Haas-Meincke A/S

Tonsbakken 10, DK-2740 Skovlunde

Annual Report for 1 January - 31 December 2018

CVR No 13 88 20 37

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24/4 2019

Wolfgang Schnallinger
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Haas-Meincke A/S for the financial year 1 January - 31 December 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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.

Skovlunde, 24 April 2019

Executive Board

Ole Jensen
Executive Officer

Board of Directors

Germar Holger Wacker Chairman	Heinz Wolfgang Schnallinger Deputy Chairman	Reinhard Natter
Hans-Christian Jørgensen Staff Representative	Henrik Bo Hansen Staff Representative	

Independent Auditor's Report

To the Shareholder of Haas-Meincke A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Haas-Meincke A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the 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' 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.

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 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.

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 misstate-

ment, 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 24 April 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Lunden
statsautoriseret revisor
mne32209

Simon Vinberg Andersen
statsautoriseret revisor
mne35458

Company Information

The Company	Haas-Meincke A/S Tonsbakken 10 DK-2740 Skovlunde CVR No: 13 88 20 37 Financial period: 1 January - 31 December Municipality of reg. office: Ballerup
Board of Directors	Germar Holger Wacker, Chairman Heinz Wolfgang Schnallinger Reinhard Natter Hans-Christian Jørgensen Henrik Bo Hansen
Executive Board	Ole Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	729.511	629.948	727.280	663.856	653.080
Gross profit/loss	152.580	58.593	120.882	118.952	70.804
Operating profit/loss	-3.692	-73.372	2.482	12.723	-4.817
Net financials	-7.432	7.466	-890	2.597	9.250
Net profit/loss for the year	-7.909	-53.054	1.120	12.908	5.391
Balance sheet					
Balance sheet total	444.249	409.592	302.691	245.982	304.171
Equity	65.655	73.564	50.714	51.968	38.124
Investment in property, plant and equipment	0	6.813	12.274	15.553	13.818
Number of employees	225	233	247	153	132
Ratios					
Gross margin	20,9%	9,3%	16,6%	17,9%	10,8%
Return on assets	-0,8%	-17,9%	0,0%	5,2%	0,0%
Solvency ratio	14,8%	18,0%	16,8%	21,1%	12,5%
Return on equity	-11,4%	-85,4%	2,2%	28,7%	14,7%

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.

In connection with changes to accounting policies, the comparative figures from 2016 back to 2014 have not been restated. See the description under accounting policies.

Management's Review

Financial Statements of Haas-Meincke A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Company has changed its accounting policies for measuring investments in subsidiaries from equity method to cost. The change has resulted in a decrease in profit for the current year with total TDKK 1.932 (2017: TDKK -443). It has also affected the Company's balance sheet total with TDKK -8.354 (2017: -6.422). Equity is affected by a total of TDKK -8.354 (2017: -6.422). The Company's cash flows are not affected by the change.

Furthermore, the Company has changed its accounting policies for measuring derivative financial instruments from recognizing changes in the fair value in retained earnings under Equity to recognizing fair value changes in the income statement. The change has resulted in a decrease in profit for the year with TDKK 3.417 (2017: 3.783). Equity is not affected by the change in accounting policy.

Other changes have been made in regards to classification of comparative and current year figures. Changes to classification has no effect on the Company's profit or equity in previous or current financial year.

Key activities

The objective of the company is to carry on activities within the food industry as a producer and supplier of capital equipment, mainly for the bakery and chocolate industry.

Development in the year

The income statement of the Company for 2018 shows a loss of TDKK 7.909, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 65.655.

The scope of the Company's activities were higher than in 2017 which was expected and in line with budget, while the income statement was better than expected.

The Company continues to have a very strong market position, and the main markets shows a positive development in the majority of the regions in the world.

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

The Company's results for the year were better than the expectations, based on an increase in activities as well as improved usage of the capacity resulting in a very positive development of the profit/loss for the year.

For the year 2018 the Company has been through a turnaround, where the Company was positioned better externally towards the market with a better portfolio, while the Company has been restructured internally with anchoring of new processes.

Management's Review

Special risks - operating risks and financial risks

Operating risks

The Company's main operational risk consists of giving guarantees in connection with the commissioning of machines and plants. This is constantly being covered by means of tests of the plants in question and joint evaluations by the senior staff and management.

Moreover it is essential for the Company always to have a strong position on the markets where the products are sold and always to secure a competitive structure of costs. These risks are countered by investments in marketing and efficiency, as discussed above.

Market risks

The Company's use of aluminium and steel as substantial raw materials causes a special risk as there are significant fluctuations in the raw material prices which cannot be included in the prices for the finished products. This is to some extent met by entering into long-term delivery contracts.

Foreign exchange risks

Due to activities abroad, profit, cash flows and equity are affected by the development in exchange rates and interest rates in respect of a number of currencies, especially US dollar and Euro. All contracts for machines and plants in other currencies than DKK and Euro are hedged when contracting. As a principal rule spares and service work are not hedged.

The Company does not speculate in foreign currencies.

Interest rate risks

As the Company's does not have any net interest bearing debt, any changes will not have any direct impact on the Company's results.

Targets and expectations for the year ahead

The Company has huge development opportunities qua its new ownership structure according to which the Company will be represented in more than 140 countries. This is materializing in new orders through our owners network, which will secure a further growth for the Company.

The global markets are seeing a positive development which is driven by the increase in population, but also in particular by the higher middle class.

Management's Review

Research and development

The development activities comprise three main areas, cookie lines, cracker lines, and cake lines, besides ovens for all above purposes. The Company has had a specifically high level in its development activities.

The Company finds it necessary to continue and increase the high level in the development activities in order to constantly be able to introduce solutions, which provide the customers with the opportunity to present new products/systems and to make production more efficient in terms of energy savings, waste reduction, and increased output.

External environment

The Company observes the present environmental requirements and attempts in general to minimise the adverse environmental effects and problems which may arise during the work processes at the workplaces or which arise from waste substances from the Company's production.

Management assesses the current risk that considerable changes or stricter requirements in the environmental area can affect the Company's operations and profitability. It is Management's opinion that the Company does not have a risk profile that differs materially from the risk profile of the industry taken as a whole.

There are no pending lawsuits or other significant, unresolved issues in the environmental area.

Intellectual capital resources

It is decisive for the Company's development to maintain and recruit a competent and dedicated staff. These employees must have a high level of education and substantial technical experience.

The critical business processes in connection with the Company's principal products are service, quality and the flexibility to produce customized solutions. To ensure that the customer gets the service agreed and is satisfied with the co operation, all supplies of machines and plants are followed up by a number of questions to the customer. The Company constantly receives a very fine judgement by the customers, and if there are any deviations these will be followed up both towards the customers and internally.

Statement of corporate social responsibility

The policies of the Bühler Group on social responsibility apply to the Company. We refer to the Group's website for further information at:www.buhlergroup.com/global/en/about-buehler/corporate-policy.htm

Management's Review

Statement on gender composition

The Company's policy regarding management diversity aims at having 25 % female members on the Board of Directors. However, the Company also aims at having the most qualified resources available. The Company is currently not in compliance with the policy as all members of the Board are male. The Company aims at meeting the target of 25 % female members on the Board of Directors in 2020 at the latest.

The Company has implemented new statistics measuring gender on all management levels throughout the Group, in order to increase the overall focus on gender diversity. The industry is today dominated by male leaders. The Company's target of 10 % female managers at all levels is based on an evaluation of what is practically achievable within the specific industry and within other comparable companies. However, the Company is not in compliance yet. In order to meet the target, the Company will seek to achieve that at least one from each sex will be among the last three candidates for management positions, promotions etc. The share of female managers at the end of 2018 is all in all unchanged from 2017.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Revenue	1	**729.511**	**629.948**
Production costs	2	-576.931	-571.355
Gross profit/loss		**152.580**	**58.593**
Distribution expenses	2	-85.815	-77.619
Administrative expenses	2	-70.457	-54.346
Operating profit/loss		**-3.692**	**-73.372**
Financial income	3	8.385	14.061
Financial expenses	4	-15.817	-6.595
Profit/loss before tax		**-11.124**	**-65.906**
Tax on profit/loss for the year	5	3.215	12.852
Net profit/loss for the year		**-7.909**	**-53.054**

Balance Sheet 31 December

Assets

	Note	2018	2017
		TDKK	TDKK
Completed development projects		152	568
Software		3.982	5.546
Goodwill		9.307	10.697
Intangible assets	6	**13.441**	**16.811**
Plant and machinery		4.639	6.233
Other fixtures and fittings, tools and equipment		2.632	4.248
Leasehold improvements		3.728	6.318
Property, plant and equipment	7	**10.999**	**16.799**
Investments in subsidiaries	8	3.560	3.560
Deposits	9	3.970	3.907
Fixed asset investments		**7.530**	**7.467**
Fixed assets		**31.970**	**41.077**
Raw materials and consumables		41.853	48.303
Work in progress		39.393	31.560
Finished goods and goods for resale		3.111	7.039
Prepayments for goods		7.201	5.107
Inventories		**91.558**	**92.009**
Trade receivables		183.021	126.701
Receivables from group enterprises	10	114.240	120.032
Other receivables		5.999	8.755
Deferred tax asset	11	16.029	13.021
Corporation tax		208	191
Prepayments	12	46	76
Receivables		**319.543**	**268.776**
Cash at bank and in hand		**1.178**	**7.730**
Currents assets		**412.279**	**368.515**
Assets		**444.249**	**409.592**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		TDKK	TDKK
Share capital		5.000	5.000
Retained earnings		60.655	68.564
Equity		**65.655**	**73.564**
Other provisions	14	66.363	58.283
Provisions		**66.363**	**58.283**
Prepayments received from customers		84.300	56.035
Trade payables		144.624	132.900
Payables to group enterprises		58.851	57.345
Other payables		24.456	31.457
Deferred income	15	0	8
Short-term debt		**312.231**	**277.745**
Debt		**312.231**	**277.745**
Liabilities and equity		**444.249**	**409.592**
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Fee to auditors appointed at the general meeting	18		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	5.000	68.564	73.564
Net profit/loss for the year	0	-7.909	-7.909
Equity at 31 December	**5.000**	**60.655**	**65.655**

Notes to the Financial Statements

		2018	2017
		TDKK	TDKK
1	**Revenue**		
	Geographical segments		
	Revenue, Denmark	30.873	7.778
	Revenue, Europe	185.066	142.983
	Revenue, countries outside Europe	513.572	479.187
		729.511	**629.948**
2	**Staff**		
	Wages and Salaries	144.030	136.515
	Pensions	10.448	10.278
	Other social security expenses	2.043	2.049
		156.521	**148.842**
	Average number of employees	**225**	**233**

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

		2018	2017
3	**Financial income**		
	Interest received from group enterprises	18	19
	Other financial income	8.367	14.042
		8.385	**14.061**
4	**Financial expenses**		
	Interest paid to group enterprises	0	81
	Other financial expenses	7.656	1.430
	Exchange loss	8.161	5.084
		15.817	**6.595**

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK

5 Tax on profit/loss for the year

	2018 TDKK	2017 TDKK
Current tax for the year	-207	-191
Deferred tax for the year	-1.941	-12.661
Adjustment of deferred tax concerning previous years	-1.067	0
	-3.215	**-12.852**

6 Intangible assets

	Completed development projects	Software	Goodwill
	TDKK	TDKK	TDKK
Cost at 1 January	19.949	9.339	34.035
Disposals for the year	-13.980	0	0
Cost at 31 December	5.969	9.339	34.035
Impairment losses and amortisation at 1 January	19.381	3.793	23.339
Amortisation for the year	416	1.564	1.389
Reversal of amortisation of disposals for the year	-13.980	0	0
Impairment losses and amortisation at 31 December	5.817	5.357	24.728
Carrying amount at 31 December	**152**	**3.982**	**9.307**

Development projects relate to the development of new versions of ovens, spraying programmes and energy-saving units.

Notes to the Financial Statements

7 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 January	18.960	23.660	14.302
Disposals for the year	0	-819	0
Cost at 31 December	18.960	22.841	14.302
Impairment losses and depreciation at 1 January	12.726	19.412	7.984
Depreciation for the year	1.595	1.474	2.590
Reversal of impairment and depreciation of sold assets	0	-677	0
Impairment losses and depreciation at 31 December	14.321	20.209	10.574
Carrying amount at 31 December	**4.639**	**2.632**	**3.728**

8 Investments in subsidiaries

	2018	2017
	TDKK	TDKK
Cost at 1 January	3.560	3.560
Carrying amount at 31 December	**3.560**	**3.560**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Haas-Meincke Austria G.m.b.H	Østrig	100%	1.134.961	867.121
Haas-Meincke BV	Holland	100%	4.498.210	578.312
Meincke Ejendomme A/S	Danmark	100%	3.609.036	285.675
Haas-Food Equipments India Priv. Ltd.	Indien	95%	1.635.693	1.123.838

Notes to the Financial Statements

9 Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	3.907
Additions for the year	63
Cost at 31 December	3.970
Carrying amount at 31 December	**3.970**

10 Receivables from group enterprises

Of the Company's receivables from group enterprises, TDKK 51.316 (2017: TDKK 38.615) are encompassed by group Cash Pools.

11 Deferred tax asset

	2018	2017
	TDKK	TDKK
Deferred tax asset at 1 January	13.021	361
Amounts recognised in the income statement for the year	3.008	12.660
Deferred tax asset at 31 December	**16.029**	**13.021**

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a postitive fair value.

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK

13 Distribution of profit

	2018	2017
Retained earnings	-7.909	-53.054
	-7.909	**-53.054**

14 Other provisions

The Company provides warranties of ordinary 1 year's warranty on the Company's products and 1 to 5 years' warranty and liabilities for major plants, and is therefore obliged to repair or replace goods, which are not satisfactory. Based on previous experience in respect to the level of repairs, returns and other project costs for major plants, other provisions of TDKK 66.363 (2017: TDKK 58.283) have been recognised for expected warranty claims and expected project costs.

	2018	2017
Warranty provisions	19.209	15.652
Project provisions	47.154	42.631
	66.363	**58.283**

15 Deferred income

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

16 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2018	2017
Within 1 year	7.138.382	6.811.963
Between 1 and 5 years	25.344.919	29.608.835
	32.483.301	**36.420.798**

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to TDKK 0. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

17 Related parties

	Basis
Controlling interest	
Bühler Holding AG	Gupfenstrasse 5, St. Gallen, Switzerland
Other related parties	
Haas Food Equipment GmbH	Franz Haas-Straße 1, Leobendorf, Austria

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

18 Fee to auditors appointed at the general meeting

	2018	2017
	TDKK	TDKK
PricewaterhouseCoopers / BDO		
Audit fee	675.000	505.000
Other assurance engagements	0	40.000
Tax advisory services	95.000	5.000
Other services	331.055	142.000
	1.101.055	**692.000**

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Haas-Meincke A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Financial Statements for 2018 are presented in TDKK.

Changes in accounting policies

The Company has changed its accounting policies for measuring investments in subsidiaries from equity method to cost. The change has resulted in a decrease in profit for the current year with total TDKK 1.932 (2017: TDKK -443). It has also affected the Company's balance sheet total with TDKK -8.354 (2017: -6.422). Equity is affected by a total of TDKK -8.354 (2017: -6.422). The Company's cash flows are not affected by the change.

Furthermore, the Company has changed its accounting policies for measuring derivative financial instruments from recognizing changes in the fair value in retained earnings under Equity to recognizing fair value changes in the income statement. The change has resulted in a decrease in profit for the year with TDKK 3.417 (2017: 3.783). Equity is not affected by the change in accounting policy.

Other changes have been made in regards to classification of comparative and current year figures. Changes to classification has no effect on the Company's profit or equity in previous or current financial year.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Bühler Holding AG, the Company has not prepared consolidated financial statements.

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 Bühler Holding AG, the Company has not prepared a cash flow statement.

Recognition and measurement

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

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable

Notes to the Financial Statements

19 Accounting Policies (continued)

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

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

Translation policies

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

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

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

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement.

Revenue

Information on geographical segments based on the Companys risks and returns and its internal financial reporting system. Geographical segments are regarded as the primary segments.

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT.

Production costs

Production costs comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Production costs also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs. Finally, provisions for losses on contract work are recognised.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill and software is also included to the extent that it relates to administrative activities.

Financial income and expenses

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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 Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the industry and product insight. The amortisation period is 20 years for strategically acquired enterprises.

Software are measured at the lower of cost less accumulated amortisation and recoverable amount. Amortisation is based on cost reduced by any residual value and calculated on a straight-line basis over the expected useful life, which is assessed at 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

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

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

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

Plant and machinery	5-10 years
Other fixtures, fittings and tools	5 years
Leasehold improvements	5-10 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13.500 are expensed in the year of acquisition.

Notes to the Financial Statements

19 **Accounting Policies** (continued)

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.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of rental deposit.

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, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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

19 Accounting Policies (continued)

Prepayments

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

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 repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

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

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

Financial debts

Loans 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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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

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