BEIERHOLM
VI SKABER BALANCE

Schoeller-Plast-Enterprise A/S

Hovedgaden 21, 4420 Regstrup

CVR no. 15 60 10 19

Annual report for 2019

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 29.06.20

John Korsø Jensen
Dirigent

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Company information etc.

The company

Schoeller-Plast-Enterprise A/S
Hovedgaden 21
4420 Regstrup
Tel.: 59 16 01 60
Registered office: Holbæk
CVR no.: 15 60 10 19
Financial year: 01.01 - 31.12

Executive Board

Michael Schoeller
Nicholas Schoeller
Jan Bybjerg Pedersen

Board of Directors

John Korsø Jensen
Philipp Kahlenberg
Michael Schoeller
Siegfried von Saucken
Flemming Lindeløv

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Bank

Nykredit Bank A/S

Company information etc.

Lawyer

Advokat John Korsø Jensen

Subsidiarie

Schoeller-Plast UK Ltd., London, GB

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

We have on this day presented the annual report for the financial year 01.01.19 - 31.12.19 for Schoeller-Plast-Enterprise A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.19 and of the results of the company's activities and cash flows for the financial year 01.01.19 - 31.12.19.

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

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

Regstrup, June 29, 2020

Executive Board

Michael Schoeller	Nicholas Schoeller	Jan Bybjerg Pedersen

Board of Directors

John Korsø Jensen	Philipp Kahlenberg	Michael Schoeller
Siegfried von Saucken	Flemming Lindeløv	

Independent auditor's report

To the Shareholder of Schoeller-Plast-Enterprise A/S

Opinion

We have audited the financial statements of Schoeller-Plast-Enterprise A/S for the financial year 01.01.19 - 31.12.19, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.19 and of the results of the company's operations and cash flows for the financial year 01.01.19 - 31.12.19 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

We conducted our audit in accordance with International Standards on Auditing 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 responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

Statement regarding the management's review

Management is responsible for management's review.

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

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

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

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

Holbæk, June 29, 2020

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Thomas Skinbjerg
State Authorized Public Accountant
MNE-no. mne23296

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2019	2018	2017	2016	2015
Profit/loss					
Gross profit	36,340	30,892	31,122	44,856	47,744
Operating profit	3,533	707	2,128	10,496	9,876
Total net financials	-478	-364	-1,079	-1,263	-1,042
Profit for the year	2,383	265	817	7,203	10,712
Balance					
Total assets	90,505	85,781	103,997	92,335	88,576
Investments in property, plant and equipment	6,859	10,089	4,347	506	9,941
Equity	49,663	47,201	46,887	48,952	43,029
Cashflow					
Net cash flow:					
Operating activities	4,701	-8,116	15,696	20,652	21,082
Investing activities	-6,829	-9,977	-4,968	-421	-9,874
Financing activities	-1,180	2,518	-6,187	-1,373	-7,974
Cash flows for the year	-3,308	-15,575	4,541	18,858	3,234

Ratios

	2019	2018	2017	2016	2015
Profitability					
Return on equity	5%	1%	2%	16%	27%
Equity ratio					
Equity interest	55%	55%	45%	53%	49%
Others					
Number of employees (average)	55	49	42	47	44

Ratios definitions

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

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

Primary activities

Schoeller-Plast-Enterprise A/S develops, manufactures and delivers quality products of plastic material to Scandinavia, the UK and Ireland. The company also has related activities in the form of development of boxes and other plastic products in cooperation with the customers.

Development in activities and financial affairs

The result for the company for 2019 was a profit of DKK 2,383k after tax. The equity hereafter amounts to DKK 49,663k.

The result from primary operations has been on a satisfactory level.

The result from primary operations is in line with the expectations presented in the management's review for 2018.

The development of new solutions and negotiating with existing and new clients for new business areas have continued in the year.

Furthermore the company has invested in new energy efficient machines, automation solutions and building improvements.

During 2019 the company initiated the implementation of a certified quality management system. This has led to the successful certification according to ISO 9001:2015 in March 2020.

Capital ressources

The company continues to have a sound cash position and existing credit lines are sufficient for the activities that are expected in 2020.

Special risks

Operating risks and financial risks

Due to the company's own storage capacity and entering into/securing long-term contracts at receipt of major orders, we have in general no operating risks due to the lack of raw materials. Breakdowns in case of fire are minimised by local separation of production machinery from the moulds. Our fire preventions strategy are reviewed on a continuous basis, and improvements are carried out when necessary.

As regards foreign exchange risks relating to investments in subsidiaries and associates abroad, these are not hedged, as it is the company's opinion that current hedging of such long-term investments will not be optimal from an overall risk and cost point of view.

The company has no material risks concerning one individual customer or cooperation partner. The company's policy of assuming credit risks means that all major customers and cooperation partners are assessed individually as regards the need for external credit rating, and usually credit rating is obtained for new customers.

Environmental issues

Schoeller-Plast-Enterprise A/S complies with all legal requirements relating to environmental approvals. Schoeller Plast is far below the maximum levels set for discharges into the environment. In 2020 Schoeller Plast will continue to successfully implement measures to reduce the company’s total energy consumption, such as investments into new, more energy efficient cooling and heating system.

Schoeller Plast produces in plastic raw materials that can be recycled. We have agreements with several customers on the collection of used plastic boxes, after which we grind boxes and recycle the material for non-food products. We can offer our customers to grind on location with our large mobile grinder, thus avoiding transportation of empty boxes. We reuse the heat which is generated during the production to warm up the premises.

Know how resources

Intellectual capital resources play an important part in the company's future earnings and development possibilities. The reason is the company's employees, who have considerable experience, extensive product knowledge and important cooperation relations with longtime customers. Due to the company's ownership relations with the Schoeller Plast Group, the company has access to the newest production technology and knowledge within plastic production. The affiliation with the Schoeller Plast Group also provides the Group with effective access to an international sales network. The Group has a number of important patents which are part of the basis of the high development standard of the products. The Schoeller Group is both nationally and internationally well known for manufacture of sophisticated high quality products of plastics, and therefore the company's name is an important part of the company's brand.

The expected development

There will be continued focus in 2020 on Schoeller Plast’s strategic path to strengthen the company’s leadership, improve overall productivity/efficiency of current operations as well as finding new growth paths and business development opportunities. It is expected that a moderately increased activity will provide a profit that is higher compared to 2019.

Events subsequent to the financial year

The past months of 2020 was characterized by a normal level of activity and results. No events have occurred after year-end that could significantly affect the company's financial position. The outbreak of the Corona virus crisis in March 2020 and its subsequent impact has not had any significant negative effects on current business proceedings.

Income statement

Note		2019 DKK	2018 DKK '000
	Gross profit	**36,340,100**	**30,892**
1	Staff costs	-28,425,193	-25,654
	Profit before depreciation, amortisation, write-downs and impairment losses	**7,914,907**	**5,238**
2	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-4,381,630	-4,531
	Profit before net financials	**3,533,277**	**707**
	Financial income	27,541	95
3	Financial expenses	-505,249	-459
	Profit before tax	**3,055,569**	**343**
4	Tax on profit or loss for the year	-672,422	-78
	Profit for the year	**2,383,147**	**265**

5 Distribution of net profit

Balance sheet

ASSETS

Note		31.12.19 DKK	31.12.18 DKK '000
	Acquired rights	103,571	125
	Goodwill	345,239	417
6	**Total intangible assets**	**448,810**	**542**
	Land and buildings	20,643,333	20,308
	Plant and machinery	16,583,624	14,874
	Other fixtures and fittings, tools and equipment	1,019,186	488
7	**Total property, plant and equipment**	**38,246,143**	**35,670**
8	Equity investments in group enterprises	305,860	289
	Total investments	**305,860**	**289**
	Total non-current assets	**39,000,813**	**36,501**
	Raw materials and consumables	6,437,741	6,909
	Manufactured goods and goods for resale	9,443,318	5,757
	Total inventories	**15,881,059**	**12,666**
	Trade receivables	22,594,985	20,783
	Income tax receivable	150,000	0
	Other receivables	0	460
9	Prepayments	782,550	1,056
	Total receivables	**23,527,535**	**22,299**
	Cash	**12,095,232**	**14,315**
	Total current assets	**51,503,826**	**49,280**
	Total assets	**90,504,639**	**85,781**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.19 DKK	31.12.18 DKK '000
10	Share capital	10,000,000	10,000
	Retained earnings	37,662,519	37,201
	Proposed dividend for the financial year	2,000,000	0
	Total equity	**49,662,519**	**47,201**
11	Provisions for deferred tax	1,809,031	1,119
	Total provisions	**1,809,031**	**1,119**
12	Mortgage debt	14,544,657	15,755
12	Lease commitments	4,968,975	5,103
	Total long-term payables	**19,513,632**	**20,858**
12	Short-term part of long-term payables	3,356,293	3,218
	Payables to other credit institutions	1,649,587	537
	Prepayments received from customers	22,200	22
	Trade payables	10,178,178	9,172
	Payables to group enterprises	458,965	433
	Other payables	3,854,234	3,221
	Total short-term payables	**19,519,457**	**16,603**
	Total payables	**39,033,089**	**37,461**
	Total equity and liabilities	**90,504,639**	**85,781**

13 Contingent liabilities
14 Charges and security
15 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.19 - 31.12.19				
Balance as at 01.01.19	10,000,000	37,201,028	0	47,201,028
Foreign currency translation adjustment of foreign enterprises	0	17,143	0	17,143
Fair value adjustment of hedging instruments	0	61,201	0	61,201
Net profit/loss for the year	0	383,147	2,000,000	2,383,147
Balance as at 31.12.19	10,000,000	37,662,519	2,000,000	49,662,519

Cash flow statement

Note		2019 DKK	2018 DKK '000
	Profit for the year	**2,383,147**	**265**
16	Adjustments	5,496,257	4,937
	Change in working capital:		
	Inventories	-3,214,874	-1,714
	Receivables	-1,078,892	10,288
	Other payables relating to operating activities	1,743,489	-21,148
	Cash flows from operating activities before net financials	**5,329,127**	**-7,372**
	Interest income and similar income received	27,539	95
	Interest expenses and similar expenses paid	-505,248	-460
	Income tax paid	-150,000	-379
	Cash flows from operating activities	**4,701,418**	**-8,116**
	Purchase of property, plant and equipment	-6,858,653	-10,089
	Sale of property, plant and equipment	30,000	112
	Cash flows from investing activities	**-6,828,653**	**-9,977**
	Repayment of mortgage debt	-1,162,302	-1,162
	Arrangement of lease commitments	2,387,471	5,740
	Repayment of lease commitments	-2,431,265	-2,054
	Arrangement of payables to group entreprises	25,890	0
	Repayment of payables to group entreprises	0	-6
	Cash flows from financing activities	**-1,180,206**	**2,518**
	Total cash flows for the year	**-3,307,441**	**-15,575**
	Cash, beginning of year	13,778,319	29,436
	Exchange rate adjustment (available funds)	-25,233	-82
	Cash, end of year	**10,445,645**	**13,779**
	Cash, end of year, comprises:		
	Cash	12,095,232	14,315
	Short-term payables to credit institutions	-1,649,587	-536
	Total	**10,445,645**	**13,779**

	2019 DKK	2018 DKK '000

1. Staff costs

Wages and salaries	24,574,475	22,159
Pensions	2,802,559	2,544
Other social security costs	460,758	347
Other staff costs	587,401	604
Total	28,425,193	25,654
Average number of employees during the year	55	49

Remuneration for the management:

Salaries for the Executive Board	4,889,783	5,473
Remuneration for the Board of Directors	298,691	298

2. Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment

Amortisation of intangible assets	92,858	117
Depreciation of property, plant and equipment	4,288,772	4,414
Total	4,381,630	4,531

3. Financial expenses

Other interest expenses	505,249	460

	2019 DKK	2018 DKK '000

4. Tax on profit or loss for the year

Adjustment of deferred tax for the year	672,422	78

5. Distribution of net profit

Proposed dividend for the financial year	2,000,000	0
Retained earnings	383,147	265
Total	2,383,147	265

6. Intangible assets

Figures in DKK	Acquired rights	Goodwill
Cost as at 01.01.19	2,388,150	2,500,000
Cost as at 31.12.19	2,388,150	2,500,000
Amortisation and impairment losses as at 01.01.19	-2,263,150	-2,083,333
Amortisation during the year	-21,429	-71,428
Amortisation and impairment losses as at 31.12.19	-2,284,579	-2,154,761
Carrying amount as at 31.12.19	103,571	345,239

7. Property, plant and equipment

Figures in DKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.01.19	43,208,247	108,532,481	4,145,557
Additions during the year	1,511,055	4,610,627	736,971
Disposals during the year	0	0	-330,164
Cost as at 31.12.19	44,719,302	113,143,108	4,552,364
Depreciation and impairment losses as at 01.01.19	-22,899,830	-93,658,164	-3,657,442
Depreciation during the year	-1,176,139	-2,901,320	-211,313
Depreciation of and impairment losses on disposed assets for the year	0	0	335,577
Depreciation and impairment losses as at 31.12.19	-24,075,969	-96,559,484	-3,533,178
Carrying amount as at 31.12.19	20,643,333	16,583,624	1,019,186
Carrying amount of assets held under finance leases as at 31.12.19	0	9,625,075	0

8. Equity investments in group enterprises

Figures in DKK	Equity investments in group enterprises
Cost as at 01.01.19	823,077
Cost as at 31.12.19	823,077
Revaluations as at 01.01.19	-534,360
Foreign currency translation adjustment of foreign enterprises	17,143
Revaluations as at 31.12.19	-517,217
Carrying amount as at 31.12.19	305,860

Name and registered office:	Ownership interest	Equity DKK	Net profit/loss for the year DKK	Recognised value DKK
Subsidiaries:				
Schoeller-Plast UK Ltd., London, GB	67%	458,790	0	305,860

	31.12.19 DKK	31.12.18 DKK '000
9. Prepayments		
Other prepayments	782,550	1,056

10. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	10,000,000	10,000,000

The share capital consists of;
5 shares, each with a nominal value of DKK 500.
5 shares, each with a nominal value of DKK 900.
9.993 shares, each with a nominal value of DKK 1,000
No shares hold particular rights.

11. Deferred tax

	31.12.19 DKK	31.12.18 DKK '000
Deferred tax as at 01.01.19	1,119,347	1,026
Deferred tax recognised in the income statement	689,684	93
Deferred tax as at 31.12.19	1,809,031	1,119

12. Long-term payables

	Repayment first year DKK	Outstanding debt after 5 years DKK	Total payables at 31.12.19 DKK	Total payables at 31.12.18 DKK '000
Mortgage debt	1,173,274	9,862,028	15,717,931	16,880
Lease commitments	2,183,019	0	7,151,994	7,196
Total	3,356,293	9,862,028	22,869,925	24,076

13. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 16 months and average lease payments of DKK 114k, a total of DKK 336k

Other contingent liabilities

Potential tax re. foreign deficits used in international joint taxation, DKK 4,408k

Recognised deferred tax re. foreign deficits, DKK 0.

14. Charges and security

Land and buildings with a carrying amount of DKK 20,643k have been provided as security for mortgage debt of DKK 15,718k.

For bank debts, DKK 1,650k, and credit lines of DKK 8,125k and EUR 250k, the company has provided security in company assets representing a nominal value of DKK 15,500k. This security comprises the below assets, stating the carrying amounts in DKK:

- Goodwill and intellectual property rights, DKK 449k
- Machinery and equipment, DKK 7,978k
- Inventories, DKK 15,881k
- Trade receivables, DKK 22,595k

For the aforementioned banking facilities, the company has also provided collateral for bank deposits of DKK 11,289k.

Machinery and equipment, all representing a carrying amount of DKK 9,625k at 31 December 2019, have been financed by means of financial leasing. At 31 December 2019, the liabilities of this financial leasing amount to DKK 7,152.

15. Related parties

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

Remuneration for the management is specified in note 1. Staff costs.

	2019 DKK	2018 DKK '000
16. Adjustments for the cash flow statement		
Other operating income	-35,503	0
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	4,381,629	4,494
Financial income	-27,540	-95
Financial expenses	505,249	460
Tax on profit or loss for the year	672,422	78
Total	5,496,257	4,937

17. Accounting policies

GENERAL

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

The accounting policies have been applied consistently with previous years.

In accordance with section 111(1) of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

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

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

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

CURRENCY

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

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

17. Accounting policies - continued -

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future

17. Accounting policies - continued -

lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

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

GRANTS

Grants are recognised when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants to cover expenses incurred are recognised on a proportionate basis in the income statement over the period in which the expenses eligible for grants are expensed. Grants are recognised under other operating income.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

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

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

17. Accounting policies - continued -

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

	Useful lives, years	Residual value DKK '000
Acquired rights	7	0
Goodwill	7	0
Buildings	25-50	0
Plant and machinery	7-10	0
Other plant, fixtures and fittings, tools and equipment	2-10	0

Goodwill is amortised over 7 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

Land is not depreciated.

The basis of depreciation and amortisation is the cost of the asset less the expected residual

17. Accounting policies - continued -

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

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

Other net financials

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Amortisation of capital losses and borrowing costs relating to financial liabilities is recognised on an ongoing basis as financial expenses.

Tax on profit/loss for the year

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

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

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that Danish enterprises with a tax loss receive joint taxation contributions from other Danish enterprises which have been able to use this loss to reduce their own taxable profit. Danish enterprises using tax losses of foreign enterprises settle the joint taxation contribution for the tax loss used with the administration company in which the retaxation balance is recognised as a deferred tax liability.

BALANCE SHEET

Intangible assets

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and

17. Accounting policies - continued -

impairment losses.

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

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Gains and losses on the disposal of intangible assets

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

Property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

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

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

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

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

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

17. Accounting policies - continued -

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

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

Impairment losses on fixed assets

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

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

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

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

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

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writeddown takes place at this value.

17. Accounting policies - continued -

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

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

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

Receivables

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

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

Prepayments

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

Cash

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

Equity

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

The net revaluation of equity investments in subsidiaries is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

17. Accounting policies - continued -

Current and deferred tax

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

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

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

Deferred tax relating to retaxation of losses previously deducted in foreign subsidiaries (international joint taxation) is recognised based on a specific assessment of the purpose of the individual subsidiary.

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

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

Payables

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

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to

17. Accounting policies - continued -

the time and date of delivery of the agreed product or completion of the agreed service.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.