Vikan A/S

Rævevej 1

7800 Skive

CVR No.: 10 29 01 47

Annual report 2022

Approved at the Company's annual general meeting on April 3rd 2023

Chairman of the meeting

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Allan Højbak

Contents

Company details

Company

Vikan A/S
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Municipality: Skive

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Board of Directors

Niels Hermansen, Chairman
Hans-Henrik Horsted Eriksen, Vice chairman
Peter Raupach Linnet
Henrik Christensen *
Else Marie Petersen *

*) Employee representative

Executive Board

CEO Carsten Bo Pedersen

Auditors

EY Godkendt Revisionspartnerselskab
Cortex Park Vest 3
DK-5230 Odense M
CVR No.: 30 70 02 28

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Vikan A/S for the financial year 1 January – 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of their operations and consolidated cash flows for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend the annual report be approved at the annual general meeting.

Skive, 3rd April 2023

Executive Board

Carsten Bo Pedersen CEO

Board of Directors

Niels Hermansen	Hans-Henrik Horsted Eriksen
Chairman	Vice chairman

Peter Raupach Linnet

Henrik Christensen	Else Marie Petersen
Employee representative	Employee representative

Independent auditor's report

To the shareholders of Vikan A/S Opinion

We have audited the consolidated financial statements and the parent company financial statements of Vikan A/S for the financial year 1 January – 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 as to 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

Independent auditor's report

Based on the work we have performed, we conclude that the 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 of the Management's review.

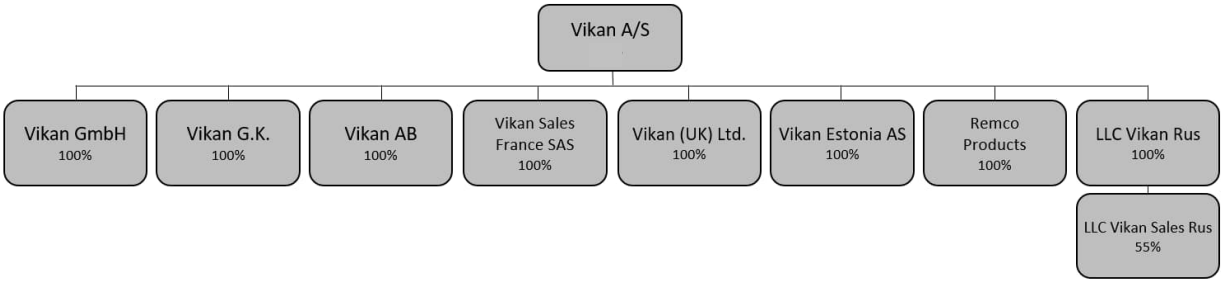
Odense, 3rd April 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Brian Skovhus Jakobsen
State Authorized Public Accountant
mne27701

Management's review

Hereby, the Board of Directors and the Executive Board of Vikan A/S have prepared the annual report and the Management's review for 2022.

Group chart



LLC Vikan Rus has been without activity since 24 February 2022.

The activities of the companies comprise production, sale and distribution.

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights of the Group					
Key figures					
Revenue	562,290	501,524	433,685	462,289	401,419
Gross profit	280,060	257,300	223,460	236,088	177,836
Operating profit	85,943	88,399	67,559	70,591	47,902
EBITDA	108,855	109,544	87,750	90,761	62,692
Financial income and financial expenses	-5,072	104	-2,330	-2,468	1,770
Profit before tax	80,871	88,503	65,229	68,123	49,672
Profit for the year	62,688	68,270	50,629	52,190	36,964
Investments in property, plant and equipment	26,526	16,154	12,843	24,688	9,353
Inventories	98,823	88,924	72,841	75,363	72,030
Trade receivables	78,254	73,740	57,637	61,813	54,155
Equity	258,750	229,828	187,580	173,152	129,531
Net interest-bearing debt	-18,416	-10,855	16,551	48,480	79,763
Total assets	374,998	352,581	312,441	314,795	302,574
Cash flows from operating activities	76,380	73,716	73,135	65,426	62,610
Financial ratios	**2022**	**2021**	**2020**	**2019**	**2018**
Gross margin (%)	49.8	51.3	51.5	51.1	44.3
Operating margin (%)	15.3	17.6	15.6	15.3	11.9
Return on capital employed (%)	27.1	30.3	23.7	24.6	20.0
Debt leverage	-0.2	-0.1	0.2	0.5	1.3
Return on equity (%)	30.0	37.8	33.4	34.5	29.2
Solvency ratio (%)	69.0	65.2	60.0	55.0	42.8

Management's review

Core activities

At Vikan, we help keep food production and other hygiene-sensitive environments cleaner and safer. Vikan develops, manufactures, and markets hygienic cleaning and food-handling tools for professional use. With 125 years of experience, Vikan has built deep hygiene and regulatory insights and developed the most effective professional cleaning and food-handling tools. All to ensure that our customers' increasing hygienic standards are being met and that they can deliver every product they manufacture with pride and confidence.

Products and services are primarily intended for the following sectors:

- Food and Beverage
- Food Retail and Food Service
- Facility Management
- Transport and Industrial

For further information, please visit the Vikan website at www.vikan.com.

The Financial Year 2022

Vikan remains committed to its leading position as the provider of the most effective professional cleaning and food-handling tools and complementary advisory services.

The Group's net revenue for the 2022 financial year was MDKK 562 compared to MDKK 502 in 2021. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounted to MDKK 109, marginally lower than the previous year. Group profit for the year was MDKK 63 after tax, compared with MDKK 68 in 2021.

The 2022 result was slightly below the expectations communicated in the 2021 annual report. Management is encouraged by the resiliency of the business and the ability to grow despite a challenging macro environment and significant input cost increases. The realized revenue growth represents a combination of pricing actions, volume growth and exit from Russia. With a delay in and moderate selling price increases, input cost increases exceeded the effect of the pricing actions.

During the 4th quarter of 2022, an expansion of the Skive plant with 2.800 m2 was started. The expansion will allow further growth with additional warehouse and manufacturing capacity. The new facilities are expected to be operational in the 2nd quarter of 2023.

In November 2022, Vikan was awarded the Best New Product/Service Award by The Society of Food Hygiene and Technology (SOFHT) in the UK. The award recognised the innovation and usefulness of the Vikan Virtual Site Survey, which uses augmented reality to let Vikan specialists conduct a remote review of cleaning operations.

Management's review

The Future

With continued volume growth, easing inflationary pressures, productivity benefits and new innovation, we anticipate an increase in revenues and operating profit in 2023. The positive performance is expected to overcome unfavourable impacts from higher interest rates and currency translation.

For the 2023 financial year net revenues are expected to be in the range of MDKK 590-600, and EBITDA in the range of MDKK 115-120.

On 1st May 2023, Vikan will celebrate its 125th anniversary. At the age of 28 years, Anders Peter Pedersen founded the company in 1898. During 2023 the company is planning to mark this extraordinary milestone with several activities, including events where we share our history, engage with our customers and recognise the great work done by our employees.

Cash resources and capital structure

The Group realised positive cash flows from operations totalling MDKK 76.

On 31 December 2022, equity amounted to MDKK 259. The solvency ratio totalled 69 % at the end of the financial year. Net interest-bearing debt decreased during the financial year 2022, and total cash deposits exceeded the company's debt with MDKK 18 as of 31st December 2022. Consequently, the debt leverage (the relation between net interest-bearing debt and EBITDA) was 0 at the end of 2022.

Financial risks

Management continues to seek to reduce the group's risks in relating to currency transactions, interest rates and trade credit conditions. Currency transactions are hedged within a specific time frame, matching expected underlying business transactions. The biggest currency risk for Vikan is linked to the fluctuation of USD.

Environmental, Social Responsibility and Governance (ESG)

Vikan has always strived for long-term sustainability and to uphold responsible business ethics. Corporate Social Responsibility has been a part of the company's philosophy for over a century and is deeply integrated into how we act and conduct business.

Its Vikan's policy to:

- Contribute to cleaner and safer food production and other hygiene-critical environments
- Minimise our environmental footprint
- Using renewable energy, recycled and renewable materials when technically feasible
- Sustain the highest health, safety, and business practice standards

Management's review

Cleaner and Safer Food Production/ Hygiene-critical Environments

Vikan commits to providing the right cleaning and food handling tools and expertise to secure the most effective cleaning and a safe food environment. Customers' health and safety are at the core of the Vikan strategy. Through site surveys, end-user visits, webinars and thought leadership, Vikan proactively helps customers and end-users improve their cleaning processes and protocols.

During 2022 more than 500 site surveys and 1200 end-user visits were conducted with individual recommendations for improvement of cleaning processes and protocols. Several webinars took place in 2022 with more than 800 attendees, all with expert knowledge sharing on actual cleaning/hygiene challenges.

Climate and Environment

Vikan has defined the following goals to be delivered by 2030 at the latest:

- CO2-neutral electricity and gas consumption
- 50% reduction of airfreight CO2 emission
- All plastic products made from recycled or renewable materials
- Full supplier compliance towards Vikan supplier code of conduct and sustainable criteria

In 2022 Vikan participated in a project with the purpose of mapping Vikan's CO2 emissions from the site in Skive, including scope 1-3 emissions. The following steps are to establish emission baselines and identify further reduction potentials. There will also be a focus on improved data quality to increase the accuracy of the emission mapping.

In 2022 Vikan converted more than 90% of our Classic Range products containing plastic parts to regenerated plastic.

Implemented LED lights have been implemented at the entire Skive, Denmark and Zionsville, Indiana sites with an expected power saving of approximately 50%.

Vikan is working together with EcoVadis on a sustainability assessment. The EcoVadis assessment includes criteria such as; Environment, Labour & Human Rights and Sustainable Procurement and is based on documented results. Vikan achieved a scorecard rating among the top 25% from EcoVadis.

Health & Safety

Safe, healthy, and ergonomic working conditions are given the highest priority at all levels of Vikan's operations. By engaging employees in workplace improvements, conducting risk-based task assessments, and providing safety training, we constantly strive to maintain a zero-accident culture. During 2022 Vikan had no high-consequence work-related injuries; however, three minor injuries occurred. Each incident has been analysed, and proactive action has been taken. Incident reports have led to 177 workplace improvements.

Management's review

Human Rights and Suppliers

Vikan operates from the principle that diversity among its employees contributes positively to the work environment and strengthens the Company's performance and competitiveness. Thus, the Company has a clear policy regarding discrimination and always intends to employ and retain its employees based on qualifications and competencies.

More specifically, it is Vikan's policy to ensure:
- a diverse workforce
- equal opportunities
- zero discrimination
- zero harassment
- zero bullying

An internal complaint-handling process is in place for violations of any policies. In 2022 we had no reported nor found any violation incidents.

During 2022 Vikan A/S employed and/or opened training for 9 sheltered roles.

Our recruiting approach is designed to ensure fairness and equal opportunity employment. To support this, the following measures are in place:

- Unconscious prejudice in recruiting operations is avoided by always involving a panel of several/varied interviewers
- We design recruitment processes of a certain length to ensure a diverse range of people is considered for each job
- We only work with outsourced recruiting partners who observe the equal opportunity requirements
- We provide a workplace atmosphere which respects dissimilarities and where variations are appreciated
- We employ leaders who are culturally competent and willing to commit to equality
- Through the concept of 'Employee Focus and Feedback,' we aim to foster good communication and conversations between leader and employee and thus ensure an avenue for development and for employees to address difficulties

The Supplier Code of Conduct complies with the UN Global Compact. We expect our suppliers to support and respect internationally declared human rights.

Sedex (www.sedex.com) is one of the world's leading ethical trade service providers, working to improve working conditions in global supply chains. Since 2018 Vikan has been a SEDEX member.
Using Sedex tools and services helps our organisation improve its business practices. The work carried out is documented through yearly SEDEX self-assessments, and periodic SMETA (Sedex Members Ethical Trade Audit) audits.

SMETA (Sedex Members Ethical Trade Audit) assesses a site based on their organisation's labour standards, health and safety, environment, and business ethics through a third-party audit. In 2022 a SMETA audit was conducted to access labour standards, health and safety, environment, and business ethics. Zero non-conformities were found during the three-day audit completed by Bureau Veritas.

Vikan is part of the Mcdonald's Supplier Workplace Accountability (SWA) Program. As part of this, we had a two-day audit performed by third-party auditors from Intertek to confirm compliance towards McDonald's Supplier Workplace Standards. Two minor non-conformities were found. Both findings have been corrected, and the Mcdonald's SWA program has approved the preventive actions.

Charitable Initiatives

90% of the shares in Vikan are owned by the Vissing Foundation (Vissing Fonden), a non-profit charity family foundation set up in 1979. The Vissing Foundation supports three purposes; near-patient research in disease prevention, diagnostics and treatment, mainly related to cancer and diabetes. In addition, the Foundation supports research in sustainable energy and projects and activities that support marginalised children and young people.

During 2022 the Vissing Foundation supported 36 different projects, and the majority of donations took place in the areas of cancer and diabetes and to support marginalised and young people.

In 2022 Vikan directly supported charity organisations related to cancer and "Danske Hospitalsklovne", which works to enhance the joy and the spirit of hospitalised children and create safe spaces with room for both enjoyment and seriousness.

Vikan's production site in Skive is certified to the ISO standards ISO 9001:2015 for quality and ISO 14001:2015 for the environment.

For more details on the Company's environmental policy, please see the Company's website at www.vikan.com.

Reporting on social responsibility and gender distribution in management, cf. §99a and b in The Danish Financial Statements Act

For further information on sustainability, human and labour rights, anti-corruption, environment and climate, please visit https://www.vikan.com/int/about-vikan/csr/.

Policies for the handling of data and data ethics

Vikan has set specific policies concerning data ethics and information security when data are used to plan, analyse, manage or support our business models and financial results. All employees are trained and updated on the policies regularly.
Collecting data from external sources, customers, suppliers, employees or other partners is always based on policies where technical or procedure-based measures are implemented based on an adequate risk evaluation to ensure high data security. Furthermore, based on the guidelines, data will be deleted when it is no longer needed to support our business or when the deletion is mandatory based on current laws and regulations or contractual demands.

Management's review

Intellectual capital

The Company is continuously investing in the training of its employees. In 2022, several training and development programmes were also completed throughout the organisation, particularly within digital skill sets.

Research and development

Continuous development of new products and technologies is an integrated part of the Company's ongoing operations to maintain its leading position as the provider of the most innovative hygienic cleaning and food handling tools. Research and development activities are based on customer-specific and internally defined projects.

At the end of 2022, a new product was added to the ULTRA SAFE TECHNOLOGY (UST) range. The UST range represents the food and beverage industry's most secure, safe, and hygienic cleaning tool programme.

Income statement for the period 1 January – 31 December

		Consolidated		Parent company	
	Note	2022 DKK'000	2021 DKK'000	2022 DKK'000	2021 DKK'000
Revenue	1	562,290	501,524	408,789	376,137
Production costs	2.3	-282,230	-244,224	-231,896	-208,674
Gross profit		**280,060**	**257,300**	**176,893**	**167,463**
Distribution costs	2.3	-147,700	-123,207	-86,220	-73,993
Administrative expenses	2,3,4	-46,417	-45,694	-30,006	-27,013
Other operating income		0	0	6,423	5,751
Operating profit		**85,943**	**88,399**	**67,090**	**72,208**
Profit of group enterprises after tax	5	0	0	15,921	12,102
Financial income	6	331	1,223	99	1,097
Financial expenses	7	-5,403	-1,119	-6,095	-1,354
Profit before tax		**80,871**	**88,503**	**77,015**	**84,053**
Tax on profit for the year	8	-19,588	-19,329	-14,327	-15,783
Profit before non-controlling interest		**61,283**	**69,174**	**62,688**	**68,270**
Non-controlling interests' share of subsidiary results		1,405	-904	0	0
Profit for the year		**62,688**	**68,270**	**62,688**	**68,270**

Assets at 31 December

		Consolidated		Parent company	
	Note	2022 DKK'000	2021 DKK'000	2022 DKK'000	2021 DKK'000
Research and development		0	41	0	41
Software, patents and licences acquired		3,197	771	3,197	771
Goodwill		42,307	49,646	0	0
Intangible assets	9	**45,504**	**50,458**	**3,197**	**812**
Land and buildings		28,918	29,417	27,530	27,958
Plant and machinery		31,467	30,980	23,749	22,447
Fixtures and fittings, other plant and equipment		8,120	8,716	3,187	3,585
Property, plant and equipment under construction		23,449	10,137	22,368	8,752
Property, plant and equipment	10	**91,954**	**79,250**	**76,834**	**62,742**
Other financial investments		0	2,727	0	2,727
Investments in group enterprises		0	0	147,158	149,872
Investments	11	**0**	**2,727**	**147,158**	**152,599**
Non-current assets		**137,458**	**132,435**	**227,189**	**216,153**
Raw materials and consumables		27,287	23,210	22,675	18,816
Work in progress		697	586	210	106
Finished goods and goods for resale		70,839	65,128	41,544	35,113
Inventories		**98,823**	**88,924**	**64,429**	**54,035**
Trade receivables		78,254	73,740	49,405	47,116
Amounts owed by subsidiaries and parent company		834	4,400	8,533	10,637
Other receivables		4,290	3,430	4,094	2,726
Corporation tax		0	16	0	0
Prepayments	12	7,945	4,162	6,342	2,885
Receivables		**91,323**	**85,748**	**68,374**	**63,364**
Cash at bank and in hand		**47,394**	**45,123**	**15,202**	**23,860**
Current assets		**237,540**	**219,795**	**148,005**	**141,259**
Assets		**374,998**	**352,230**	**375,194**	**357,412**

Equity and liabilities at 31 December

		Consolidated		Parent company	
	Note	2022 DKK'000	2021 DKK'000	2022 DKK'000	2021 DKK'000
Share capital	13	8,000	8,000	8,000	8,000
Reserve for fair value adjustments		1,406	-357	1,406	-357
Reserve for developement costs		0	32	0	32
Reserve for net revaluation under the quity method		0	0	21,588	24,303
Reserve for exchange adjustments regarding foreign subsidiaries		2,605	-1,866	0	0
Retained earnings		216,739	184,019	197,756	157,850
Proposed dividends for the financial year		30,000	40,000	30,000	40,000
Equity holders' share of equity, Vikan A/S		**258,750**	**229,828**	**258,750**	**229,828**
Non-controlling interests	14	0	2,170	0	0
Total Equity		**258,750**	**231,998**	**258,750**	**229,828**
Deferred tax	15	2,082	3,973	5,600	5,433
Provisions		**2,082**	**3,973**	**5,600**	**5,433**
Mortgage debt		19,109	20,876	19,109	20,876
Lease obligations		6,656	3,936	6,656	3,936
Other payables		7,109	7,095	7,109	7,095
Non-current liabilities other than provisions	16	**32,874**	**31,907**	**32,874**	**31,907**
Current portion of non-current liabilities	16	4,047	13,856	4,047	13,785
Trade payables		34,656	22,658	31,367	20,166
Payables to group enterprises		0	0	15,218	23,241
Corporation tax		15,665	16,374	13,846	15,621
Other payables		26,924	31,464	13,492	17,431
Current liabilities		**81,292**	**84,352**	**77,970**	**90,244**
Liabilities other than provisions		**114,166**	**116,259**	**110,844**	**122,151**
Equity and liabilities		**374,998**	**352,230**	**375,194**	**357,412**

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Statement of changes in equity for 2022

Consolidated

	Note	Share capital DKK'000	Reserve for exchange adjustments regarding foreign subsidiaries DKK'000	Reserve for fair value adjustments DKK'000	Reserve for developement costs DKK'000	Retained earnings DKK'000	Proposed dividends DKK'000	Total DKK'000	Non-controlling interest DKK'000	Total equity DKK'000
Equity 01.01.2022		8,000	-1,866	-357	32	184,019	40,000	229,828	2,170	231,998
Dividends paid		0	0	0	0	0	-40,000	-40,000	-865	-40,865
Profit for the year		0	0	0	-32	32,720	30,000	62,688	-1,405	61,283
Foreign exchange adjustments regarding foreign subsidiaries		0	4,471	0	0	0	0	4,471	101	4,572
Net adjustment of hedging instruments after tax		0	0	1,763	0	0	0	1,763	0	1,763
Equity 31.12.2022		**8,000**	**2,605**	**1,406**	**0**	**216,739**	**30,000**	**258,750**	**0**	**258,750**

Parent company

	Note	Share capital DKK'000	Reserve for fair value adjustments DKK'000	Reserve for net revaluation under the equity DKK'000	Reserve for developement costs DKK'000	Retained earnings DKK'000	Proposed dividends DKK'000	Total DKK'000
Equity 01.01.2022		8,000	-357	24,303	32	157,850	40,000	229,828
Dividends paid for the year		0	0	0	0	0	-40,000	-40,000
Profit for the year	24	0	0	-7,186	-32	39,906	30,000	62,688
Foreign exchange adjustments regarding foreign subsidiaries		0	0	4,471	0	0	0	4,471
Net adjustment of hedging instruments after tax		0	1,763	0	0	0	0	1,763
Equity 31.12.2022		**8,000**	**1,406**	**21,588**	**0**	**197,756**	**30,000**	**258,750**

Cash flow statement for the period 1 January – 31 December

	Note	2022 DKK'000	2021 DKK'000
Operating profit		85,254	88,399
Depreciation, etc. with no cash flow effect		22,912	21,145
Foreign exchange rate adjustments		4,604	5,481
Change in operating capital	25	-11,585	-23,490
		101,185	**91,535**
Interest income received, etc.		99	1,223
Interest expenses incurred, etc.		-5,647	-1,119
Corporation tax paid		-19,733	-17,923
Cash flows from operating activities		**75,903**	**73,716**
Investment in fixed assets etc.		-30,680	-17,289
Other financial investments		2,727	1,364
Cash flows from investing activities		**-27,953**	**-15,925**
Repayment of loans/raising of loans, net		-8,856	-14,252
Changes in balances, group enterprises		3,566	-3,462
Dividends paid		-40,389	-30,385
Cash flows from financing activities		**-45,679**	**-48,099**
Changes in cash and cash equivalents		**2,271**	**9,692**
Cash and cash equivalents at 1 January		45,123	35,431
Cash and cash equivalents at 31 December	26	**47,394**	**45,123**

Notes	Consolidated		Parent company	
	2022 DKK'000	2021 DKK'000	2022 DKK'000	2021 DKK'000
1. Revenue				
Denmark	41,681	39,604	41,681	39,604
Other countries	520,609	461,920	367,108	336,533
Total	**562,290**	**501,524**	**408,789**	**376,137**

Revenue is not disclosed per business area, as such disclosure in the opinion of Management and for competitive reasons will be detrimental to the Company.

2. Staff costs				
Wages and salaries	105,680	97,469	69,547	66,494
Pension contributions	7,638	6,783	5,378	5,112
Other social security costs	7,108	5,840	1,215	1,116
	120,426	**110,092**	**76,140**	**72,722**
Thereof total remuneration of the Executive Board and the Board of Directors	5,760	5,394	5,760	5,394
Average number of employees	254	239	138	137

According to section 98b of the Danish Financial Statements Act, remuneration of the Executive Board and the Board of Directors is disclosed as one item.

3. Impairment losses and amortisation				
Development projects completed	23	223	23	223
Patents and licences acquired	793	1,263	793	1,263
Goodwill	7,339	7,339	0	0
Buildings	1,512	1,423	1,441	1,356
Plant and machinery	9,907	8,799	8,230	7,346
Fixtures and fittings, other plant and equipment	3,338	2,098	1,493	585
Gain/loss on the disposal of non-current assets	0	85	0	3
	22,912	**21,230**	**11,980**	**10,776**
Impairment losses and amortisation are recognised as follows in the income statement:				
Production costs	11,078	9,738	9,710	8,721
Distribution costs	9,021	9,188	1,198	1,260
Administrative expenses	2,813	2,304	1,072	795
	22,912	**21,230**	**11,980**	**10,776**

Notes	Consolidated		Parent company	
	2022 DKK'000	2021 DKK'000	2022 DKK'000	2021 DKK'000
4. Fees to auditors appointed at the annual g. m.				
Statutory audit of the financial statements	273	249	273	249
Tax assistance	324	170	324	170
Other assistance	94	24	94	24
	691	**443**	**691**	**443**
Fee to other auditors				
Statutory audit of the financial statements	191	176	0	0
Tax assistance	527	345	0	0
Other assistance	453	264	67	38
	1,171	**784**	**67**	**38**
5. Profit of group enterprises after tax				
Share of profit after tax			27,347	21,072
Changes in intra-group profit on inventories			-4,087	-1,631
Amortisation of group goodwill			-7,339	-7,339
			15,921	**12,102**
6. Financial income				
Other financial income	331	1,223	99	1,097
	331	**1,223**	**99**	**1,097**
7. Financial expenses				
Interest expense, group enterprises	0	0	961	463
Other financial expenses	5,403	1,119	5,134	891
	5,403	**1,119**	**6,095**	**1,354**
8. Tax on profit for the year				
Current tax	19,301	21,440	12,718	16,391
Adjustment of deferred tax	-1,280	-1,726	168	-223
Tax on changes in equity	497	-385	497	-385
Adjustments regarding previous years	67	0	-59	0
Other taxes	1,003	0	1,003	0
	19,588	**19,329**	**14,327**	**15,783**

Notes

Consolidated

9. Intangible assets	Goodwill DKK'000	Software, patents and licences acquired DKK'000	Research and Development DKK'000
Cost at 01.01.2022	73,838	12,887	2,102
Additions	0	3,219	0
Disposals	0	0	-726
Cost at 31.12.2022	**73,838**	**16,106**	**1,376**
Amortisation at 01.01.2022	-24,192	-12,116	-2,061
Amortisation	-7,339	-793	-23
Reversed amortisation in respect of disposals for the year	0	0	708
Amortisation at 31.12.2022	**-31,531**	**-12,909**	**-1,376**
Carrying amount at 31.12.2022	**42,307**	**3,197**	**0**
Carrying amount at 31.12.2021	49,646	771	41

Parent company

9. Intangible assets	Goodwill DKK'000	Software, patents and licences acquired DKK'000	Research and Development DKK'000
Cost at 01.01.2022	450	12,887	2,102
Additions	0	3,219	0
Disposals	0	0	-726
Cost at 31.12.2022	**450**	**16,106**	**1,376**
Amortisation at 01.01.2022	-450	-12,116	-2,061
Amortisation	0	-793	-23
Reversed amortisation in respect of disposals for the year	0	0	708
Amortisation at 31.12.2022	**-450**	**-12,909**	**-1,376**
Carrying amount at 31.12.2022	**0**	**3,197**	**0**
Carrying amount at 31.12.2021	0	771	41

Notes

	Consolidated			
	Land and buildings DKK'000	Plant and machinery DKK'000	Fixtures and fittings, other plant and equipment DKK'000	Property, plant and equipment under construction DKK'000
10. Property, plant and equipment				
Cost at 01.01.2022	59,150	145,591	50,421	10,137
Foreign exchange adjustment	0	698	349	86
Additions	1,013	9,840	2,447	29,206
Disposals	0	-1,835	-2,116	-15,980
Cost at 31.12.2022	**60,163**	**154,294**	**51,101**	**23,449**
Depreciation at 01.01.2022	-29,733	-114,611	-41,705	0
Foreign exchange adjustment	0	-144	-54	0
Amortisation	-1,512	-9,907	-3,338	0
Reversed depreciation in respect of disposals for the year	0	1,835	2,116	0
Depreciation at 31.12.2022	**-31,245**	**-122,827**	**-42,981**	**0**
Carrying amount at 31.12.2022	**28,918**	**31,467**	**8,120**	**23,449**
Carrying amount at 31.12.2021	29,417	30,980	8,716	10,137
The carrying amount at 31.12.2022 includes:				
Leased assets recognised	0	10,115	0	0

Notes

	Parent company			
	Land and buildings DKK'000	Plant and machinery DKK'000	Fixtures and fittings, other plant and equipment DKK'000	Property, plant and equipment under construction DKK'000
10. Property, plant and equipment				
Cost at 01.01.2022	58,408	127,837	39,017	8,752
Additions	1,013	9,532	1,095	28,475
Disposals	0	-1,826	-2,039	-14,859
Cost at 31.12.2022	**59,421**	**135,543**	**38,073**	**22,368**
Depreciation at 01.01.2022	-30,450	-105,390	-35,432	0
Depreciation	-1,441	-8,230	-1,493	0
Reversed depreciation in respect of disposals for the year	0	1,826	2,039	0
Depreciation at 31.12.2022	**-31,891**	**-111,794**	**-34,886**	**0**
Carrying amount at 31.12.2022	**27,530**	**23,749**	**3,187**	**22,368**
Carrying amount at 31.12.2021	27,958	22,447	3,585	8,752
The carrying amount at 31.12.2022 includes:				
Leased assets recognised	0	10,002	0	0

Notes

11. Investments	Parent company Investments in group enterprises DKK'000	Other financial investments DKK'000
Cost at 01.01.2022	125,570	2,727
Disposals	0	-2,727
Cost at 31.12.2022	**125,570**	**0**
Net revaluations at 01.01.2022	24,303	0
Foreign exchange adjustment	4,471	0
Share of profit/loss for the year, net	15,921	0
Dividends paid	-23,107	0
Net revaluations at 31.12.2022	**21,588**	**0**
Carrying amount at 31.12.2022	**147,158**	**0**
Carrying amount at 31.12.2021	149,873	2,727

Carrying amount of investment in group enterprises include goodwill amounting to DKK 42,307 thousand.

Investments in group enterprises comprise:

	Registered	Ownership
Vikan (UK) Ltd.	England	100%
Vikan AB	Sweden	100%
Vikan Estonia AS	Estonia	100%
Vikan GmbH	Germany	100%
Vikan RUS LLC	Russia	100%
Vikan Japan GK	Japan	100%
VIKAN RUS Sales LLC	Russia	55%
Remco Products Corporation	USA	100%
Vikan Sales France SAS	France	100%

Notes

12. Prepayments

Prepayments comprise prepaid costs concerning IT licences, subscriptions, etc. regarding subsequent financial years.

13. Share capital

The share capital comprises four shares of DKK 5,700 thousand, DKK 300 thousand, DKK 1,600 thousand and DKK 400 thousand.
The shares are not divided into different classes of shares.

	Parent company
Share capital at 31.12.2016	8,000
Share capital at 31.12.2022	**8,000**

14. Non-controlling interests

	Consolidated	
	2022 DKK'000	2021 DKK'000
Non-controlling interests at 1 January	2,170	1,386
Share of profit/loss for the year	-1,406	904
Share of foreign exchange adjustments regarding foreign subsidiaries	102	265
Share of dividend paid in the year	-865	-385
Non-controlling interests at 31 December	**0**	**2,170**

15. Deferred tax

	Consolidated		Parent company	
	2022 DKK'000	2021 DKK'000	2022 DKK'000	2021 DKK'000
Deferred tax is incumbent on the following items:				
Intangible assets	-1,820	-1,609	704	178
Property, plant and equipment	6,610	7,240	3,889	4,355
Inventories	-2,253	-1,310	1,446	1,215
Trade receivables	-77	-36	0	0
Non-current liabilities other than provisions	-18	-22	-18	-22
Other payables	-383	-299	-421	-293
Tax loss carryforwards	23	9	7	0
	2,082	**3,973**	**5,607**	**5,433**

Notes

Consolidated

	Maturity within 1 year DKK'000	Maturity after 1 year DKK'000	Total amortised liabilities DKK'000	Total nominal liabilities DKK'000
16. Non-current liabilities				
Mortgage debt	1,788	19,109	20,897	20,897
Lease obligations	2,259	6,656	8,914	8,914
Other payables	0	7,109	7,109	7,109
Non-current liabilities at 31.12.2022	**4,047**	**32,874**	**36,921**	**36,921**
Non-current liabilities at 31.12.2021	13,856	31,907	45,764	45,764
Falling due after more than five years:				
Mortgage debt		11,462		
Lease obligations		594		
Other payables		7,109		
		19,165		

Parent company

	Maturity within 1 year DKK'000	Maturity after 1 year DKK'000	Total amortised liabilities DKK'000	Total nominal liabilities DKK'000
Mortgage debt	1,788	19,109	20,897	20,897
Lease obligations	2,259	6,656	8,914	8,914
Bank loans	0	0	0	0
Other payables	0	7,109	7,109	7,109
Non-current liabilities at 31.12.2022	**4,047**	**32,874**	**36,921**	**36,921**
Non-current liabilities at 31.12.2021	13,785	31,907	45,692	45,692
Falling due after more than five years:				
Mortgage debt		11,462		
Lease obligations		594		
Other payables		7,109		
		19,165		

Notes

17. Events after the balance sheet date

No events have occurred after the balance sheet date affecting the evaluation of the annual report.

	Consolidated		Parent	
	2022 t.kr.	2021 t.kr.	2022 t.kr.	2021 t.kr.
18. Charges				
Mortgage debt/bank debt is secured upon properties, plant and machinery.				
Carrying amount of properties, plant and machinery provided as collateral	51,279	50,405	51,279	50,405

The parent company has provided a guarantee for the subsidiaries' liabilities to credit institutions, mortgage debt and bank loans in Vikan AB and Vikan GmbH.

Liabilities to credit institutions, mortgage debt and bank loans in subsidiaries			0	0

19. Contractual obligations and contingencies, etc.

Contingent liabilities

Yearly operating leases regarding other operating equipment in Vikan A/S and subsidiaries	2,541	2,334	1,120	994
Yearly rent in Vikan A/S and subsidiaries	5,698	4,603	1,270	808
Total remaining payments on leases entered into	18,323	17,750	2,866	2,686

The Company is jointly taxed with other danish companies in the Vikan Group. Jointly taxed companies which are not wholly-owned have limited and secondary liability for Danish withholding taxes on dividends, interest and royalties within the joint taxation unit.

Notes

20. Currency and interest rate risks and the use of derivative financial instruments

To minimize the currency exposure the Vikan Group has entered into financial instruments. Unrealised profit on financial intruments amounts to DKK 1,049 thousand in 2022 (2021: DKK -1,210 thousand) and is recognised directly in equity adjusted for deferred tax. Financial instruments are recognized in accordance with fair value level 2.

21. Related party disclosures

Related parties exercising control of Vikan A/S:
Vissing Holding A/S, Rævevej 1, 7800 Skive (parent company)
Vissing Fonden, c/o Lawyer Allan Højbak, Vingårdsgade 22, 9000 Aalborg

Section 98c(7) of the Danish Financial Statements Act is applied regarding related party transactions.

22. Shareholders

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:
Vissing Holding A/S, Rævevej 1, 7800 Skive
Brush Holding ApS, Sølystvej 59, 8600 Silkeborg

23. Group structure

Vikan A/S and related subsidiaries are included in the consolidated financial statements of Vissing Holding A/S.

	Parent	
	2022 DKK'000	2021 DKK'000
24. Proposed profit appropriation		
Proposed dividends for the financial year	30,000	40,000
Reserve for developement costs	-32	-174
Reserve for net revaluation under the equity method	-7,186	5,495
Retained earnings	39,906	22,949
	62,688	**68,270**

	Consolidated	
	2022 DKK'000	2021 DKK'000
25. Changes in operating capital		
Change in inventories	-9,899	-16,083
Change in receivables	-9,157	-16,073
Change in trade payables, etc.	7,472	8,666
	-11,584	**-23,490**

	2022 DKK'000	2021 DKK'000
26. Cash at hand and in bank		
Cash at hand and in bank	47,394	45,123
	47,394	**45,123**

Accounting policies

The annual report has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Presentation currency

The financial statements are presented in Danish Kroner (DKK'000).

Consolidated financial statements

The consolidated financial statements comprise Vikan A/S (parent company) and the enterprises (group enterprises) over which the parent company exercises control, see note 11. Control is obtained in companies in which the parent company directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Entities over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%.

Consolidation principles

The consolidated financial statements are based on the financial statements of Vikan A/S and its subsidiaries. The consolidated financial statements are prepared by adding together financial statement items of similar nature. On consolidation, intra-group income and expenses, intra-group balances and dividends, and gains and losses on intra-group transactions are eliminated. The financial statements applied for consolidation purposes are prepared in accordance with the Group's accounting policies.

In the consolidated financial statements, the items of subsidiaries are recognised in full. The proportionate share of the non-controlling interests' results and net assets are recognised as separate items in the income statement and the balance sheet, respectively.

Investments in group enterprises are recognised after tax in one separate line item in the income statement.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets at the acquisition date.

Business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities.

The date of acquisition is the date when the Group actually obtains control of the acquiree.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognised in the income statement at the date of acquisition.
Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the consolidated financial statements are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The consideration paid for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement.

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

Where, at the date of acquisition, the identification or measurement of acquired assets, liabilities, contingent liabilities or the determination of the consideration is associated with uncertainty, initial recognition will take place on the basis of provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Hereafter, any adjustments are recognised as misstatements.

Gains or losses from divestment or winding-up of subsidiaries which imply that control is no longer maintained are calculated as the difference between, on the one hand, the selling price less selling expenses and, on the other hand, the proportionate share of the carrying amount of net assets. If the entity still holds equity investments in the divested entity, the remaining proportionate share of the carrying amount forms the basis for the measurement of equity investments in associates or securities and equity investments.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Receivables and payables and other monetary items denominated in foreign currencies which are not settled at the balance sheet date are translated at the exchange rate at the balance sheet date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment and the rate at the balance sheet date, respectively, are recognised in the income statement as financial income or financial expenses. Non-current assets purchased in foreign currencies are translated using historical rates.

On recognition of foreign subsidiaries and associates that are separate entities, the income statement is translated at the average exchange rate for the months which does not deviate significantly from the rate at the transaction date. Balance sheet items are translated to the exchange rates at the balance sheet date. Goodwill is deemed to relate to the independent

foreign entity and translated at the balance sheet date. Currency translation differences arisen when translating foreign subsidiaries' equity at the beginning of the year using the closing rate and when translating income statements from average exchange rates using the closing rate are recognised directly in equity.

Exchange rate adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently at fair value. Derivative financial instruments are recognised as other receivables or other liabilities, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future transactions are recognised directly in equity. When the hedged transactions materialise, changes are recognised in the related items.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

Income statement

Revenue

The company has chosen IAS 18 as interpretation for revenue recognition.

Income from the sale of goods, comprising the sale of hygiene cleaning tools, is recognised as revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties.

To the extent that customers are offered a right of return in connection with the sale, revenue corresponding to the Company's experience with returns is recognised.

Production costs

Production costs comprise direct and indirect costs incurred in generating revenue for the year. Trading entities recognise their cost of sales, and production entities recognise cost of raw material, consumables and production staff as well as depreciation of production assets.

Production costs comprise costs regarding development projects that do not qualify for recognition in the balance sheet as well as depreciation of development projects recognised.

Distribution costs

Costs incurred in distributing goods sold and in conducting sales campaigns are recognised as distribution costs. Also, costs relating to sales and distribution staff, advertising as well as depreciation and amortisation are recognised as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred for management and administration of the Group, including expenses for the administrative staff and the management, office supplies as well as depreciation.

Other operating income and costs

Other operating income and costs comprise items secondary to the primary activities of the Group.

Financial income and financial expenses

Financial income and expenses comprise interest income and expense, interest element of financial lease payments, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial liabilities, cash discounts, etc. as well as surcharges and refunds under the on-account tax scheme.

Corporation tax and deferred tax

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognised and measured applying the liability method on all temporary differences between the carrying amount and tax value of assets and liabilities. The tax value of assets is calculated based on the planed use of the asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Vikan A/S is jointly taxed with the parent company, Vissing Holding A/S. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income (full absorption with refunds for tax losses).

Balance sheet

Intangible assets

Goodwill and consolidated goodwill

Goodwill is amortised on a straight-line basis over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised over ten years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles, provided that the long amortisation period is assessed to better reflect the Group's utilisation of the resources in question.

The carrying amount of goodwill is assessed on an ongoing basis and is written down to the recoverable amount if the carrying amount exceeds the expected future net income from the enterprise or activity to which goodwill is allocated.

Development projects, patents and licences

Development costs comprise salaries, amortisation and other costs directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities in the Company are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are charged to the income statement as incurred.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence, however not exceeding 3 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Development costs that are recognised in the balance sheet are initially measured at cost and subsequently at cost less accumulated amortisation and impairment losses.

Development projects (continued)

Following the completion of the development work, development costs are amortised on a straight line basis over the estimated useful life. The amortisation period is usually five years and does not exceed 20 years.

Gains and losses on the disposal of development projects are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant and equipment

Land and buildings are measured at cost plus revaluation and as to buildings less accumulated depreciation and impairment losses. Revaluation is made based on regular, independent valuations of fair value.

Plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the date when it is ready to be put into operation. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, and
wages and salaries. The cost of assets held under finance leases is recognised at the lower of fair value of the assets and the present value of the future lease payments.

The basis of depreciation is cost less expected residual value at the end of the useful life. Depreciation is provided according to the straight-line method, based on the following expected useful lives:

Buildings	10-50 years
Plant and machinery	5-8 years
Fixtures and fittings, other plant and equipment	3-6 years

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

Gains and losses on the disposal of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Profits and losses are recognised in the income statement together with depreciation and impairment losses or under other operating income if the selling price exceeds original cost.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured according to the equity method. This means that investments in the balance sheet are measured at the proportionate share of the enterprises' net asset value minus or plus non-amortised positive or negative group goodwill, respectively and minus or plus unrealised intra-group profits and losses.

In the income statement of the parent company, the share of the enterprises' profit/loss after elimination of unrealised intra-group profits and losses and minus or plus amortisation of group goodwill or negative group goodwill, respectively.

Subsidiaries and associates with negative net asset value are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the enterprise's deficit.

Net revaluation of investments in subsidiaries and associates is transferred to the reserve for net revaluation to the extent that the carrying amount exceeds cost.

On acquisition of subsidiaries, the purchase method is applied, see Consolidated financial statements above.

Inventories

Inventories are measured at the lower of cost in accordance with the FIFO method and the net realisable value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs. Goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads.

Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation and impairment losses regarding production machinery, buildings and equipment as well as factory administration and management. Financing costs are not included in the cost.

The net realisable value of inventories is determined taking into consideration estimated sales price less costs of completion and costs necessary to make the sale.

Receivables

The Company has chosen IAS39 as interpretation for impairment write-down of financial receivables.
Receivables are measured at amortised cost, usually equalling nominal value, less provisions for bad debts.
An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The objective evidence applied to portfolios is determined based on historical loss experience.

Prepayments, assets

Prepayments recognised under "current assets" comprise expenses incurred concerning subsequent financial years.

Cash

Cash comprise cash.

Dividends

Dividends are recognised as a liability at the date when they are adopted at the annual general meeting. The proposed dividend payment for the financial year is disclosed as a separate item under equity.
Cost of acquisition of, consideration received for and dividends received from treasury shares are recognised as retained earnings in equity.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, loss on work in progress, decided and published restructurings etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are discounted at the average bond yields.

On acquisition of enterprises, provisions for restructurings of the acquired enterprise are made provided that they have been adopted and announced not later than at the date of the acquisition.

Mortgage debt

Mortgage debt is measured at cost at the date of borrowing corresponding to the proceeds received less transaction costs paid. Subsequently, mortgage debt is measured at amortised cost corresponding to the capitalised value in accordance with the effective interest rate method.

Lease obligations

The Company has chosen IAS17 as interpretation for classification and recognition of leases.
Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.
The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.
All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Other financial liabilities

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

Prepayments, liabilities

Deferred income comprises payments received concerning income in subsequent years. Prepayments are measured at amortised cost, which usually corresponds to the nominal value.

Fair value

Fair value is determined based on the principal market. If no principal market exists, the fair value is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities that are measured at fair value or whose fair value is disclosed are classified based on the fair value hierarchy, see below:

Level 1: Value based on the fair value of similar assets/liabilities in an active market.
Level 2: Value based on generally accepted valuation methods on the basis of observable market information.

Level 3: Value based on generally accepted valuation methods and reasonable estimates based on non-observable market information.

Cash flow statement

The consolidated cash flow statement is presented in accordance with the indirect method and shows cash flows from operating, investing and financing activities and the Group's cash and cash equivalents at the beginning and end of the year. The cash flow effect of acquisitions and disposals of enterprises is shown in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities are calculated as operating profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and investments as well as the acquisition, development, improvement and disposal, etc. of intangible assets, property, plant and equipment, including assets held under finance lease.

Cash flows from financing activities comprise changes in the size or composition of the parent company's share capital and related costs as well as the raising of loans, the closing of finance leases, repayment of interest-bearing debt and payment of dividends.
Cash and cash equivalents comprise cash and short-term securities with insignificant price risks.

Segment information

Information is disclosed by geographical markets.

Revenue is not disclosed per business area, as such disclosure in the opinion of Management and for competitive reasons will be detrimental to the Company.

Financial highlights

The financial ratios are calculated as follows:

Gross margin	=	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$
Operating margin	=	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Return on capital employed	=	$\frac{\text{Operating profit/loss x 100}}{\text{Average number of operating assets}}$
Debt leverage	=	$\frac{\text{Net interest-bearing debt}}{\text{EBITDA}}$
Return on equity	=	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$
Solvency ratio		$\frac{\text{Equity x 100}}{\text{Total assets}}$

Operating assets are calculated as the balance sheet total less liquid funds, interest-bearing assets (including shares) and investments in associates.

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