similar long-term obligations
The Group has concluded pension contracts and similar agreements with most of its employees.
Contributions to defined-contribution pension plans are recognised in the profit and loss account during the accumulation period, and contributions payable are recognised in the balance sheet under other creditors.
In regard to defined-benefit pension plans, an annual actuarial calculation is made of the value in use of future benefits payable according to the plan. The value in use is calculated on the basis of assumptions on future movements in wages and salaries and trends in interest, inflation and mortality rates. The value in use is exclusively calculated for the benefits to which the employees have earned entitlement by way of their employment with the Group. The actuarial value in use, net of the fair value of any assets pertaining to the plan, is recognised in the balance sheet under pension obligations (subject to the following provisions).
Differences between forecast changes in pension plan assets and obligations and actual values are known as actuarial gains or losses. If subsequent cumulative actuarial gains or losses at the beginning of a financial year exceed the greater numerical value of 10% of the pension obligations or 10% of the fair value of the pension plan assets, the gains or losses are

Accounting policies

recognised in the profit and loss account over the expected average remaining working lives of the relevant employees with the Company. Actuarial gains or losses not exceeding the above-mentioned limits are not recognised in the profit and loss account or balance sheet, but are disclosed in the notes.
If changes in benefits relating to services rendered by employees in previous years result in changes in the actuarial present value, the changes are recognised as historical costs. Historical costs are recognised immediately, provided employees have already earned the changed benefits. If employees have not earned the benefits, the historical costs are recognised in the profit and loss account over the period in which the changed benefits are earned by the employees.

Corporation tax and deferred taxes
Current tax payable and receivable is recognised in the balance sheet as tax computed on taxable income for the year, adjusted for tax on taxable incomes for prior years and for taxes paid on account.
Deferred taxes are measured according to the balance sheet liability method on all temporary differences between accounting and taxation treatment of the values of assets and liabilities. However, deferred taxes are not recognised on temporary differences relating to non-deductible goodwill and other items where temporary differences – apart from business acquisitions – have occurred at the date of acquisition without affecting profit for the year or taxable income. In the event that alternative tax rules can be applied to determine the tax base, deferred taxes are measured on the basis of the planned use of the asset or settlement of the liability, respectively.
Deferred tax assets, including the tax base of tax loss carryforwards, are recognised at their estimated realisable value by being offset either against tax on future income or against deferred tax liabilities in the same legal tax entity and jurisdiction.
Adjustment is made for deferred taxes in respect of eliminations of unrealised intercompany gains and losses.
Deferred taxes are measured in compliance with the taxation rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax liability is expected to crystallise as current tax. Changes in deferred taxes as a result of changes in tax rates are recognised in the profit and loss account.

Other provisions
Provisions comprise expected costs related to guarantee commitments, losses on work in progress, restructurings, etc. Provisions are recognised when the Group has a legal or constructive obligation as a result of past events and the discharge of such an obligation is likely to involve an outflow of the company's financial resources.
In connection with business acquisitions, provision for restructurings of the acquired company is included in the calculation of acquisition cost and, accordingly, in goodwill in so far as they have been decided and published on or before the acquisition date.
When total costs are likely to exceed total income in respect of contracted work in progress, provision is made for the total loss expected to result from the contract in question. The provision is recognised as production costs.

Financial liabilities
Amounts owed to mortgage credit institutions and banks are recognised at the date of borrowing at the proceeds received net of transaction costs paid. In subsequent periods, financial debt is measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the profit and loss account over the term of the loan.
Financial liabilities also include the capitalised residual obligation under finance leases.
Other liabilities are measured at net realisable value.

Accounting policies

Prepaid expenses and accrued revenue
Prepaid income and accrued expenses comprise negative goodwill, see description under consolidation policy above, as well as payments received but relating to subsequent years.

Cash flow statement
The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the cash inflows and outflows for the year as well as the Group's cash and cash equivalents at the beginning and end of the year.
The cash flow effect of business acquisitions and divestments is shown separately under cash flows from investing activities. Cash flows from acquired companies are recognised in the cash flow statement from the date of acquisition, and cash flows from divested companies are recognised up to the date of divestment.

Cash flows from operating activities
Cash flows from operating activities are calculated as the Group's share of profit adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and activities and the acquisition and sale of intangible and tangible fixed assets and investments.

Cash flows from financing activities
Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as borrowing transactions, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities that are readily convertible into cash and subject to an insignificant risk of changes in value.

Segment information
Information is provided on business segments representing the primary segment as well as information on the secondary geographical segment.

The segment information is based on the Group's accounting policies, risks and internal financial management.

Profit and loss account
of the Superfos Industries Group for 2006

Note		2006 tEUR	2005 tEUR
1	**Net turnover**	342,259	354,661
	Change in stocks of finished goods, work in progress and goods for resale	(1,022)	693
	Costs for raw materials, consumables and goods for resale	170,059	159,052
	Gross profit	**173,222**	**194,916**
2	Staff costs	71,785	79,384
3	Other external costs	64,551	68,268
4	Other operating income	5,410	4,286
4	Other operating costs	3,912	4,101
	Profit before depreciation, amortisation, financial items and tax (EBITDA)	**38,384**	**47,449**
7	Depreciation and write-downs of goodwill	4,577	17,002
5	Depreciation and write-downs, tangible fixed assets	25,144	30,550
	Profit before financial items and tax (EBIT)	**8,663**	**(103)**
	Gain from sale of business	(184)	13,652
	Financial income	307	309
	Financial expenses	9,310	12,864
	Profit / (loss) before tax (EBT)	**(524)**	**994**
6	Tax on profit for the year	6,418	5,781
	Net profit / (loss) for the year	**(6,942)**	**(4,787)**

	tEUR	tEUR
Movements in shareholders' equity:		
Group equity at 1 January	106,902	109,331
Revaluation of opening equity at year-end price	56	(329)
Capital increase		998
Currency translation adjustment pertaining to foreign subsidiaries	(1,096)	1,459
Adjustment concerning financial hedging instruments	(173)	230
Net profit (loss) for the year	(6,942)	(4,787)
Shareholders' equity at 31 December	98,747	106,902

Balance sheet
at 31 December 2006 (Superfos Industries Group)

Note	**Assets**	**2006** (tEUR)	**2005** (tEUR)
	Intangible fixed assets:		
7	Goodwill	56,772	61,788
8	*Tangible fixed assets:*		
	Land and buildings	67,600	69,694
	Production facilities and machinery	68,862	81,709
	Fixtures and fittings, tools and equipment	3,773	1,221
	Tangible fixed assets in course of construction	2,186	5,472
		142,421	158,096
	Fixed asset investments:		
10	Deferred taxes	4,183	10,771
	Other debtors	265	430
		4,448	11,201
	Total fixed assets	**203,641**	**231,085**
	Stocks		
	Raw materials and consumables	12,382	13,987
	Finished goods and goods for resale	22,824	24,432
		35,206	38,419
	Debtors:		
	Trade debtors	60,207	53,305
13	Corporation tax	332	402
9	Other debtors	5,734	8,010
	Prepaid expenses and accrued revenue	672	1,138
		66,945	62,855
	Securities	0	89
	Cash at bank and in hand	6,474	22,767
	Total current assets	**108,625**	**124,130**
	Total assets	**312,266**	**355,215**

Balance sheet
at 31 December 2006 (Superfos Industries Group)

Note	**Liabilities**	**2006** (tEUR)	**2005** (tEUR)
	Shareholders' equity:		
	Share capital	14,164	14,155
	Share premium account	0	0
	Retained profits	84,583	92,747
		98,747	**106,902**
	Provisions:		
10	Deferred taxes	8,038	8,707
11	Other provisions	5,115	6,018
		13,153	**14,725**
12	*Long-term debt:*		
	Credit institutions	119,285	159,637
	Other long-term debt	54	6,733
		119,339	166,370
	Short-term debt:		
12	Amounts falling due within one year	10,175	334
	Credit institutions	10,546	11,166
	Trade creditors	39,819	34,624
13	Corporation tax	1,640	1,313
	Other creditors	18,847	19,781
		81,027	67,218
	Total long-term and short-term debt	**200,366**	**233,588**
	Total liabilities	**312,266**	**355,215**
14	**Pledged assets**		
15	**Contingent liabilities**		

Cash flow statement
of the Superfos Industries Group for 2006

Note		2006 (tEUR)	2005 (tEUR)
	Cash flows from operating activities:		
	Profit before depreciation, amortisation, financial items and tax (EBITDA)	**38,384**	**47,449**
	Change in:		
	Trade debtors and other current assets	(4,045)	(4,946)
	Stocks	3,095	237
	Trade creditors	5,051	1,689
	Other creditors	(4,914)	268
	Cash flows from primary operations	37,571	44,697
	Financial income received	437	72
	Financial expenses paid	(8,931)	(17,974)
13	Corporation tax paid	(3,774)	(4,593)
		25,303	22,202
	Provisions etc.	(931)	(215)
	Cash flows from operating activities	**24,372**	**21,987**
	Cash flows from investing activities:		
16	Investments in tangible fixed assets	(25,996)	(19,463)
	Proceeds from sale of activity	16,927	51,475
	Sales of tangible fixed assets	6,115	5,321
	Net fixed asset investments	10	908
	Cash flows from investing activities	**(2,944)**	**38,241**
	Cash flows from operating and investing activities	**21,428**	**60,228**
	Cash flows from financing activities:		
	Issuance of capital	0	998
	Change in long-term debt	(37,190)	(46,509)
	Change in short-term debt owed to credit institutions	(620)	4,941
	Cash flows from financing activities	**(37,810)**	**(40,570)**
	Net cash inflow / (outflow) for the year	**(16,382)**	**19,658**
	Cash and cash equivalents at beginning of year	22,856	3,198
17	**Cash and cash equivalents at end of year**	**6,474**	**22,856**

Notes

to the annual accounts of the Superfos Industries Group for 2006

		2006 (tEUR)	2005 (tEUR)
Note 1	**Net turnover:**		
	Aktivity:		
	Superfos Packaging	326,653	328,858
	Superfos Aerosols	15,606	25,803
	Total	342,259	354,661
	Markets:		
	Northern Europe	180,898	209,517
	Southern Europe	109,707	106,357
	Other	51,654	38,787
	Total	342,259	354,661
Note 2	**Staff costs:**		
	Wages and salaries	58,127	64,300
	Pension contributions	3,050	3,648
	Other social security costs	10,608	11,436
	Total	71,785	79,384
	Average number of employees	1,597	1,788
	Remuneration of Group management:		
	Emoluments of Board of Directors, Parent Company	309	341
	Remuneration of Executive Board, Parent Company	2,616	1,160
		2,925	1,501

The Executive Board, a number of senior staff members and specific members of the Managment take part in an incentives programme under which they hold shares in Superfos Industries a/s with subscription warrents. These warrents entitle their holders to purchase additional Superfos Industries a/s shares at a disignated price dependant on the date of exercising the warrent. Shares subscribed by the employees in question amounts to 155,756 shares of DKK 10 each equalling 1.475% of the share capital. The value of share and options allotted in 2006 amounts to 0.9 mEUR which will be charged to the profit and loss account during the anticipated exercise period. For 2006 307 tEUR has been charge under staff costs.

The remuneration of the Parent Company's Executive Board includes a termination benefit to former President & CEO Kim Andersen in connection with his termination of service in January 2006.

Notes

to the annual accounts of the Superfos Industries Group for 2006

		2006 (tEUR)	2005 (tEUR)
Note 3	**Fees of elected auditors:**		
	Audit fees	479	527
	Non-audit fees	534	433
	Total	1,013	960
Note 4	**Other operating income and costs**		
	Sales of printing blocks	1,490	1,663
	Gain on sales of fixed assets	2,431	163
	Rent	230	491
	Other items	1,259	1,969
	Total other operating income	5,410	4,286
	Production costs, printing blocks	1,100	1,213
	Loss on sales of fixed assets	1,564	1,089
	Other items	1,248	1,799
	Total other operating costs	3,912	4,101
	Other operating income and costs	1,498	185
Note 5	**Depreciation and write-downs:**		
	Buildings	3,266	4,491
	Plant and machinery	20,941	24,024
	Fixtures and fittings, tools and equipment	937	2,035
	Total	25,144	30,550
Note 6	**Tax on profit for the year**		
	Current tax	4,788	3,867
	Adjustment of deferred taxes for the year	1,630	1,914
	Total	6,418	5,781

Notes

to the annual accounts of the Superfos Industries Group for 2006

Note 7 **Goodwill**

	2006 (tEUR)	2005 (tEUR)
Cost		
At 1 January 2006	98,897	120,383
Market value adjustment	161	(469)
Disposal through sale of business	(17,114)	(21,017)
At 31 December 2006	81,944	98,897
Amortisation and write-downs		
At 1 January 2006	37,109	26,618
Market value adjustment	125	(269)
Disposal through sale of business	(16,639)	(6,242)
Write down during the year	0	11,000
Depreciation during the year	4,577	6,002
At 31 December 2006	25,172	37,109
Net book value at 31 December 2006	56,772	61,788

Notes

to the annual accounts of the Superfos Industries Group for 2006

Note 8 **Tangible fixed assets:**

tEUR	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Tangible fixed assets in course of construction	Total tangible fixed assets
Cost					
At 1 January 2006	110,109	288,186	10,738	5,472	414,505
Currency translation adjustment	(458)	(629)	(23)	31	(1,079)
Reclassification		(816)	702	114	0
Additions during the year	12,790	13,237	2,152	(2,183)	25,996
Disposal through sale of business	(14,866)	(9,674)	(2,509)	(1,248)	(28,297)
Disposals during the year	(4,551)	(32,122)	(885)		(37,558)
At 31 December 2006	103,024	258,182	10,175	2,186	373,567
Depreciation and write-downs					
At 1 January 2006	40,415	206,477	9,517	0	256,409
Currency translation adjustment	(133)	(246)	(54)		(433)
Reclassification	0	617	(617)		0
Disposal through sale of business	(7,308)	(7,841)	(2,509)		(17,658)
Disposals on sales during the year	(816)	(30,628)	(872)		(32,316)
Depreciation during the year	3,266	20,941	937		25,144
At 31 December 2006	35,424	189,320	6,402	0	231,146
Net book value at 31 Dec. 2006	**67,600**	**68,862**	**3,773**	**2,186**	**142,421**
Net book value at 31 Dec. 2005	69,694	81,709	1,221	5,472	158,096
Of which assets under finance leases:					
Net book value at 31 Dec. 2006	**6,309**				
Net book value at 31 Dec. 2005	12,906				
Depreciated over	15-50 yrs.	5-10 yrs.	3-10 yrs.		
Most recent assessed valuation of Danish properties	14,564				
Booked value of properties subjected to assessed valuation	15,983				

Notes

to the annual accounts of the Superfos Industries Group for 2006

		2006 (tEUR)	2005 (tEUR)
Note 9	**Other debtors**		
	Of which due for payment after more than 1 year after the end of the financial year	0	85
Note 10	**Deferred taxes:**		
	At 1 January	(2,064)	(4,076)
	Currency translation adjustment	4	(5)
	Adjustment of the year in deferred taxes	1,630	1,914
	Disposal through sale of business	4,285	103
	At 31 December	3,855	(2,064)
	Recorded in the balance sheet under:		
	Fixed asset investments	4,183	10,771
	Provisions	8,038	8,707
	Total	3,855	(2,064)

Deferred taxes relate to intangible and tangible fixed assets, current assets, provisions as well as tax loss carryforwards and the reversal of tax benefits concerning foreign subsidiaries assessed on a joint-return basis.

Apart from the incurred deferred tax assets some of the group's foreign companies offer considerable deferrable losses. As a safety precaution these have not been included in the profit and loss.

		2006	2005
Note 11	**Other provisions:**		
	Pension provisions	3,068	3,721
	Subsidy for establishment of factory in Pamplona	733	733
	Other provisions	1,314	1,564
	Total	5,115	6,018
		(mEUR)	(mEUR)
	Provisions for pension includes defined benefit plans amounting to	2.0	1.4
	As per 31 December these plans show actuarial loss which according to company accounting policies is not included in the profit and loss.	3.2	4.3

Notes

to the annual accounts of the Superfos Industries Group for 2006

		2006 (tEUR)	2005 (tEUR)
Note 12	**Long-term debt:**		
	Credit institutions	129,460	159,971
	Debt relating to assets under finance leases	0	6,679
	Other creditors	54	54
		129,514	166,704
	Less transfer to short-term debt	(10,175)	(334)
	Total	119,339	166,370
	Fair value	129,514	166,704
	Nominal value	129,514	166,704
	Long-term debt falling due after five years from the end of the financial year	38,669	73,897
Note 13	**Corporation tax:**		
	At 1 January	911	1,183
	Currency translation adjustment	(295)	218
	Current tax on profit (loss) for the year	4,788	3,867
	Tax paid during the year	(3,774)	(4,593)
	Disposal through sale of business	(322)	236
	At 31 December	1,308	911
	Recorded in the balance sheet under:		
	Current assets	332	402
	Short-term debt	1,640	1,313
	Total	1,308	911
Note 14	**Pledged assets:**		
	Tangible fixed assets at a net book value of	15,983	7,951
		15,983	7,951
	are pledged as security for long-term debt owed to credit institutions and other long-term debt of	129,460	159,971
Note 15	**Contingent liabilities:**		
	Leasing commitments:		
	due within one year	216	253
	due between two and five years	247	380
	due after five years	0	0
	Total	463	633

Claims have been raised against the Superfos Industries Group. In the management's opinion, the outcome of these disputes will have no impact on the financial position of the Group, except for the impact mentioned in the Annual Report.

Notes

to the annual accounts of the Superfos Industries Group for 2006

		2006 (tEUR)	2005 (tEUR)
Note 16	**Investments in tangible fixed assets:**		
	Superfos Packaging	24,949	17,873
	Superfos Aerosols	1,047	1,590
	Total	25,996	19,463
Note 17	**Cash and cash equivalents, end of year:**		
	Securities with a remaining term to maturity of more than three months	0	89

Note 18 **Closely related parties**

Closely related parties in Superfos Industries a/s with a controlling interest comprise Industri Kapital 1997 Ltd. Partnership I-IV and Ratos AB (publ). No transactions were made with these parties.

Closely related parties in Superfos Industries a/s with a significant influence comprise subsidiaries and the Company's Board of Directors and Executive Board. No transactions were made with these parties except for remuneration and reimbursement of costs.

Profit and loss account

of Superfos Industries a/s for 2006

Note		2006 (tEUR)	2005 (tEUR)
2	Other external costs	160	113
	Gross profit	**(160)**	**(113)**
1	Staff costs	0	0
	Profit before financial items and tax (EBIT)	**(160)**	**(113)**
	Share of pre-tax profit/(loss) of Superfos a/s	5,230	10,471
3	Financial income	593	599
	Financial expenses	6,187	9,963
		(364)	1,107
	Profit/(loss) before tax (EBT)	**(524)**	**994**
4	Tax on profit/(loss) for the year	6,418	5,781
	Net profit/(loss) for the year	**(6,942)**	**(4,787)**
	It is proposed that the net loss for the year be treated as follows:		
	Allocation to/from Retained profits	(6,942)	(4,787)
		(6,942)	(4,787)

Balance sheet

at 31 December 2006 (Superfos Industries a/s)

Note	Assets	2006 (tEUR)	2005 (tEUR)
	Fixed asset investments:		
5	Participating interest in Superfos a/s	199,839	237,778
	Total fixed assets	**199,839**	**237,778**
	Debtors:		
10	Amount owed by Superfos a/s	22,991	3,178
9	Corporation tax	972	1,657
	Other debtors	17	15
		23,980	4,850
	Total current assets	**23,980**	**4,850**
	Total assets	**223,819**	**242,628**

Balance sheet

at 31 December 2006 (Superfos Industries a/s)

Note	Liabilities	2006 (tEUR)	2005 (tEUR)
6	**Shareholders' equity:**		
	Share capital	14,164	14,155
	Share premium account	0	0
	Retained profit	84,583	92,747
		98,747	**106,902**
	Provisions:		
8	Provisions for deffered taxes	928	1,528
7	*Long-term debt:*		
	Credit institutions	112,434	133,280
		112,434	133,280
	Short-term debt:		
	Amounts falling due within one year, owed to credit institutions	10,000	0
	Trade creditors	0	81
	Other short-term debt	1,710	837
		11,710	918
	Total long-term and short-term debt	**124,144**	**134,198**
	Total liabilities	**223,819**	**242,628**
10	**Pledged assets**		
11	**Contingent liabilities**		

Notes

to the annual accounts of Superfos Industries a/s for 2006

		2006 (tEUR)	2005 (tEUR)
Note 1	**Staff costs:**		
	The Parent Company has paid no separate emoluments and remuneration to the Board of Directors and Executive Board.		
	The Executive Board, a number of senior staff members and specific members of the Managment take part in an incentives programme under which they hold shares in Superfos Industries a/s with subscription warrents. These warrents entitle their holders to purchase additional Superfos Industries a/s shares at a disignated price dependant on the date of exercising the warrent. Shares subscribed by the employees in question amounts to 155,756 shares of DKK 10 each equalling 1.475% of the share capital. The value of share and options allotted in 2006 amounts to 0.9 mEUR which will be charged to the profit and loss account during the anticipated exercise period. For 2006 307 tEUR has been charge under staff costs.		
Note 2	**Fees of elected auditors:**		
	Audit fees	13	15
	Non-audit fees	0	14
	Total	13	29
Note 3	**Financial income:**		
	Includes interest from subsidiaries of	593	599
Note 4	**Tax on profit / (loss) for the year**		
	Current tax	(993)	(3,048)
	Deferred tax	(605)	1,528
	Share of subsidiaries' tax	8,016	7,301
	Total	6,418	5,781
	Corporation tax paid during the year	0	0

Notes

to the annual accounts of Superfos Industries a/s for 2006

		2006 (tEUR)	2005 (tEUR)
Note 5	**Participating interest in Superfos a/s**		
	Cost		
	At 1 January	697,067	695,508
	Market value adjustment, beginning of year	421	1,559
	At 31 December	697,488	697,067
	Value adjustment		
	At 1 January	(459,289)	(420,200)
	Market value adjustment, beginning of year	(277)	(942)
	Value adjustment during the year	(38,083)	(38,147)
	At 31 December	(497,649)	(459,289)
	Net book value at 31 December	199,839	237,778

Notes

to the annual accounts of Superfos Industries a/s for 2006

Note 6 Shareholders' equity

tEUR	Share capital	Share premium account	Retained profits	Total shareholders' equity
At 31 December 2004	14,103	91,899	3,329	109,331
Currency transl. adjustment, beg. of year	(43)	(276)	(10)	(329)
Capital increase	95	903		998
Transferred to Retained profits		(92,526)	92,526	0
Currency translation adjustment relating to subsidiaries			1,459	1,459
Adjustment, financial hedging instruments			230	230
Net profit/(loss) for the year			(4,787)	(4,787)
At 31 December 2005	14,155	0	92,747	106,902
Currency transl. adjustment, beg. of year	9		47	56
Currency translation adjustment relating to subsidiaries			(1,096)	(1,096)
Adjustment, financial hedging instruments			(173)	(173)
Net profit/(loss) for the year			(6,942)	(6,942)
At 31 December 2006	**14,164**	**0**	**84,583**	**98,747**

Share capital (DKK '000)	
1. januar 2001	85,520
Capital increase 2001	200
Capital increase 2002	19,176
Capital increase 2005	709
At 31 December 2006	**105,605**

The share capital of DKK 105,605,0180 is divided into 10,560.518 shares of DKK 10 each

Notes

to the annual accounts of Superfos Industries a/s for 2006

		2006 (tEUR)	2005 (tEUR)
Note 7	**Long-term debt falling due after five years**		
	Credit institutions	32,682	43,583
Note 8	**Deffered taxes**		
	1. january	1,528	0
	Currency translation adjustment	5	0
	Deffered taxes on profit	(605)	1,528
	At 31 December	928	1,528
	Recorded in the balance sheet under:		
	Fixed asset investments	0	0
	Provisions	928	1,528
	Total	928	1,528

Deferred taxes relate to intangible and tangible fixed assets, current assets, provisions as well as tax loss carryforwards and the reversal of tax benefits concerning foreign subsidiaries assessed on a joint-return basis.

		2006 (tEUR)	2005 (tEUR)
Note 9	**Corporation tax**		
	1. january	(1,657)	0
	Current tax on profit the year	(993)	(3,048)
	Received tax payments	1,678	1,391
	At 31. December	(972)	(1,657)
	Recorded in the balance sheet under:		
	Currents assets	972	1,657
	Short-term debt	0	0
	Total	(972)	(1,657)

Note 10 **Pledged assets**

All the Parent Company's shares in Superfos a/s, at a book value of EUR 199,839,000, are pledged as security for: Long-term and short-term debt owed to credit institutions.

	2006 (tEUR)	2005 (tEUR)
Amounts owed by affiliated companies / subsidiaries booked at the value	22,991	3,178

have been pledged as security for Superfos Industries Group's total commitment with commercial banks.

Notes

to the annual accounts of Superfos Industries a/s for 2006

		2006 (tEUR)	2005 (tEUR)
Note 11	**Contigent liabilities**		
	Collateral securities for subsidiaries in total	46,942	72,034

Superfos Industries a/s is assessed on a joint-return basis with all Danish subsidiaries. Acting as management company in this tax pooling scheme Superfos Industries a/s is liable for tax on the pooled income for all companies in the tax pool.

Note 12 **Closely related parties**

Closely related parties in Superfos Industries a/s with a controlling interest comprise Industri Kapital 1997 Ltd. Partnership I-IV and Ratos AB (publ). No transactions were made with these parties.

Closely related parties in Superfos Industries a/s with a significant interest comprise subsidiaries, mentioned in note 5, and the Company's Board of Directors and Executive Board. No transactions were made with these parties except for remuneration and reimbursement of costs.

The company at a glance

The Superfos Industries Group

Subsidiaries (wholly owned)	Country	Currency ('000)	Share capital
Superfos a/s	Danmark	DKK	783.898
■ Superfos Vipperød a/s	Danmark	DKK	8.000
■■ Superfos Sweden ab	Sverige	SEK	100
■■Superfos Pori Oy	Finland	EUR	1.177
■ Superfos Randers a/s	Danmark	DKK	32.000
■■ Superfos Norway as	Norge	NOK	100
■ Superfos Wetteren N.V	Belgien	EUR	4.958
■ Superfos Tenhult AB	Sverige	SEK	1.000
■■ Superfos Ystad AB	Sverige	SEK	1.000
■ Superfos Deutschland GmbH	Tyskland	EUR	25
■ Superfos Czech s.r.o.	Tjekkiet	CZK	100
■ Superfos Poland Sp. z o.o	Polen	PLN	73.000
■ Superfos Packaging b.v.	Holland	EUR	1.539
■ Superfos Besançon s.a.s.	Frankrig	EUR	13.843
■■ Superfos Industrie S.A.S	Frankrig	EUR	624
■■ Superfos Pamplona, s.a.	Spanien	EUR	1.267
■■ Superfos Italy s.r.l.	Italien	EUR	286
■■ Superfos (Switzerland) A.G.	Schweiz	CHF	100
■ Superfos Runcorn Ltd.	England	GBP	7.100
■■ Drumrace Ltd.	England	GBP	3.252
■■■ Superfos Tamworth Ltd.	England	GBP	1
■ Superfos Packaging, Inc.	USA	USD	8.261
■ Superfos Pharma Pack Ltd.	England	GBP	1.350
■ Superfos Aerosols GmbH	Tyskland	EUR	5.624
■ ApS af 15. december 1998	Danmark	DKK	125
■ Superfos Aerosols a/s	Danmark	DKK	5.000

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Superfos is one of Europe's leading packaging brands
Superfos is Europe's largest manufacturer of injection moulded plastic packaging and supplies high-quality packaging for food and non-food markets.

Superfos is a focused pan-European company with a modern and dynamic platform and a homogenous modernized product program, offering the customers unique possibilities for uniformed product display and decoration across international market boundaries.

All production facilities provide a harmonized European range to large international groups, which make up the core customers of the company.

Superfos is a part of everyone's everyday life
Superfos develops and produces high-quality and easy-to-use packaging for the products that matter to people most in their everyday lives.

With its superior performance and consumer-friendly design, Superfos packaging is used every day by all people, young and old, sick and healthy, at home and at work, indoor and outdoor.

Whether it is hot or cold food, dairy products, marmalades, paint, oil and lubricants or cosmetic and health products, Superfos has a premium packaging design for all products needing protection and transportation from producer to end-user in the easiest, hygienic and most time and cost efficient way.

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