

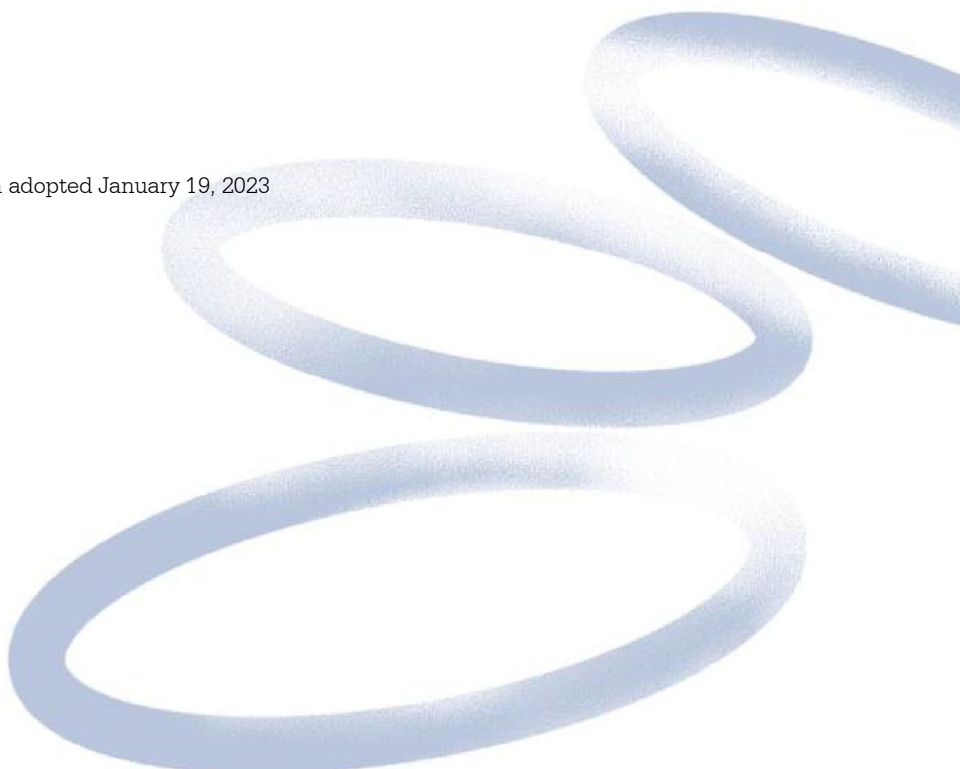
M Seals A/S

Bybjergvej 13, 3060 Espergærde
CVR no. 10 60 11 34

Annual report for the financial year 01.10.21 – 30.09.22

The annual report has been adopted January 19, 2023
annual general meeting,

Thomas Baag Petersen
Chairman of the meeting



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The company

M Seals A/S
Bybjergvej 13
3060 Espergærde

Registered office: Espergærde
CVR no.: 10 60 11 34
Founded: December 30, 1986
Financial year: 01.10 - 30.09

Executive Board

Thomas Baag Petersen

Board of Directors

Thomas Baag Petersen, chairman
Jette Stade
Alessandro Lala

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Subsidiarie

M Seals AB, Sverige

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.10.21 - 30.09.22 for M Seals A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 30.09.22 and of the results of the company's activities for the financial year 01.10.21 - 30.09.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Espergærde, January 10, 2023

Executive Board

Thomas Baag Petersen

Board of Directors

Thomas Baag Petersen
Chairman

Jette Stade

Alessandro Lala

To the Shareholder of M Seals A/S**Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at September 30, 2022 and of the results of the Company's operations for the financial year October 1, 2021 – September 30, 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of M Seals A/S for the financial year October 1, 2021 – September 30, 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

Copenhagen, January 19, 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Leif Ulbæk Jensen
State Authorized Public Accountant
MNE-no. mne23327

Thomas Lauritsen
State Authorized Public Accountant
MNE-no. mne34342

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2021/22	2020/21	2019/20	2018/19	2017/18
<i>Profit/loss</i>					
Gross profit	41,421	46,778	41,872	38,541	38,013
Index	109	123	110	101	100
Operating profit	17,404	24,426	20,876	17,547	18,351
Index	95	133	114	96	100
Total net financials	13,308	9,145	9,921	9,861	8,255
Index	161	111	120	119	100
Profit for the year	26,433	28,120	26,191	23,480	22,515
Index	117	125	116	104	100
<i>Balance</i>					
Total assets	126,819	119,336	100,490	80,917	72,810
Index	174	164	138	111	100
Investments in property, plant and equipment	266	99	233	255	222
Index	120	45	105	115	100
Equity	96,108	89,075	69,390	57,299	47,719
Index	201	187	145	120	100
Ratios					
	2021/22	2020/21	2019/20	2018/19	2017/18
<i>Profitability</i>					
Return on equity	28.5%	35.5%	41.3%	44.7%	54.0%
<i>Equity ratio</i>					
Equity interest	75.8%	74.6%	69.1%	70.8%	65.5%

Ratios definitions

Return on equity:
$$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$$

Equity interest:
$$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$$

Primary activities

The main activity as in previous years, has consisted of trade with sealing and seal components.

Development in activities and financial affairs

The management finds the result for the year, which is in line with PY, where we had a growth of 17% compared to FY2020, satisfying even though it is below expectations of 3-5% growth. It has been a challenging year with longer lead time, lack of some materials, higher freight cost and longer transportation time, but a huge job has been done by the procurement team to mitigate the problems and keep our high delivery performance towards the customers. The Danish operation has seen growth in the European sale +18% whereas 3rd countries have declined with 18%. Yet another year the company's diversity of customer segments and the geographic split of customers has again showed the strength of this strategy.

The growth in the Swedish operation (M Seals AB) has been tremendous with a growth of 19% mainly due to automotive industry is back on track regarding supply chain difficulties.

The management find the result above expectation, especially taken in consideration the challenges in the market.

Outlook

There is still a lot of uncertainty going forward with the Ukraine war, political instability, and high inflation. However, even that we will face all these challenges we see the company as robust with a very strong pipeline of new projects and introduction of new product lines and an organic growth in revenue and operating profit of 3-5% is expected.

Employees

We continue to focus on developing our talent and to strengthen the organization with new talented people. This is a key to follow the strategy of scaling the business and make it ready for the future growth. We continued to focus on developing our QA department and continue to invest in new measurement equipment. The demand from the market to follow new regulation, blacklist of substances etc. is getting larger and larger and it is a key that we have resources, so we can act according to these regulations. M Seals also keep investing in getting new approvals for both old and new compounds to be able to follow the increased demand from the market. Furthermore, the operational and production side of the organization have been strengthened and new added value activities implemented.

Special risks*Operating risks*

The main risk going forward will be the supply chain, but with the long-term partners and a strong purchase team it is expected that the company can navigate even in this difficult trading environment.

Financial risks

Sales to and from foreign countries imply that earnings, cash flows and equity are affected by the exchange rate changes in USD, EUR, and SEK, respectively. It is not company policy to hedge currency risks and no forward exchange contract is entered into or speculative foreign exchange positions.

M Seals strives to decrease the credit risk on receivables. A credit rating of customers is performed before sale. Since the Company generally deals with relatively large, well-established customers, there is no major credit risk on trade receivables.

External environment

M Seals ensures continuously to remain a social and environmentally responsible company, not only internally but also by selecting suppliers with a strong focus on the environment.

The company has obtained the ISO14000 certification and has developed its own Code of Conduct with focus on, human rights, labour standards, environment & anti-corruption.

M Seals also aim to work towards the UN's 17 Global Goals.

Subsequent events

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

Income statement

Note		2021/22 DKK	2020/21 DKK
	Gross profit	41,420,837	46,777,891
1	Staff costs	-23,587,258	-21,984,895
	Profit before depreciation, amortisation, write-downs and impairment losses	17,833,579	24,792,996
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-429,615	-367,051
	Operating profit	17,403,964	24,425,945
2	Income from equity investments in group enterprises	11,304,925	8,833,200
3	Financial income	2,225,519	633,881
4	Financial expenses	-222,742	-321,655
	Profit before tax	30,711,666	33,571,371
5	Tax on profit for the year	-4,278,453	-5,451,372
	Profit for the year	26,433,213	28,119,999
6	Proposed appropriation account		

ASSETS		30.09.22	30.09.21
Note		DKK	DKK
	Acquired rights	949,989	119,503
	Prepayments for intangible assets	0	175,248
7	Total intangible assets	949,989	294,751
	Leasehold improvements	8,415	16,830
	Plant and machinery	492,973	506,776
	Other fixtures and fittings, tools and equipment	10,520	60,376
	Property, plant and equipment under construction	0	73,394
8	Total property, plant and equipment	511,908	657,376
9	Equity investments in group enterprises	81,040	81,040
10	Receivables from group enterprises	53,113,252	53,633,881
10	Deposits	439,243	439,243
	Total investments	53,633,535	54,154,164
	Total non-current assets	55,095,432	55,106,291
	Manufactured goods and goods for resale	38,898,642	31,440,101
	Total inventories	38,898,642	31,440,101
	Trade receivables	20,002,397	19,297,472
	Receivables from group enterprises	4,746,918	6,128,818
	Other receivables	451,567	120,085
11	Prepayments	963,710	1,199,127
	Total receivables	26,164,592	26,745,502
	Cash	6,660,074	6,043,779
	Total current assets	71,723,308	64,229,382
	Total assets	126,818,740	119,335,673

EQUITY AND LIABILITIES		30.09.22	30.09.21
Note		DKK	DKK
12	Share capital	1,000,000	1,000,000
	Retained earnings	71,908,326	68,675,113
	Proposed dividend for the financial year	23,200,000	19,400,000
	Total equity	96,108,326	89,075,113
13	Provisions for deferred tax	378,519	270,909
	Total provisions	378,519	270,909
	Payables to group enterprises	7,860,280	8,479,800
	Total long-term payables	7,860,280	8,479,800
	Prepayments received from customers	0	59,578
	Trade payables	15,356,082	13,975,963
	Payables to group enterprises	1,048,761	9,829
	Income taxes	3,112,843	4,422,437
	Other payables	2,953,929	3,042,044
	Total short-term payables	22,471,615	21,509,851
	Total payables	30,331,895	29,989,651
	Total equity and liabilities	126,818,740	119,335,673
14	Contingent liabilities		
15	Related parties		

Statement of changes in equity

Figures in DKK	Share capital	Share premium	Retained earnings	Proposed dividend for the financial year	Total equity
Balance as at 01.10.20	750,000	0	54,240,114	14,400,000	69,390,114
Capital increase	250,000	5,715,000	0	0	5,965,000
Dividend paid	0	0	0	-14,400,000	-14,400,000
Transfers to/from other reserves	0	-5,715,000	5,715,000	0	0
Net profit/loss for the year	0	0	8,719,999	19,400,000	28,119,999
Balance as at 30.09.21	1,000,000	0	68,675,113	19,400,000	89,075,113
Balance as at 01.10.21	1,000,000	0	68,675,113	19,400,000	89,075,113
Dividend paid	0	0	0	-19,400,000	-19,400,000
Net profit/loss for the year	0	0	3,233,213	23,200,000	26,433,213
Balance as at 30.09.22	1,000,000	0	71,908,326	23,200,000	96,108,326

	2021/22	2020/21
	DKK	DKK
1. Staff costs		
Wages and salaries	20,346,439	18,970,353
Pensions	2,904,575	2,710,573
Other social security costs	336,244	303,969
Total	23,587,258	21,984,895
Average number of employees during the year	39	38

With reference to section 98B(3) of the Danish Financial Statement Act, the fee for the Management has not been disclosed.

2. Income from equity investments in group enterprises

Dividend, group enterprises	11,304,925	8,833,200
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3. Financial income

Interest, group enterprises	2,113,252	633,881
Other financial income	112,267	0
Total	2,225,519	633,881

4. Financial expenses

Interest, group enterprises	196,013	80,190
Other financial expenses	26,729	241,465
Total	222,742	321,655

	2021/22	2020/21
	DKK	DKK

5. Tax on profit for the year

Tax on profit or loss for the year	4,170,843	5,413,437
Adjustment of deferred tax for the year	107,610	37,935
Total	4,278,453	5,451,372

6. Proposed appropriation account

Proposed dividend for the financial year	23,200,000	19,400,000
Retained earnings	3,233,213	8,719,999
Total	26,433,213	28,119,999

7. Intangible assets

Figures in DKK	Acquired rights	Prepayments for intangible assets
Cost as at 01.10.21	2,519,376	175,248
Additions during the year	921,672	0
Disposals during the year	-259,788	-175,248
Cost as at 30.09.22	3,181,260	0
Amortisation and impairment losses as at 01.10.21	-2,399,873	0
Amortisation during the year	-91,186	0
Amortisation of and impairment losses on disposed assets for the year	259,788	0
Amortisation and impairment losses as at 30.09.22	-2,231,271	0
Carrying amount as at 30.09.22	949,989	0

8. Property, plant and equipment

Figures in DKK	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Cost as at 01.10.21	326,690	3,855,233	1,835,572	73,394
Additions during the year	0	266,355	0	0
Disposals during the year	0	0	0	-73,394
Cost as at 30.09.22	326,690	4,121,588	1,835,572	0
Depreciation and impairment losses as at 01.10.21	-309,860	-3,348,457	-1,775,196	0
Depreciation during the year	-8,415	-280,158	-49,856	0
Depreciation and impairment losses as at 30.09.22	-318,275	-3,628,615	-1,825,052	0
Carrying amount as at 30.09.22	8,415	492,973	10,520	0

9. Equity investments in group enterprises

Figures in DKK	Equity invest- ments in group enterprises
Cost as at 01.10.21	81,040
Cost as at 30.09.22	81,040
Carrying amount as at 30.09.22	81,040

Name and registered office:	Ownership interest	Equity DKK	Net profit/loss for the year DKK
Subsidiaries:			
M Seals AB, Sverige	100%	11,956,926	11,492,838

10. Other non-current financial assets

Figures in DKK	Receivables from group enterprises	Deposits
Cost as at 01.10.21	53,633,881	439,243
Disposals during the year	-520,629	0
Cost as at 30.09.22	53,113,252	439,243
Carrying amount as at 30.09.22	53,113,252	439,243

30.09.22 30.09.21
DKK DKK

11. Prepayments

Prepaid insurance premiums	16,783	108,643
Prepaid rent	571,000	422,475
Other prepayments	375,927	668,009
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Total	963,710	1,199,127

Prepayments comprise incurred costs relating to subsequent financial years.

12. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share class A	50	50,000
Share class B	450	450,000
Share class C	500	500,000
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Total		1,000,000

30.09.22 30.09.21
DKK DKK

13. Deferred tax

Deferred tax as at 01.10.21	270,909	232,974
Deferred tax recognised in the income statement	107,610	37,935
<hr/>		
Deferred tax as at 30.09.22	378,519	270,909

14. Contingent liabilities

The company has concluded lease agreements regarding leasehold with a remaining payment of DKK 690k.

The company has entered into a contract of a new leasehold. The contract contains a clause of 15 years' irrevocability. The contractual obligation amounts to DKK 85,135k.

The Company has concluded lease agreements with a remaining payment of DKK 697k.

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends] for the jointly taxed companies. The total known tax liability for the jointly taxed companies is DKK 4,886k at the balance sheet date, of which DKK 3,112k is recognised in the balance sheet.

15. Related parties

Controlling influence	Basis of influence
Diploma PLC, Storbritannien	Beneficial owners
Napier Group Limited, Storbritannien	Legal owners

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

16. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of Diploma PLC, which prepares consolidated financial statements.

The foreign consolidated financial statements are available at:
<http://www.diplomaplc.com>

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable

16. Accounting policies - continued -

arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

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

INCOME STATEMENT**Gross profit**

Gross profit comprises revenue and cost of sales and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

16. Accounting policies - continued -**Depreciation, amortisation and impairment losses**

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Acquired rights	3 - 7	0
Leasehold improvements	3 - 7	0
Plant and machinery	3 - 5	0
Other plant, fixtures and fittings, tools and equipment	3 - 7	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group enterprises

Dividends from investments measured at cost are recognised as income in the financial year in which the dividend is declared.

Income from investments in subsidiaries also comprises gains and losses on the sale of investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and

16. Accounting policies - continued -

directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Intangible assets***Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Prepayments for intangible assets

Prepayments for intangible assets comprise prepayments to suppliers.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

16. Accounting policies - continued -

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Investments in group enterprises

Investments in subsidiaries are measured in the balance sheet at cost less any impairment losses.

Gains or losses on the investment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

If dividends are distributed on investments in subsidiaries exceeding the year earnings from the enterprise in question, this is considered an indication of impairment.

16. Accounting policies - continued -

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost on basis of measured average prices. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

16. Accounting policies - continued -**Cash**

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

16. Accounting policies - continued -

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.