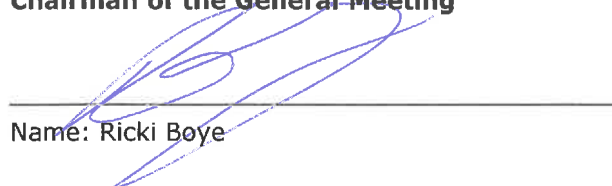


**ICM A/S**  
Hammervej 1-3  
2970 Hørsholm  
Central Business Registration No  
15150033

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 01.05.2017

**Chairman of the General Meeting**



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Name: Ricki Boye

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## Entity details

### Entity

ICM A/S

Hammervej 1-3

2970 Hørsholm

Central Business Registration No: 15150033

Founded: 01.05.1991

Registered in: Hørsholm

Financial year: 01.01.2016 - 31.12.2016

### Board of Directors

Jesper Boysen, Chairman

Jan Selchau

Michala Charlotte Selchau

Ricki Boye

### Executive Board

Jan Selchau

### Bank

Danske Bank

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P.O. Box 1600

0900 Copenhagen C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of ICM A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hørsholm, 01.05.2017

### Executive Board

Jan Selchau

### Board of Directors

Jesper Boysen  
Chairman

Ricki Boye

Jan Selchau

Michala Charlotte Selchau

# Independent auditor's report

## To the shareholders of ICM A/S

### Opinion

We have audited the financial statements of ICM A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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:

## Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

## Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 01.05.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556



Max Damborg

State Authorised Public Accountant

## Management commentary

	2016	2015	2014	2013	2012
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
<b>Financial highlights</b>					
<b>Key figures</b>					
Gross profit	74.797	70.142	63.368	49.963	45.143
Operating profit/loss	13.272	4.035	15.801	16.327	11.318
Net financials	(1.523)	(1.547)	(597)	(274)	38
Profit/loss for the year	5.458	2.216	11.282	12.025	8.529
Total assets	179.343	149.749	160.699	94.290	75.402
Investments in property, plant and equipment	1.383	5.744	0	835	3.545
Equity	77.023	63.863	61.648	41.366	39.340
Employees in average	93	99	77	59	58
<b>Ratios</b>					
Return on equity (%)	7,7	3,5	21,9	29,8	21,7
Equity ratio (%)	42,9	42,6	38,4	43,9	52,2

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

<b>Ratios</b>	<b>Calculation formula</b>	<b>Ratios</b>
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.



## Management commentary

### Primary activities

The Company's primary activities comprise the sale of work environment solutions from leading manufacturers and proprietary products under the BlueStar brand.

The Company's sales and service activities are focused on Danish and international business-to-business customers.

### Development in activities and finances

The Company experienced a positive development in all its activities in 2016.

In August 2016, the Company acquired Dansk Miljø A/S, a supplier of environmental safety-related products similar to DTL A/S, which was acquired in 2014.

ICM and Dansk Miljø merged in October and all activities were immediately moved to the logistics centre in Odense.

The acquisition was made to further develop the activities within environmental safety products and to strengthen the message to the market; "ICM – safety for you and your work environment".

The income statement for the financial year 01.01.2016 - 31.12.2016 shows a profit of DKK 5,457,757 against DKK 2,215,864 for the financial year 01.01.2015 - 31.12.2015. The balance sheet shows equity of DKK 77,022,819.

Management considers this year's profit acceptable. We have proven that the high level of costs in the financial year 2014 was temporary, and we have an acceptable profit, which is still slightly influenced by the costs related to the acquisition of and the merger with Dansk Miljø A/S

### Outlook

The Company expects the performance for 2017 to improve as a consequence of the continuing implementation of the Company's strategy. Organisational investments are expected

### Events after the balance sheet date

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

## Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
<b>Gross profit</b>		<b>74.796.808</b>	<b>70.141.671</b>
Staff costs	1	(52.747.255)	(55.841.943)
Depreciation, amortisation and impairment losses	2	<u>(8.777.363)</u>	<u>(10.264.478)</u>
<b>Operating profit/loss</b>		<b>13.272.190</b>	<b>4.035.250</b>
Other financial income	3	192.636	400.806
Other financial expenses	4	<u>(1.715.329)</u>	<u>(1.948.067)</u>
<b>Profit/loss before tax</b>		<b>11.749.497</b>	<b>2.487.989</b>
Tax on profit/loss for the year	5	<u>(6.291.740)</u>	<u>(272.125)</u>
<b>Profit/loss for the year</b>	6	<b><u>5.457.757</u></b>	<b><u>2.215.864</u></b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK</u>	<u>2015</u> <u>DKK</u>
Completed development projects		805.678	0
Goodwill		33.634.917	24.530.992
<b>Intangible assets</b>	<b>7</b>	<b><u>34.440.595</u></b>	<b><u>24.530.992</u></b>
Land and buildings		293.366	0
Other fixtures and fittings, tools and equipment		2.460.663	2.787.309
Leasehold improvements		411.478	502.892
<b>Property, plant and equipment</b>	<b>8</b>	<b><u>3.165.507</u></b>	<b><u>3.290.201</u></b>
Deposits		2.309.077	2.503.337
Deferred tax		88.000	249.057
<b>Fixed asset investments</b>	<b>9</b>	<b><u>2.397.077</u></b>	<b><u>2.752.394</u></b>
<b>Fixed assets</b>		<b><u>40.003.179</u></b>	<b><u>30.573.587</u></b>
Manufactured goods and goods for resale		67.441.495	66.144.643
Prepayments for goods		1.788.346	0
<b>Inventories</b>		<b><u>69.229.841</u></b>	<b><u>66.144.643</u></b>
Trade receivables		48.375.620	43.608.605
Receivables from group enterprises		9.568.419	5.283.379
Other receivables	10	644.184	181.912
Prepayments	11	151.224	0
<b>Receivables</b>		<b><u>58.739.447</u></b>	<b><u>49.073.896</u></b>
<b>Cash</b>		<b><u>11.370.762</u></b>	<b><u>3.957.267</u></b>
<b>Current assets</b>		<b><u>139.340.050</u></b>	<b><u>119.175.806</u></b>
<b>Assets</b>		<b><u>179.343.229</u></b>	<b><u>149.749.393</u></b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital		560.091	534.760
Share premium		0	8.965.240
Reserve for development expenditure		805.678	0
Retained earnings		<u>75.657.050</u>	<u>54.363.378</u>
<b>Equity</b>		<b><u>77.022.819</u></b>	<b><u>63.863.378</u></b>
Debt to other credit institutions		12.800.000	19.200.000
Payables to shareholders and management		0	2.000.000
Other payables		<u>2.000.000</u>	<u>3.000.000</u>
<b>Non-current liabilities other than provisions</b>	<b>12</b>	<b><u>14.800.000</u></b>	<b><u>24.200.000</u></b>
Current portion of long-term liabilities other than provisions	12	7.552.833	7.400.000
Bank loans		10.824.951	4.063.242
Finance lease liabilities		388.809	0
Trade payables		38.190.885	27.111.485
Payables to group enterprises		5.882.116	6.227.346
Payables to shareholders and management		4.925.000	3.600.000
Income tax payable		4.740.184	1.131.028
Joint taxation contribution payable		3.119.883	0
Other payables	13	<u>11.895.749</u>	<u>12.152.914</u>
<b>Current liabilities other than provisions</b>		<b><u>87.520.410</u></b>	<b><u>61.686.015</u></b>
<b>Liabilities other than provisions</b>		<b><u>102.320.410</u></b>	<b><u>85.886.015</u></b>
<b>Equity and liabilities</b>		<b><u>179.343.229</u></b>	<b><u>149.749.393</u></b>
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Mortgages and securities	16		
Related parties with controlling interest	17		
Transactions with related parties	18		
Group relations	19		

## Statement of changes in equity for 2016

	Contributed capital DKK	Share premium DKK	Reserve for development expenditure DKK	Retained earnings DKK
Equity beginning of year	534.760	8.965.240	0	54.363.378
Increase of capital	25.331	7.174.669	0	0
Fair value adjustments of hedging instruments	0	0	0	643.184
Tax of equity postings	0	0	0	(141.500)
Transfer to reserves	0	(16.139.909)	805.678	15.334.231
Profit/loss for the year	0	0	0	5.457.757
<b>Equity end of year</b>	<b>560.091</b>	<b>0</b>	<b>805.678</b>	<b>75.657.050</b>
				<b>Total DKK</b>
Equity beginning of year				63.863.378
Increase of capital				7.200.000
Fair value adjustments of hedging instruments				643.184
Tax of equity postings				(141.500)
Transfer to reserves				0
Profit/loss for the year				5.457.757
<b>Equity end of year</b>				<b>77.022.819</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>1. Staff costs</b>		
Wages and salaries	46.870.800	49.806.836
Pension costs	4.290.951	4.184.645
Other social security costs	402.008	624.920
Other staff costs	1.183.496	1.225.542
	<b>52.747.255</b>	<b>55.841.943</b>
Average number of employees	<b>93</b>	<b>99</b>
	<b>Remunera-</b>	<b>Remunera-</b>
	<b>tion of</b>	<b>tion of</b>
	<b>manage-</b>	<b>manage-</b>
	<b>ment</b>	<b>ment</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
Total amount for management categories	2.214.382	2.008.435
	<b>2.214.382</b>	<b>2.008.435</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	7.549.937	8.009.227
Impairment losses on intangible assets	0	1.106.000
Depreciation of property, plant and equipment	1.284.206	1.021.777
Profit/loss from sale of intangible assets and property, plant and equipment	(56.780)	127.474
	<b>8.777.363</b>	<b>10.264.478</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Other financial income</b>		
Financial income arising from group enterprises	192.636	310.592
Interest income	0	4.909
Exchange rate adjustments	0	82.600
Other financial income	0	2.705
	<b>192.636</b>	<b>400.806</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>4. Other financial expenses</b>		
Financial expenses from group enterprises	237.441	409.900
Interest expenses	1.019.849	1.211.282
Exchange rate adjustments	149.525	0
Other financial expenses	308.514	326.885
	<b>1.715.329</b>	<b>1.948.067</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>5. Tax on profit/loss for the year</b>		
Tax on current year taxable income	4.199.828	671.028
Change in deferred tax for the year	103.057	47.143
Adjustment concerning previous years	1.988.855	(446.046)
	<b>6.291.740</b>	<b>272.125</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>6. Proposed distribution of profit/loss</b>		
Retained earnings	5.457.757	2.215.864
	<b>5.457.757</b>	<b>2.215.864</b>
	<b>Completed</b>	<b>Goodwill</b>
	<b>development</b>	<b>DKK</b>
	<b>projects</b>	<b>DKK</b>
	<b>DKK</b>	<b>DKK</b>
<b>7. Intangible assets</b>		
Cost beginning of year	0	39.444.944
Additions	805.678	16.653.862
Disposals	0	(7.246.548)
<b>Cost end of year</b>	<b>805.678</b>	<b>48.852.258</b>
Amortisation and impairment losses beginning of year	0	(14.913.952)
Amortisation for the year	0	(7.549.937)
Reversal regarding disposals	0	7.246.548
<b>Amortisation and impairment losses end of year</b>	<b>0</b>	<b>(15.217.341)</b>
<b>Carrying amount end of year</b>	<b>805.678</b>	<b>33.634.917</b>

## Notes

Completed development projects consist of costs related to webshop.

	<b>Land and buildings DKK</b>	<b>Other fixtures and fittings, tools and equipment DKK</b>	<b>Leasehold improve- ments DKK</b>
<b>8. Property, plant and equipment</b>			
Cost beginning of year	0	7.082.746	1.348.467
Addition through business combinations etc	296.330	690.856	0
Additions	0	396.118	0
Disposals	0	(1.525.730)	0
<b>Cost end of year</b>	<b>296.330</b>	<b>6.643.990</b>	<b>1.348.467</b>
Depreciation and impairment losses beginning of the year	0	(4.295.437)	(845.575)
Depreciation for the year	(2.964)	(1.189.828)	(91.414)
Reversal regarding disposals	0	1.301.938	0
<b>Depreciation and impairment losses end of the year</b>	<b>(2.964)</b>	<b>(4.183.327)</b>	<b>(936.989)</b>
<b>Carrying amount end of year</b>	<b>293.366</b>	<b>2.460.663</b>	<b>411.478</b>
Recognised assets not owned by entity	<b>0</b>	<b>389.355</b>	<b>0</b>
<b>9. Fixed asset investments</b>			
Cost beginning of year		2.503.337	249.057
Addition through business combinations etc		150.000	0
Disposals		(344.260)	(161.057)
<b>Cost end of year</b>		<b>2.309.077</b>	<b>88.000</b>
<b>Carrying amount end of year</b>		<b>2.309.077</b>	<b>88.000</b>



## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>10. Other receivables</b>		
Derivative financial instruments	643.184	0
Other receivables	1.000	181.912
	<b>644.184</b>	<b>181.912</b>

Other receivables include forward exchange contracts with a positive fair value of DKK 643 thousand. These contracts have been entered into to hedge the foreign currency risk from the future sale of goods made in USD in the period November 2016 to November 2017. At the balance sheet date the forward exchange contracts have a value of USD 282 thousand corresponding to approx. DKK 1.9 million. The fair value adjustment has been recognised in equity with expected realisation and recognition in the income statement after the balance sheet date. The forward exchange contracts have been entered with the Company's usual bankers.

### 11. Prepayments

Prepayments consist of insurance etc.

	<b>Instalments within 12 months 2016 DKK</b>	<b>Instalments within 12 months 2015 DKK</b>	<b>Instalments beyond 12 months 2016 DKK</b>
<b>12. Liabilities other than provisions</b>			
Debt to other credit institutions	6.552.833	6.400.000	12.800.000
Other payables	1.000.000	1.000.000	2.000.000
	<b>7.552.833</b>	<b>7.400.000</b>	<b>14.800.000</b>

Outstanding balance after five year is 0 DKK.

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>13. Other payables</b>		
VAT and duties	2.756.630	2.852.414
Wages and salaries, personal income taxes, social security costs, etc payable	82.940	75.864
Holiday pay obligation	8.006.768	7.667.630
Other costs payable	1.049.411	1.557.006
	<b>11.895.749</b>	<b>12.152.914</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>14. Unrecognised rental and lease commitments</b>		
Hereof liabilities under rental or lease agreements until maturity in total	<b>35.235.038</b>	<b>43.948.782</b>

### 15. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which JSE Invest ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

The Company has a contractual obligation to repurchase its own shares from minority shareholders in the period 2017 to 2023. The repurchase obligation totals a minimum of DKK 16.2 million depending on the minority shareholders' choice of time of sale. The granted put options are equity instruments and are not recognised in the financial statements, as they have been issued free of charge.

### 16. Mortgages and securities

The Company has pledged a company charge of DKK 39,750,000 as collateral for all debts with credit institutions.

### 17. Related parties with controlling interest

Jan Selchau (principal shareholder in JSE Invest ApS)

Østre Pennehavevej 20B

2960 Rungsted Kyst

JSE Invest ApS (principal shareholder in Safety Star A/S)

Østre Pennehavevej 20B

2960 Rungsted Kyst

Safety Star A/S (principal shareholder in ICM A/S)

Østre Pennehavevej 20B

2960 Rungsted Kyst

### 18. Transactions with related parties

All related party transactions have been made on an arm's length basis.

## Notes

### **19. Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
JSE Invest ApS, Rungsted Kyst

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
JSE Invest ApS, Rungsted Kyst

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act for medium-sized reporting class C enterprises.

The accounting policies applied to these financial statements are consistent with those applied last year.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

### Income statement

#### Gross profit or loss

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

#### Revenue

Revenue from the sale of goods for resale and manufactured goods is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

## Accounting policies

### Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

### Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

### Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and foreign currency transactions, etc.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and foreign currency transactions, etc.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

### Balance sheet

#### Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a

## Accounting policies

long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

### **Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at ten years. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are three years.

### **Property, plant and equipment**

Land and buildings, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

## Accounting policies

Buildings	50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

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

### Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance, depreciation and impairment losses for machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less write-downs for bad and doubtful debts.

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### Cash

Cash comprises cash in hand and bank deposits.

### Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised

## Accounting policies

cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

### **Operating leases**

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

### **Other financial liabilities**

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

### **Income tax receivable or payable**

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

### **Cash flow statement**

Referring to section 86(4) of the Danish Financial Statements Act, the Company has decided not to prepare any cash flow statement because the Company is included in the consolidated cash flow statement.