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# ***Zoetis Denmark ApS***

Gammelgårdsvej 87 C, DK-3520 Farum

## **Annual Report for 1 December 2020 - 30 November 2021**

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CVR No 10 01 92 65

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
25/5 2022

Henrik Just Bjerregaard  
Chairman of the General  
Meeting

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Zoetis Denmark ApS for the financial year 1 December 2020 - 30 November 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 30 November 2021 of the Company and of the results of the Company operations for 2020/21.

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

We recommend that the Annual Report be adopted at the Annual General Meeting.

Farum, 25 May 2022

## **Executive Board**

Henrik Just Bjerregaard  
CEO

## **Board of Directors**

Tina Jo Van Poelvoorde  
Chairman

Henrik Just Bjerregaard

Martin Heller

# **Independent Auditor's Report**

To the Shareholder of Zoetis Denmark ApS

## **Report on the Financial Statements**

### **Opinion**

We have audited the financial statements of Zoetis Denmark ApS for the financial year 1 December 2020 – 30 November 2021 comprising income statement, balance sheet, statement of changes in equity, and notes, including 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 Company's assets, liabilities and financial position at 30 November 2021 and of the results of the Company's operations for the financial year 1 December 2020 – 30 November 2021 in accordance with the Danish Financial Statements Act.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Management's responsibilities for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

# Independent Auditor's Report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

## **Independent Auditor's Report**

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

### **Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports**

#### **Non-compliance with the Danish Companies Act**

We have not been presented with documentation, that written board minutes, have been prepared and signed by all members of management, as required by the Danish Companies Act. Management may incur liability in this respect. We understand from the board of directors that they will ensure that minutes are both prepared, signed and filed systematically satisfying the companies act requirements in the future.

Copenhagen, 25 May 2022

**KPMG**

Statsautoriseret Revisionspartnerselskab

*CVR No 25 57 81 98*

Kenn Wolff Hansen

State Authorised Public Account

mne30154

## **Company Information**

### **The Company**

Zoetis Denmark ApS  
Gammelgårdsvej 87 C  
DK-3520 Farum

Telephone: + 45 70207303

CVR No: 10 01 92 65

Financial period: 1 December - 30 November

Municipality of reg. office: Furesø

### **Board of Directors**

Tina Jo Van Poelvoorde, Chairman  
Henrik Just Bjerregaard  
Martin Heller

### **Executive Board**

Henrik Just Bjerregaard

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø

## Financial Highlights

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

	<u>2020/21</u> TDKK	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK	<u>2016/17</u> TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	66,920	64,913	48,864	39,341	24,535
Profit/loss before financial income and expenses	-19,616	-36,212	-19,332	-12,370	-7,481
Net financials	-580	72	244	-123	-386
Net profit/loss for the year	-20,196	-36,140	-19,088	-12,492	-7,497
<b>Balance sheet</b>					
Balance sheet total	80,905	121,907	158,781	138,311	141,923
Equity	36,758	56,954	93,095	27,183	39,675
Investment in property, plant and equipment	8,659	8,547	18,055	27,229	22,360
Number of employees	71	82	88	81	60
<b>Ratios</b>					
Return on assets	-24.2%	-29.7%	-12.2%	-8.9%	-5.3%
Solvency ratio	45.4%	46.7%	58.6%	19.7%	28.0%
Return on equity	-43.1%	-48.2%	-31.7%	-37.4%	-17.3%



# Management's Review

## **Key activities**

Zoetis Denmark ApS (ZOD) designs, develops, produces and sells diagnostic products to the veterinarian field consisting of analyzers with Lab-on-a-chip based onetime use cartridges.

## **Development in the year**

The income statement of the Company for 2020/21 shows a loss of DKK 20,195,844, and at 30 November 2021 the balance sheet of the Company shows equity of DKK 36,758,488.

There have been no effect of the Covid-19 pandemic on the 2021 result and this is also the expectation for 2022. The demand has been unaffected and the effect on the staff situation have also been insignificant.

ZOD is part of the Zoetis group. Functions, such as certain development initiatives are compensated by the Zoetis Group. ZOD has a production site for microfluidic based products, which are sold by the group, distributors and as white label products. The group has invested significantly in the company during the year as reflected in the growth in employees, facilities and production capability.

The net result of DKK -20,195,844 for the year is negatively affected by the closing and write-down in August 2021 on the MilkSafe project after a 9 month field test in New Zealand. All MilkSafe assets have been written off, in total DKK 27.5 million. The field test period generated a small revenue of DKK 5.2 million. Consequently the result for 2020/21 is below expectations for the year.

## **Operating risks**

The company is a hub for development and production of analyzers with Lab-on-a-chip based onetime use cartridges for veterinarian use. It is important for the company to be at the cutting edge of the development within microfluidic development and engineering and having the ability to attract and keep employees with qualifications and experience facilitating this objective.

## **Liquidity risks**

Because the company is owned by Zoetis Inc, the company is not dependent on external financing or credit risk, because these are managed by a dedicated treasury group in Zoetis.

Further Zoetis Inc. has issued a letter of support according to which, Zoetis Inc. confirms that they will provide fundings to the Company, so that Zoetis Denmark ApS can meet its obligations as they fall due.

## **Targets and expectations for the year ahead**

The Company expects to continue its investments in production capability and product development. The continued efforts will be financed through earnings as well as through financing by the Zoetis Group to the extent required.

# **Management's Review**

## **Intellectual capital resources**

The ability of the company to attract and retain highly educated employees is essential to its continuous success, including biologists, engineers with expertise in hard and software development and production. To ensure continuous competitive products, the company is investing in modern production facilities and research environments.

## **Uncertainty relating to recognition and measurement**

Reference is made to note no. 1 in respect of uncertainty regarding development projects.

## **Unusual events**

Beside the write-down on the MilkSafe project the annual report for 2020/21 is not affected by any unusual events.

## **Subsequent events**

No significant events have occurred after 30 November 2021.

## Income Statement 1 December - 30 November

	Note	2020/21 DKK	2019/20 DKK
<b>Gross profit/loss</b>		<b>66,919,597</b>	<b>64,912,539</b>
Staff expenses	2	-53,267,170	-57,201,104
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-33,268,454	-43,923,696
<b>Profit/loss before financial income and expenses</b>		<b>-19,616,027</b>	<b>-36,212,261</b>
Financial income		48,415	439,912
Financial expenses	4	-628,232	-367,861
<b>Profit/loss before tax</b>		<b>-20,195,844</b>	<b>-36,140,210</b>
Tax on profit/loss for the year		0	0
<b>Net profit/loss for the year</b>		<b>-20,195,844</b>	<b>-36,140,210</b>

## Balance Sheet 30 November

### Assets

	Note	2020/21 DKK	2019/20 DKK
Completed development projects		9,361,229	12,481,638
Acquired patents		0	0
<b>Intangible assets</b>	5	<b>9,361,229</b>	<b>12,481,638</b>
Plant and machinery		15,193,051	21,738,873
Other fixtures and fittings, tools and equipment		2,505,886	3,549,584
Leasehold improvements		11,896,327	13,618,191
Property, plant and equipment in progress		3,686,623	15,864,450
<b>Property, plant and equipment</b>	6	<b>33,281,887</b>	<b>54,771,098</b>
Deposits		1,254,246	1,211,283
<b>Fixed asset investments</b>	7	<b>1,254,246</b>	<b>1,211,283</b>
<b>Fixed assets</b>		<b>43,897,362</b>	<b>68,464,019</b>
<b>Inventories</b>		<b>4,466,914</b>	<b>7,387,112</b>
Trade receivables		1,952,740	5,169,775
Receivables from group enterprises		17,983,093	29,122,639
Other receivables		6,399,763	1,967,080
<b>Receivables</b>		<b>26,335,596</b>	<b>36,259,494</b>
<b>Cash at bank and in hand</b>		<b>6,205,086</b>	<b>9,796,454</b>
<b>Currents assets</b>		<b>37,007,596</b>	<b>53,443,060</b>
<b>Assets</b>		<b>80,904,958</b>	<b>121,907,079</b>

# Balance Sheet 30 November

## Liabilities and equity

	Note	2020/21 DKK	2019/20 DKK
Share capital	8	66,238,266	66,238,266
Reserve for development costs		9,361,229	12,481,638
Retained earnings		-38,841,007	-21,765,572
<b>Equity</b>		<b><u>36,758,488</u></b>	<b><u>56,954,332</u></b>
Payables to group enterprises		<u>25,159,079</u>	<u>39,822,804</u>
<b>Long-term debt</b>	9	<b><u>25,159,079</u></b>	<b><u>39,822,804</u></b>
Trade payables		6,473,540	9,521,300
Payables to group enterprises	9	11,590	181,204
Other payables		<u>12,502,261</u>	<u>15,427,439</u>
<b>Short-term debt</b>		<b><u>18,987,391</u></b>	<b><u>25,129,943</u></b>
<b>Debt</b>		<b><u>44,146,470</u></b>	<b><u>64,952,747</u></b>
<b>Liabilities and equity</b>		<b><u>80,904,958</u></b>	<b><u>121,907,079</u></b>
Uncertainty in recognition and measurement	1		
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	11		
Related parties	12		
Accounting Policies	13		

## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 December 2020	66,238,266	12,481,638	-21,765,572	56,954,332
Adjustment for the year	0	-3,120,409	3,120,409	0
Net profit/loss for the year	0	0	-20,195,844	-20,195,844
<b>Equity at 30 November 2021</b>	<b>66,238,266</b>	<b>9,361,229</b>	<b>-38,841,007</b>	<b>36,758,488</b>

# Notes to the Financial Statements

## 1 Uncertainty in recognition and measurement

In accordance with its accounting policies, the Company has recognised direct costs for development projects less depreciations in the amount of DKK 9,361 thousand.

The value of development cost is associated with uncertainty because the value depends on the future earnings from the products developed. Based on the transfer pricing agreement with Zoetis Group, Management estimates that the future earnings from the products developed will exceed the carrying amount of the development projects recognised as intangible assets.

	<u>2020/21</u>	<u>2019/20</u>
	DKK	DKK
<b>2 Staff expenses</b>		
Wages and salaries	47,050,775	50,568,448
Pensions	5,572,581	6,021,919
Other social security expenses	643,814	610,737
	<u>53,267,170</u>	<u>57,201,104</u>
<b>Average number of employees</b>	<u>71</u>	<u>82</u>

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

## Notes to the Financial Statements

	<u>2020/21</u>	<u>2019/20</u>
	DKK	DKK
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation and impairment of intangible assets	3,120,409	37,904,309
Depreciation of property, plant and equipment	<u>30,148,045</u>	<u>6,019,387</u>
	<b><u>33,268,454</u></b>	<b><u>43,923,696</u></b>
Which is specified as follows:		
Completed development projects	3,120,409	37,106,870
Acquired patents	0	797,439
Plant and machinery	26,889,500	3,161,732
Other fixtures and fittings, tools and equipment	1,043,698	1,043,698
Leasehold improvements	<u>2,214,847</u>	<u>1,813,957</u>
	<b><u>33,268,454</u></b>	<b><u>43,923,696</u></b>
<b>4 Financial expenses</b>		
Other financial expenses	160,781	69,828
Exchange loss	<u>467,451</u>	<u>298,033</u>
	<b><u>628,232</u></b>	<b><u>367,861</u></b>



## Notes to the Financial Statements

### 5 Intangible assets

	Completed development projects <u>DKK</u>	Acquired pa- tents <u>DKK</u>	Total <u>DKK</u>
Cost at 1 December 2020	82,019,776	2,248,615	84,268,391
Cost at 30 November 2021	<u>82,019,776</u>	<u>2,248,615</u>	<u>84,268,391</u>
Impairment losses and amortisation at 1 December 2020	69,538,138	2,248,615	71,786,753
Amortisation and impairment for the year	<u>3,120,409</u>	<u>0</u>	<u>3,120,409</u>
Impairment losses and amortisation at 30 November 2021	<u>72,658,547</u>	<u>2,248,615</u>	<u>74,907,162</u>
<b>Carrying amount at 30 November 2021</b>	<b><u>9,361,229</u></b>	<b><u>0</u></b>	<b><u>9,361,229</u></b>

## Notes to the Financial Statements

### 6 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	DKK	DKK	DKK	DKK	DKK
Cost at 1 December 2020	45,348,151	7,694,232	22,553,002	15,864,450	91,459,835
Additions for the year	518,159	0	159,719	7,980,956	8,658,834
Transfers for the year	19,825,519	0	333,264	-20,158,783	0
Cost at 30 November 2021	<u>65,691,829</u>	<u>7,694,232</u>	<u>23,045,985</u>	<u>3,686,623</u>	<u>100,118,669</u>
Impairment losses and depreciation at 1 December 2020	23,609,278	4,144,648	8,934,811	0	36,688,737
Depreciation for the year	<u>26,889,500</u>	<u>1,043,698</u>	<u>2,214,847</u>	<u>0</u>	<u>30,148,045</u>
Impairment losses and depreciation at 30 November 2021	<u>50,498,778</u>	<u>5,188,346</u>	<u>11,149,658</u>	<u>0</u>	<u>66,836,782</u>
<b>Carrying amount at 30 November 2021</b>	<b><u>15,193,051</u></b>	<b><u>2,505,886</u></b>	<b><u>11,896,327</u></b>	<b><u>3,686,623</u></b>	<b><u>33,281,887</u></b>
Including assets under finance leases amounting to	<u>456,718</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>456,718</u>

### 7 Fixed asset investments

	Deposits
	DKK
Cost at 1 December 2020	1,211,283
Additions for the year	<u>42,963</u>
Cost at 30 November 2021	<u>1,254,246</u>
<b>Carrying amount at 30 November 2021</b>	<b><u>1,254,246</u></b>

# Notes to the Financial Statements

## 8 Equity

The share capital is broken down as follow:

	<u>Number</u>	<u>Nominal value</u> DKK
A-shares	26,238,266	26,238,266
B-shares	40,000,000	40,000,000
		<u><b>66,238,266</b></u>

There have been no changes in the share capital during the last 5 years.

## 9 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2020/21</u> DKK	<u>2019/20</u> DKK
<b>Payables to group enterprises</b>		
Between 1 and 5 years	25,159,079	39,822,804
Long-term part	25,159,079	39,822,804
Other short-term debt to group enterprises	11,590	181,204
	<u><b>25,170,669</b></u>	<u><b>40,004,008</b></u>

## 10 Distribution of profit

Retained earnings	<u>-20,195,844</u>	<u>-36,140,210</u>
	<u><b>-20,195,844</b></u>	<u><b>-36,140,210</b></u>

# Notes to the Financial Statements

	<u>2020/21</u> DKK	<u>2019/20</u> DKK
<b>11 Contingent assets, liabilities and other financial obligations</b>		
<b>Contingent assets</b>		
<p>The tax value of the Company's unutilised tax losses and deferred tax on other items, calculated with a tax rate of 22%, is approximately DKK 23.0 Million.</p>		
<b>Rental and lease obligations</b>		
<p>Lease obligations under operating leases. Total future lease payments:</p>		
Within 1 year	2,603,405	2,389,146
Between 1 and 5 years	<u>5,493,859</u>	<u>7,366,534</u>
	<u><b>8,097,264</b></u>	<u><b>9,755,680</b></u>

## Other contingent liabilities

The Company has entered into a development contract with a third party. The contract holds certain development commitments for the Company.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 12 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Zoetis Overseas Holding B.V., Netherlands	Parent

### Transactions

During the year, the Company had the following transactions with related parties:

Sales to related parties DKK 12,572,489 (DKK 10,435,660 in FY2019/20)

Development cost recharged to group companies DKK 81,566,251 (DKK 79,990,071 in FY2019/20)

Cost recharged to related parties DKK 8,551,478 (DKK 8,904,917 in FY2019/20)

Receivables from related parties DKK 17,983,093 (DKK 29,122,639 in FY2019/20)

Loan from related parties DKK 25,159,079 (DKK 39,822,804 in FY2019/20)

Short term to related parties DKK 11,590 (DKK 181,204 in FY 2019/20)

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Ultimate Parent Company

<u>Name</u>	<u>Place of registered office</u>
Zoetis Inc.	USA

The Group Annual Report of Zoetis Inc. may be obtained at the following address:

10 Sylvan Way, Parsippany, New Jersey 07054, USA.

# Notes to the Financial Statements

## 13 Accounting Policies

The Annual Report of Zoetis Denmark ApS for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2020/21 are presented in DKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Zoetis Inc., the Company has not prepared a cash flow statement.

### Recognition and measurement

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

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

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

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

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

### Gross profit/loss

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

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll related expenses.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, and gains and losses on the sale of intangible assets and property, plant and equipment.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### **Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

## **Balance Sheet**

### **Intangible assets**

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 10 years.

Development costs comprise cost including wages and salaries and amortisation that directly can be attributed to the company's development activities and fulfil the recognition requirements. Capitalised development costs are measured at the lower of cost less accumulated amortisation and recoverable amount.

Capitalised development costs are amortised on a straight-line basis after completion of the development work over the estimated useful life.

The amortisation period is 5-10 years.

Development costs not fulfilling the requirement for recognition in the balance sheet are charged to expenses in the year when they are paid.



# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	4-10 years
Other fixtures and fittings, tools etc.	4-10 years
Leasehold improvements	10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

### Fixed asset investments

Fixed asset investments consist of deposits.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Receivables

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

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$