
Primagaz Danmark A/S

Sandvadsvej 11, DK-4600 Køge

Annual Report for 1 January - 31 December 2019

CVR No 13 08 09 76

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/7 2020

Ewa Gawrys-Osinska
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Primagaz Danmark A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

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

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

Køge, 31 July 2020

Executive Board

Ewa Gawrys-Osinska

Board of Directors

Anna Maria Helena Schöningh
Chairman

Michael Kossack

Ewa Gawrys-Osinska

Independent Auditor's Report

To the Shareholder of Primagaz Danmark A/S

Opinion

We have audited the Financial Statements of Primagaz Danmark A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies ("Financial Statements"). The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

Independent Auditor's Report

audit. We also:

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

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

Moreover, it is our responsibility to consider whether Management's Review provides the information re-

Independent Auditor's Report

quired under the Danish Financials Statements Act.

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

Copenhagen, 31 July 2020

KPMG P/S

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Morten Høgh-Petersen

statsautoriseret revisor

mne34283

Company Information

The Company

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Sandvadsvej 11
DK-4600 Køge

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E-mail: office@primagaz.dk
Website: www.primagaz.dk

CVR No: 13 08 09 76
Financial period: 1 January - 31 December
Municipality of reg. office: Køge

Board of Directors

Anna Maria Helena Schöningh, Chairman
Michael Kossack
Ewa Gawrys-Osinska

Executive Board

Ewa Gawrys-Osinska

Auditors

KPMG P/S
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Lawyers

Bech-Bruun Law Firm
Langelinie Allé 35
DK-2100 København Ø

Bankers

Danske Bank
Holmens Kanal 2
DK-1090 København K

Financial Highlights

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

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	6,596	-2,163	-1,226	-15,355	19,245
Net financials	-852	-927	-846	-612	-1,771
Net profit/loss for the year	4,424	-2,417	-1,623	-12,460	13,460
Balance sheet					
Balance sheet total	132,030	141,196	124,813	121,890	103,637
Equity	30,359	25,935	28,352	29,975	55,435
Investment in property, plant and equipment	5,807	21,401	-7,447	7,423	4,459
Number of employees	63	60	51	45	46
Ratios					
Return on assets	5.0%	-1.5%	-1.0%	-12.6%	18.6%
Solvency ratio	23.0%	18.4%	22.7%	24.6%	53.5%
Return on equity	15.7%	-8.9%	-5.6%	-29.2%	27.6%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

Primagaz Danmark A/S ("the Company") is a subsidiary of the world's leading LPG company SHV Energy NV. SHV Energy is a family-owned multinational organisation that consists of a group of specialised energy companies. These companies provide people and businesses with decentralised personalised energy solutions and services. Our customers often live or work in areas beyond the natural gas grid and rely on our companies for their most important energy sources.

The Company is engaged in distributing LPG/Propane to meet the energy needs of variety of customers. The Company provides reliable bulk LPG/Propane supplies to various customers in domestic, industrial, commercial and agricultural segment.

The Company also sells LPG/Propane in cylinders of various sizes to both domestic and professional customers.

The Company is the head office and Shared Service Center for the Scandinavian activities within SHV Energy, consisting of similar LPG/Propane activities and businesses in Sweden and Norway.

Development in the year

Excellence performance for the year with all activities reporting strong profit and a net profit was posted of DKK 4,423,582 for 2019.

Total gross profit increased by DKK 11,524,272 or 25.5% to 56,783,870 in 2019, compared to DKK 45,259,598 in 2018. This is the result of continued focus on margin- and risk management and cost performance.

As per December 2019 the balance sheet of the Company shows an equity of DKK 30,358,984.

The past year and follow-up on development expectations from last year

The Company expects that 2020 will be another year with a net profit however the COVID-19 pandemic has an unprecedented impact on people's health and the economy. As result of the pandemic the global economy is expected to contract sharply. It's not clear yet how the Company and its customer- and supplier base will be impacted.

Strategy and objectives

Strategy

The Company wishes to maintain and enhance its position in the Danish energy market primarily based on a long-term strategy. The keen competition in the LPG market is expected to continue.

As established head office for the Scandinavian activities of SHV Energy, the Company wishes to maintain and develop the position of SHV Energy in the Scandinavian energy market.

Management's Review

Targets and expectations for the year ahead

It is expected that volatility in the crude prices may continue to affect LPG/Propane-market in 2020 especially connected to COVID-19 pandemic. The effect of weather will continue to play a key determinant towards overall energy market including LPG.

External environment

Safety

SHV Energy has safety as its main issue and Primagaz Danmark A/S is constantly spending significant resources to further improve health and safety conditions for employees, customers and environment.

Compliance

The Company's policy is to make own commercial decisions based on our supreme interest of being entirely independent from the interest of competitors.

Our commercial decisions are made in conformity with a principle of securing an open market economy with free competition. It means that we avoid any conduct which may offend the EU and the national rules and law of competition.

All employees are continuously trained in our Compliance Program.

Subsequent events

The outbreak and spread of the new corona virus have a global impact on society as a whole, with economic and financial consequences. Potential negative business consequences due to the outbreak of Covid-19 has not been identified at the time of preparation of this annual report. Any future consequences are analyzed on an ongoing basis. Apart from this, no events have occurred after the balance sheet date which could significantly affect the company's financial position.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Gross profit/loss		56,783,870	45,259,598
Staff expenses	2	-41,573,279	-39,531,732
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	<u>-8,614,092</u>	<u>-7,890,672</u>
Profit/loss before financial income and expenses		6,596,499	-2,162,806
Financial income	4	55,591	53,989
Financial expenses	5	<u>-907,202</u>	<u>-980,846</u>
Profit/loss before tax		5,744,888	-3,089,663
Tax on profit/loss for the year	6	<u>-1,321,306</u>	<u>673,074</u>
Net profit/loss for the year		<u>4,423,582</u>	<u>-2,416,589</u>

Balance Sheet 31 December

Assets

	Note	2019 DKK	2018 DKK
Goodwill		2,925,416	3,207,753
Intangible assets	7	2,925,416	3,207,753
Land and buildings		7,387,152	3,723,692
Plant and machinery		17,083,072	17,396,081
Other fixtures and fittings, tools and equipment		13,597,923	12,393,551
Property, plant and equipment in progress		0	2,761,144
Property, plant and equipment	8	38,068,147	36,274,468
Other receivables		0	231,685
Fixed asset investments		0	231,685
Fixed assets		40,993,563	39,713,906
Finished goods and goods for resale		42,685,575	45,785,767
Inventories		42,685,575	45,785,767
Trade receivables		32,972,151	35,898,590
Receivables from group enterprises		0	1,633,039
Other receivables		1,820,756	508,358
Deferred tax asset	9	2,962,412	3,627,619
Corporation tax		0	1,299,000
Prepayments	10	1,225,122	923,913
Receivables		38,980,441	43,890,519
Cash at bank and in hand		9,370,325	11,805,549
Currents assets		91,036,341	101,481,835
Assets		132,029,904	141,195,741

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		13,200,000	13,200,000
Retained earnings		17,158,984	12,735,402
Equity	11	30,358,984	25,935,402
Other provisions	13	5,244,656	9,983,483
Provisions		5,244,656	9,983,483
Lease obligations		548,182	0
Payables to group enterprises		11,205,001	26,132,742
Long-term debt	14	11,753,183	26,132,742
Credit institutions		20,291,303	45,936,898
Lease obligations	14	218,371	0
Trade payables		15,541,291	12,398,524
Payables to group enterprises	14	30,623,272	171,532
Corporation tax		967,149	0
Other payables		15,750,946	19,191,902
Deferred income	15	1,280,749	1,445,258
Short-term debt		84,673,081	79,144,114
Debt		96,426,264	105,276,856
Liabilities and equity		132,029,904	141,195,741
Subsequent events	1		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	13,200,000	12,735,402	25,935,402
Net profit/loss for the year	0	4,423,582	4,423,582
Equity at 31 December	13,200,000	17,158,984	30,358,984

Notes to the Financial Statements

1 Subsequent events

The outbreak and spread of the new corona virus have a global impact on society as a whole, with economic and financial consequences. Potential negative business consequences due to the outbreak of Covid-19 has not been identified at the time of preparation of this annual report. Any future consequences are analyzed on an ongoing basis. Apart from this, no events have occurred after the balance sheet date which could significantly affect the company's financial position.

	2019 DKK	2018 DKK
2 Staff expenses		
Wages and salaries	37,743,861	35,552,385
Pensions	3,323,606	3,465,529
Other social security expenses	505,812	513,818
	41,573,279	39,531,732
Average number of employees	63	60

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

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	282,337	791,108
Depreciation of property, plant and equipment	8,331,755	7,099,564
	8,614,092	7,890,672

4 Financial income

Interest received from group enterprises	14,176	19,186
Other financial income	41,415	34,803
	55,591	53,989

Notes to the Financial Statements

	2019 <u>DKK</u>	2018 <u>DKK</u>
5 Financial expenses		
Interest paid to group enterprises	651,919	564,056
Other financial expenses	67,816	58,010
Exchange loss	187,467	358,780
	<u>907,202</u>	<u>980,846</u>
6 Tax on profit/loss for the year		
Current tax for the year	800,140	1,057,237
Deferred tax for the year	465,872	-1,730,311
Adjustment of tax concerning previous years	-144,041	0
Adjustment of deferred tax concerning previous years	199,335	0
	<u>1,321,306</u>	<u>-673,074</u>
7 Intangible assets		
		<u>Goodwill</u> DKK
Cost at 1 January		32,973,515
Cost at 31 December		<u>32,973,515</u>
Impairment losses and amortisation at 1 January		29,765,762
Amortisation for the year		<u>282,337</u>
Impairment losses and amortisation at 31 December		<u>30,048,099</u>
Carrying amount at 31 December		<u>2,925,416</u>

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 1 January	23,805,966	62,770,712	18,528,833	2,761,144
Additions for the year	4,335,849	4,642,157	3,925,577	0
Disposals for the year	<u>-71,122</u>	<u>-17,005</u>	<u>-2,928,503</u>	<u>-2,761,144</u>
Cost at 31 December	<u>28,070,693</u>	<u>67,395,864</u>	<u>19,525,907</u>	<u>0</u>
Impairment losses and depreciation at 1 January	20,082,274	45,374,630	6,135,285	0
Depreciation for the year	672,389	4,938,162	2,721,202	0
Reversal of impairment and depreciation of sold assets	<u>-71,122</u>	<u>0</u>	<u>-2,928,503</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>20,683,541</u>	<u>50,312,792</u>	<u>5,927,984</u>	<u>0</u>
Carrying amount at 31 December	<u>7,387,152</u>	<u>17,083,072</u>	<u>13,597,923</u>	<u>0</u>
Including assets under finance leases amounting to	<u>0</u>	<u>957,840</u>	<u>0</u>	<u>0</u>

Notes to the Financial Statements

	2019	2018
	DKK	DKK
9 Deferred tax asset		
Deferred tax asset at 1 January	3,627,619	1,897,308
Amounts recognised in the income statement for the year	-665,207	1,730,311
Deferred tax asset at 31 December	2,962,412	3,627,619
Intangible assets	623,813	685,927
Property, plant and equipment	-2,432,401	-1,475,804
Hensættelser	-1,153,824	-2,196,366
Tax loss carry-forward	0	-641,376
Transferred to deferred tax asset	2,962,412	3,627,619
	0	0
Deferred tax asset		
Calculated tax asset	2,962,412	3,627,619
Carrying amount	2,962,412	3,627,619

Deferred tax asset has been activated at 22 % corresponding to the current tax rate.

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions as well.

11 Equity

The share capital consists of 26,400 shares of a nominal value of DKK 500. No shares carry any special rights.

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

12 Distribution of profit

Retained earnings	4,423,582	-2,416,589
	4,423,582	-2,416,589

Notes to the Financial Statements

	<u>2019</u>	<u>2018</u>
	DKK	DKK
13 Other provisions		
<p>The Danish Work Environment Authority has declared an order regarding the recall of Compolite CS composite cylinders.</p> <p>Provisions is to counter for cylinders not replaced per 31 December 2019. The provision are an expression of the best estimate of Management, but by nature it is associated with some degree of uncertainty.</p>		
Other provisions	<u>5,244,656</u>	<u>9,983,483</u>
	<u>5,244,656</u>	<u>9,983,483</u>
<p>The provisions are expected to mature as follows:</p>		
Within 1 year	3,513,919	5,000,000
Between 1 and 5 years	<u>1,730,736</u>	<u>5,849,973</u>
	<u>5,244,655</u>	<u>10,849,973</u>
14 Long-term debt		
<p>Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.</p> <p>The debt falls due for payment as specified below:</p>		
Lease obligations		
Between 1 and 5 years	<u>548,182</u>	<u>0</u>
Long-term part	548,182	0
Within 1 year	<u>218,371</u>	<u>0</u>
	<u>766,553</u>	<u>0</u>
Payables to group enterprises		
Between 1 and 5 years	<u>11,205,001</u>	<u>26,132,742</u>
Long-term part	11,205,001	26,132,742
Other short-term debt to group enterprises	<u>30,623,272</u>	<u>171,532</u>
	<u>41,828,273</u>	<u>26,304,274</u>

Notes to the Financial Statements

15 Deferred income

Deferred income consists of received rental payments for the next year etc.

	<u>2019</u> DKK	<u>2018</u> DKK
16 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1,950,131	2,179,829
Between 1 and 5 years	2,002,868	3,129,291
	<u>3,952,999</u>	<u>5,309,120</u>
Rental obligation buildings, period of non-terminability up to 36 mth	919,163	988,663
Lease obligation buildings, period of non-terminability 10 years (right to purchase on 1 July 2020)	5,975,883	7,835,430

Other contingent liabilities

As part of the company's general trading activities and cooperation with other parties within Danish energy logistics, the company is subject to general business risks associated with these activities.

The company is part of joint taxation with other Danish companies in the group, and is jointly and severally liable for Tax on the group's jointly taxed income and for certain possible withholding taxes, such as dividend tax and royalty tax, and for joint registration of VAT. Any subsequent corrections of the taxable joint taxation income or withholding tax on dividends etc. could lead to a larger amount of corporate liability. The Group as a whole is not liable to others.

Notes to the Financial Statements

17 Related parties

Basis

Controlling interest

SHV Energy NV, Hoofddorp, Holland / The Netherlands Main shareholder

Transactions

Intercompany income regarding Management Charge DKK 13,184,833 (2018: DKK 9.773.268).

Intercompany expense regarding cost of goods sold 7,918,996 (2018: DKK 10.856.075), management charge DKK 5,585,862 (2018: 1,927,007) and other external cost DKK 964,064 (2018: 515,758).

Intercompany receivables and debt is disclosed in the Balance Sheet while interest income and expense is disclosed in note 4 and 5.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

SHV Energy NV, Hoofddorp, Holland / The Netherlands

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest group:

Name	Place of registered office
SHV Holdings N.V.	The Netherlands

The Group Annual Report of SHV Holdings N.V. may be obtained at the following address:

SHV Holdings N.V.
Rijnkade 1
3511 LC Utrecht
The Netherlands

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Primagaz Danmark A/S ("the Company") for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in DKK.

Cash flow statement

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

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation and provisions.

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

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

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

Leases

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

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

All other leases are considered operating leases. Payments made under operating leases are recognised in

Notes to the Financial Statements

18 Accounting Policies (continued)

the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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

Income Statement

Revenue

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

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

Cost of goods sold

Cost of goods sold comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Gross profit/loss

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including income from management fees.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

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

The Company is jointly taxed with a group company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill is amortised on a straight-line basis over the useful life determined within the individual business areas. The amortisation period is usually 5 years but may in certain cases be up to 20 years for enterprises acquired for strategic purposes with a strong market position and a long-term earnings profile if the longer amortisation period is considered to reflect better the value in use of the resources in question.

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time

Notes to the Financial Statements

18 Accounting Policies (continued)

when the asset is ready for use.

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

Buildings	20 years
Buildings on leased land	10-40 years
Plant and machinery	5-20 years
Other fixtures and fittings, tools and equipment	2-6 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

Impairment of fixed assets

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

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

Fixed asset investments

Fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

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

The cost of goods for resale equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Notes to the Financial Statements

18 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and similar items.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of substitution of Primadonna gas cylinders on demand . Provisions are measured and recognised based on the Managements expectation to the coming substitutions of Primadonna gas cylinders without charge.

Deferred tax assets and liabilities

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

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

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

Current tax receivables and liabilities

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial debts

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

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

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