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Hamlet Protein A/S

Saturnvej 51
8700 Horsens
Central Business Registration
No 16049441

Annual report 2018

The Annual General Meeting adopted the annual report on 10.05.2019

Chairman of the General Meeting

Name: Christen Steffensen

Contents

Entity details

Entity
Hamlet Protein A/S
Saturnvej 51
8700 Horsens

Central Business Registration No (CVR): 16049441
Registered in: Horsens
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
Kjeld Johannesen
Sarah Vawda
Michael Specht Bruun
Christoffer Erik Mathies Lorenzen
Torben Gosvig Madsen
Søren Dan Johansen

Executive Board
Søren Munch

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus 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 Hamlet Protein A/S for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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.

Horsens, 10.05.2019

Executive Board

Søren Munch

Board of Directors

Kjeld Johannesen	Sarah Vawda	Michael Specht Bruun
Christoffer Erik Mathies Lorenzen	Torben Gosvig Madsen	Søren Dan Johansen

Independent auditor's report

To the shareholder of Hamlet Protein A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Hamlet Protein A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group’s and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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.

Aarhus, 10.05.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Thomas Rosquist Andersen
State Authorised Public Accountant
Identification No (MNE) mne31482

Peter Ørsøe
State Authorised Public Accountant
Identification No (MNE) mne44105

Management commentary

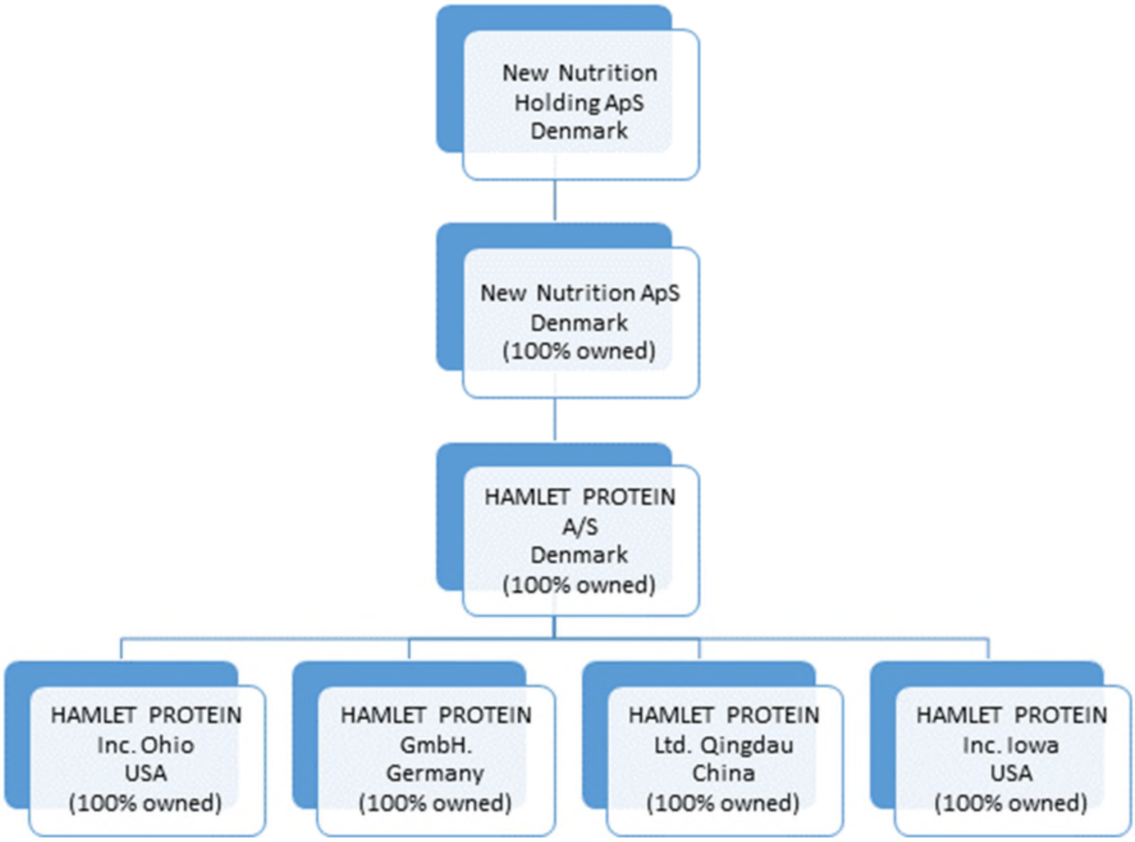
	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Key figures					
Revenue	612.195	574.975	567.572	599.790	568.340
Gross profit/loss	132.665	127.780	133.076	136.725	126.762
Operating profit/loss	7.499	(2.496)	15.244	32.182	36.428
Net financials	(8.478)	(19.530)	(8.295)	(4.810)	(9.640)
Profit/loss for the year	1.272	(18.756)	3.508	15.009	16.129
Total assets	563.631	512.566	541.559	535.863	451.737
Investments in property, plant and equipment	83.049	34.706	37.639	83.274	51.205
Equity	192.075	186.970	212.674	207.191	118.837
Ratios					
Gross margin (%)	21,7	22,2	23,4	22,8	22,3
Net margin (%)	0,2	(3,3)	0,6	2,5	2,8
Return on equity (%)	0,7	(9,4)	1,7	9,2	13,6
Equity ratio (%)	34,1	36,5	39,3	38,7	26,3

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

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities



Management commentary

Development in activities and finances

Operating review

Hamlet Protein Group

The objective of the parent company New Nutrition Holding ApS is to own shares and other financial instruments. In 2015, the parent company acquired all shares in the HAMLET PROTEIN A/S Group via the fully owned subsidiary New Nutrition ApS.

HAMLET PROTEIN A/S' business strategy is to develop, produce and sell vegetable protein solutions used in high value-add animal feed for young animals. The company services more than 50 countries from its two production facilities in Horsens, Denmark and Findlay, Ohio, USA.

The subsidiary, New Nutrition ApS is located in Denmark, and handles selected group functions.

The subsidiary, HAMLET PROTEIN A/S is located in Denmark, and handles the development, production and distribution of products globally, as well as selected group functions.

The subsidiary, HAMLET PROTEIN Inc., is located in Ohio, USA, and handles the production sales, and distribution of products, primarily to North America and Asia.

The subsidiary, Hamlet (Qingdao) Trading Co., Ltd. is located in Shandong, China, and handles import, sales and distribution to customers in China.

The subsidiary, HAMLET PROTEIN GmbH is located in Germany, and handles direct sales to new customers in Germany.

The subsidiary, HAMLET PROTEIN Iowa Inc. has no operating activities.

The Group is owned by New Nutrition Holding S.àr.l., Luxembourg, which ultimately is owned by Goldman Sachs Group Inc. ("GS Group") and Altor Fund IV Holding AB.

Financial review

We have maintained or increased our market share in all main markets, through improved competitive positioning and expanded deployment of our own sales teams, mainly within piglets but also within poultry. We are specialized in young animals and our strong market position is maintained and expanded via a deep and specific knowledge of the individual species, combined with solid documentation from feeding trials continuously ongoing across the world.

As demand for safe and affordable meat products continues to grow in most regions of the world, so does the demand for high-quality feed protein. Our growth is supported by long-term structural mega trends such as population growth, transition from backyard farming towards more industrialized farming practises as well as greater focus on antibiotic free feed practices and feed safety. Especially the North American and Asian markets have accounted for a considerable growth in recent years, driven by the need for continued improvement of farm efficiency, while at the same time reducing or eliminating antibiotics in animal feed. Finally, demand is driven by an increased focus on feed security by reducing the use of animal-based protein in favour of secure, high-efficient products such as HAMLET PROTEIN's soy-based products.

At the HAMLET PROTEIN Innovation Center, we draw on our knowledge of bioavailability, biotechnology, bioconversion and the practical application of our feed ingredients to meet all these demands. Every year, we run hundreds of tests in our pilot production plant to verify efficacy and customer value. Many of our innovation projects are run in partnership with customers and external research institutes. Together, we aim to lead the way to bigger and better achievements within specialty proteins for young animals.

As an integral part of HAMLET PROTEIN's DNA we continuously document the value-adding performance of HAMLET PROTEIN products in numerous international trials at farms and universities.

Our main market in Denmark resumed growth in 2018 after a significant market contraction in 2017, where increased fertilisation allowances in Denmark resulted in increased protein levels in domestic grain, thereby reducing the use of supplementary protein sources such as HAMLET PROTEIN in animal feed. Also, our business in the rest of Europe, Middle East and Africa grew significantly, mainly driven by the poultry

Management commentary

segment although volumes continue to be negatively affected by the trade embargo in Russia and Belarus regarding selected food products from EU.

Our sales organization in China is developing fast and has now established a strong presence in this sizable market, which is rapidly undergoing a professionalization of farming practices. Direct sales to new customers in China has increased significantly during 2018 but the sales channel transition from distributor sales towards more direct sales has not been without challenges. During the last part of the year African Swine Fever has been an overarching theme, increasing the demand for HAMLET PROTEIN's safe and well documented products, but also disturbing the entire pig meat value chain significantly creating fluctuations in customer demand.

Sales in South East Asia are developing well, although local regulatory factors and fear of African Swine Fever have dampened growth in pig production.

The trade conflict between USA and China has lowered the sales prices of most agricultural products in USA and thereby affected farming profitability. The market conditions have made it more challenging to generate new sales of premium priced feed products like HAMLET PROTEIN and consequently the sales growth in North America was lower than expected.

In conclusion, while the financial year of 2018 was characterized by solid growth on a number of strategically important markets, the year also contained temporary setbacks in certain Asian markets. Despite the setbacks, the Group's overall sales volume grew by 5%, bringing the sales volume to an all-time volume record. Operating cost has in 2018 been reduced as a result of efficiency improvements in back-office functions while further strengthening the commercial organization.

A review of Hamlet Protein's Plant & Machinery has revealed a too conservative depreciation profile of production lines. Production lines in Horsens build in 1992 when the Company was founded are still running, yet identical lines build in Findlay in 2102-2017 were being depreciated over 10 years only. If spare parts are replaced regularly our production lines can run for at least 30 years. Based on this knowledge all elements of the lines in Findlay have in 2018 been reassessed and categorised to correcty reflect their true economic lifetime. Book values end of 2017 have been kept unchanged but the Profit & Loss effect of the updated depreciation profiles is a reduction in depreciation of DKK 12.7m in 2018.

Net income for the year was 1 mDKK, which is 20 mDKK higher than last year mainly due to the abovementioned reassessment of depreciation profiles.

2018 investments include a significant increase in production capacity at our plant in Ohio, USA. In addition, we have invested in a further strengthening of our long-term growth platform through Strategic Marketing and R&D activities with the aim to further broaden the knowledge of our products in future growth markets. Trials and study findings are published as meta-analyses, white papers and other technical documents, and all data is collected and analysed in accordance with recognized statistical. Finally, 2018 investments in modern information technology have enabled us to increase back-office efficiency and shift resources into growth-driving commercial areas with only limited overall increases in operating expenses as a result.

Non-financial matters

Quality

Both our plants in Denmark and USA meet the criteria of the feed safety standard GMP+ and the food safety management standard ISO 22000. Further, our strict Feed Safety Policy ensures full traceability of both GMO and non-GMO products, allowing any batch of product to be easily traced if need be. Every week, our laboratory team analyses 200 protein samples, taken round-the-clock from our production lines. These analyses are an important part of our customer service and guarantee of high product quality.

Shareholders

The Company is owned by New Nutrition Holding S.àr.l., Luxembourg, which ultimately is owned by Goldman Sachs Group Inc. ("GS Group") and Altor Fund IV Holding AB.

The Company's share capital is not divided into share classes, and the Company's articles of association do not stipulate any limits for ownership or voting right.

The Board of Directors regularly assesses whether the Company's capital structure is sound. The overall objective is to ensure that the Company's capital structure supports its growth strategy.

Management commentary

The Board of Directors' duties

The Board of Directors of the Company ensures that the Executive Board complies with the decisions, strategies and business procedures adopted by the Board of Directors. The Board of Directors in New Nutrition Holding ApS meets according to a fixed schedule. In 2018, the Board of Directors held six meetings.

The Board of Directors does not rely on any subcommittees due to the limited size and complexity of the Group. Accordingly, the entire Board of Directors has focused on significant accounting policies and significant accounting estimates, transactions with related parties, if any, as well as uncertainties and risks in its financial reporting process. Together with the auditors, the quality of the Company's internal control systems is assessed on a regular basis, just as the auditors' independence is verified. Areas identified as particularly critical, such as foreign currency policy, procurement policy and insurance matters, are regularly discussed within the Board of Directors.

Outlook

For 2019 we expect that the global trend of increasing demand for high-quality, vegetable-based protein will continue. We expect that the Asian and North American markets will be the main drivers of our 2019 growth, where we expect increased sales volumes of 5-10% compared to 2018.

HAMLET PROTEIN will in 2019 continue to invest in new products and future growth. In addition, further investments in process optimization and information technology will pave the way for a further shift of resources towards growth-driving commercial areas.

Through the combination of accelerated sales growth and improved utilisation of our production facilities, we expect a 10-20% improvement in earnings in 2019 compared to 2018.

Particular risks

The pricing of HAMLET PROTEIN's raw materials and finished goods is influenced by the price development on international commodity exchanges, which, together with the price development on substitute goods, will influence the Company's and customers' competitive situation, resulting in uncertainty about forecasted results.

A substantial part of the Company's products is sold to the agricultural sector. The market conditions for these customers are subject to high volatility, meaning that the market situation may change rapidly and be difficult to predict. HAMLET PROTEIN strives to mitigate such conditions by setting up our production, sales and distribution channels as flexibly as possible.

It is company policy to hedge risks on transactions denominated in selected foreign currencies as well as purchases of raw materials. The Company's exposure to changes in the interest rate of loans is regularly assessed, and interest hedging is made at group level. Currency risks on the investment in the US subsidiary are partly hedged by loans denominated in USD.

Environmental performance

Energy and impact on the external environment

Our production process requires energy and we acknowledge that energy production involves an environmental impact related to carbon dioxide emissions.

Ever since we designed our production process in the early 1990s, we have focused on optimizing our use of energy and water and on reducing waste. This means that the plant in Denmark is certified according to the ISO 50001:2011 energy management system standard and the plant in US is built on the same level of technology. Apart from steam consisting of water and carbon dioxide, our emission is close to zero hence, the risk of directly polluting the external environment is negligible.

It is HAMLET PROTEIN’s policy to maintain certified in accordance with ISO 50001:2011in DK and prepare for certification in US in 2019.

On both factories, we have already made considerable investments in thermal incineration plants reducing energy consumption per produced tonne of finished goods by more than 10%.

Management commentary

In Denmark, we have worked intensively to further reduce energy consumption via condensation and recycling of excess heat. As a direct result of these efforts, HAMLET PROTEIN has in 2018 entered into a partnerships agreement with Horsens district heating (Fjernvarme Horsens) to build a condensation plant at the HAMLET PROTEIN plant in Denmark, which will deliver district heating to the city of Horsens. When in full operation late 2019 the plant in Horsens will reduce energy waste at HAMLET PROTEIN to the lowest degree possible applying the latest available heat regeneration technology.

Research and development activities

In 2018, HAMLET PROTEIN incurred research and development costs for products for both new and existing customers. All development costs are capitalised in the balance sheet.

Group relations

Recommendations for active ownership and corporate governance for private equity funds

Being owned by equity funds, New Nutrition Holding ApS is subject to the guidelines for active ownership and corporate governance for equity funds and their controlled enterprises as issued by the Danish Venture Capital and Private Equity Association ("DVCA").

In general, New Nutrition Holding ApS complies with these recommendations apart from the incidents where the Company's Management assesses that the disclosure of specific information will be detrimental to the Group's and the Company's competitive situation.

Statutory report on corporate social responsibility

HAMLET PROTEIN's business model is to develop, produce and sell vegetable protein solutions used in high value-add animal feed for young animals mainly in Europe, North America and Asia. We strive to define our corporate social responsibility within the areas of energy and environment, responsible sourcing, human resource issues and compliance with ethical business standards.

Responsible sourcing

We believe that human rights should be observed and respected in all aspects. Our predominant raw material is soy which we acquire partly from producers in South America, and we are aware that there is a potential risk of lacking compliance with human rights in the production chain. The risk is, however, mitigated by means of our policy for responsible sourcing of raw materials.

Our objective is to be leading within product quality and product integrity, and we constantly strive to strengthen our supply chain towards sustainability but at the same time balancing the need for an effective and reliable flow of raw materials to our production units.

It is our policy only to buy from soy producers that demonstrate social and environmental responsibility. We buy our raw materials from the world's leading soy producers in North and South America and have since day one paid a surcharge to reach our goal proven by certifications since 2005.

HAMLET PROTEIN solely buys soy from suppliers who are approved according to our quality management system before goods are delivered.

In the US, we buy soy from internationally recognised suppliers; either members of NOPA (National Oilseed processors Association) or related members.

In South America, we require the following from our suppliers:

- The supplier is not involved in or supports the use of child labour, forced labour, discrimination or harassment

Management commentary

- The supplier supports voluntary unionism of employees and the right to negotiate collective agreements for all employees
- The supplier does not buy soy from land in the Amazon Biome cleared after 24 July 2006.
- The supplier does not buy soy grown from land where natives' residences have been removed after May 2009, except if in accordance with national legislation
- The supplier supports the use of pesticides in accordance with local legislation, the Stockholm Convention and the Rotterdam Convention.

Alternatively, we require that our soy suppliers are certified according to the ProTerra Standard or committed to the Soy Moratorium or in any other way are able to document that they live up to the Basel Criteria (4th edition 16.02.2005).

Our goal is that minimum 90% of our soy supplies should comply with these conditions. In recent years, the compliance rate has exceeded this minimum, and for 2018 the compliance rate was 100%

As new and improved soy certification programmes become available, we will consider implementing these programmes in our standard basis for sourcing.

Compliance

Our long-term success is built on doing business in a fair and ethical way. The risk of failing to do so is unrelated to HAMLET PROTEIN's specific business model but merely a general risk of doing business is all parts of the world. Specific risk areas for HAMLET PROTEIN includes bribery in connection with government approvals and licences for manufacturing and cross border trade, selling to unethical individuals or dealing with companies or individuals subject to international sanctions.

HAMLET PROTEIN has recently revised its compliance policies to reflect best practices in regards to Anti-Bribery and Corruption, Economic Sanctions and Anti-Money Laundering compliance, and we are committed to ensuring we conduct our business ethically and in line with these principles.

The Anti-Corruption and Economic Sanctions Compliance Policy sets forth the policy of the Group to ensure compliance with all potentially applicable laws and conventions. The Policy applies to everyone working for the Company and any other member of the Group worldwide regardless of location, role or level of seniority. Third parties acting on behalf of the Group, such as agents, consultants, partners, or distributors must also comply with the spirit of this Policy and all applicable laws.

In addition, HAMLET PROTEIN provides a whistleblowing opportunity for all employees to report suspicions of misconduct. We encourage employees to raise their concern if they suspect a serious misconduct that should be prevented or corrected. If they feel they cannot be open with their information, they can raise their concern anonymously, by using a communication channel managed by a third-party.

HAMLET PROTEIN has not received reports open or anonymous from employees or third parties about incidents of unethical behaviour in 2018.

Statutory report on the underrepresented gender

Organisation and employees

One of the HAMLET PROTEIN's strategic drivers is to attract and retain qualified and motivated employees.

The Company provides its employees with a safe and healthy workplace and follows procedures intended to safeguard all employees, avoid workplace accidents and maintain compliance. However, as for any other company, working at HAMLET PROTEIN involves a minimal level of risks such as work accidents in operations and stress.

To maintain and improve our safety standards, we focus on avoiding occupational accidents - security in our facilities is our top priority. We have established Safety Committees that are committed to workplace safety, and who regularly follow up and document workplace accidents. Industrial accidents are measured on "the number of hours absent due to industrial accidents per million working hours". In 2018, this ratio accounted for 0.001% in HP A/S and for 0.000% in the US subsidiary.

Management commentary

To ensure and improve the general working environment, the HAMLET PROTEIN follows up on staff turnover, capability development and absence due to sickness. We continuously work with a number of activities to help promote the attractive and motivating working environment that the Company wishes to offer to all its employees.

We work diligently and are dedicated to the recruitment and integration of new employees, just as we focus on maintaining and developing our employees' personal and professional skills. The annual performance reviews is an important part of these efforts.

In HP A/S we measure short term and long term absence due to sickness. For 2018, long-term absence in HP A/S was 0.7% and short term absence due to sickness was 1.5%, which is well below our objective of 2.5%. Absence due to sickness totalled 0.7% in the US subsidiary.

At year-end, the Group had 129 employees and 4 independent consultants. 36 new employees were hired in and 34 employees left during 2018. Staff turnover represented 17.2%. The turnover was higher than expected for 2018, which is partly due to the above-mentioned organisational adjustments during 2018, which allowed a reduction of back-office staff, while strengthening the commercial organization. We expect to have a turnover of approx. 15% in 2019.

In 2018, 61% of the performance reviews were performed in HP A/S. In the US subsidiary, 68% of performance reviews were carried out. This is a decrease from 2017 driven by changes in management positions and the adjustment in the organization in June 2018.

New Nutrition Holding ApS' supreme governing body, the Board of Directors, consists at year-end of one female and five male members. The unchanged goal is to have at least one female board member. We see this goal as ambitious in an industry in which the recruitment base primarily consists of men.

Our goal is to represent a minimum of 40% of each gender in other management levels within our enterprise. This goal is not fulfilled for 2018 as the gender composition was 74% male and 26% female by year-end. Our corporate values aim at attracting both female and male applicants equally, and with the recruitment of a Talent Attraction Specialist in 2018 and the establishment of Talent Attraction as part of the Corporate Strategy, we are also strengthening our resources in communication to and recruitment of the under-represented sex managers. The employment of a Talent Attraction Specialist will help ensuring not overlooking any opportunities for hiring in the under-represented sex in our managerial positions, through close communication with the Hiring Managers. Employer Branding is a key activity for our HR department and the new Talent Attraction Specialist, and will also strengthen the portrait of HAMLET PROTEIN as an equal opportunity employer.

We are an equal opportunity employer and aim at maintaining and reaching the gender ratio objective for each management group, but we will always employ the person who is best qualified for the job. Both male and female employees are encouraged to apply for internally advertised positions and to develop their skills and careers.

Events after the balance sheet date

No significant events have occurred subsequent to the financial year end.

Consolidated income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	2	612.195	574.975
Other operating income		672	7.449
Cost of sales		(416.178)	(371.778)
Other external expenses		(64.024)	(82.866)
Gross profit/loss		**132.665**	**127.780**
Staff costs	3	(90.733)	(80.292)
Depreciation, amortisation and impairment losses		(34.303)	(49.935)
Other operating expenses		(130)	(49)
Operating profit/loss		**7.499**	**(2.496)**
Other financial income	4	2.714	88
Other financial expenses	5	(11.192)	(19.618)
Profit/loss before tax		**(979)**	**(22.026)**
Tax on profit/loss for the year	6	2.251	3.270
Profit/loss for the year	7	**1.272**	**(18.756)**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Completed development projects		18.038	0
Acquired intangible assets		7.151	7.593
Goodwill		57.654	64.504
Development projects in progress		17.726	0
Intangible assets	8	**100.569**	**72.097**
Land and buildings		62.862	65.201
Plant and machinery		180.231	178.423
Other fixtures and fittings, tools and equipment		2.867	6.903
Property, plant and equipment in progress		73.387	25.838
Property, plant and equipment	9	**319.347**	**276.365**
Deposits		255	233
Fixed asset investments	10	**255**	**233**
Fixed assets		**420.171**	**348.695**
Raw materials and consumables		13.044	15.741
Manufactured goods and goods for resale		31.166	14.840
Inventories		**44.210**	**30.581**
Trade receivables		70.545	86.298
Other receivables		5.867	14.502
Prepayments		2.395	1.751
Receivables		**78.807**	**102.551**
Cash		**20.443**	**30.739**
Current assets		**143.460**	**163.871**
Assets		**563.631**	**512.566**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		4.710	4.710
Retained earnings		187.365	182.260
Equity		**192.075**	**186.970**
Deferred tax	11	4.933	7.132
Provisions		**4.933**	**7.132**
Mortgage debt		8.159	10.425
Non-current liabilities other than provisions	12	**8.159**	**10.425**
Current portion of long-term liabilities other than provisions	12	1.891	1.824
Bank loans		15.199	39.214
Trade payables		88.370	58.483
Payables to group enterprises		243.936	189.831
Income tax payable		0	178
Other payables		9.068	18.509
Current liabilities other than provisions		**358.464**	**308.039**
Liabilities other than provisions		**366.623**	**318.464**
Equity and liabilities		**563.631**	**512.566**
Events after the balance sheet date	1		
Financial instruments	14		
Unrecognised rental and lease commitments	15		
Assets charged and collateral	16		
Transactions with related parties	17		
Group relations	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	4.710	182.260	186.970
Exchange rate adjustments	0	2.138	2.138
Fair value adjustments of hedging instruments	0	1.695	1.695
Profit/loss for the year	0	1.272	1.272
Equity end of year	**4.710**	**187.365**	**192.075**

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Operating profit/loss		1.272	(18.756)
Amortisation, depreciation and impairment losses		34.303	49.934
Working capital changes	13	23.667	31.382
Cash flow from ordinary operating activities		**59.242**	**62.560**
Financial income received		2.714	88
Financial expenses paid		(11.192)	(19.618)
Cash flows from operating activities		**50.764**	**43.030**
Acquisition etc of intangible assets		(15.456)	(3.072)
Acquisition etc of property, plant and equipment		(83.049)	(35.757)
Sale of property, plant and equipment		1.076	5.145
Cash flows from investing activities		**(97.429)**	**(33.684)**
Repayments of loans etc		(25.048)	(10.211)
Incurrence of debt to associates		61.417	0
Repayment of debt to associates		0	(8.329)
Cash flows from financing activities		**36.369**	**(18.540)**
Increase/decrease in cash and cash equivalents		**(10.296)**	**(9.194)**
Cash and cash equivalents beginning of year		30.739	39.933
Cash and cash equivalents end of year		**20.443**	**30.739**

Notes to consolidated financial statements

1. 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.

	2018 DKK'000	2017 DKK'000
2. Revenue		
Europe	355.032	307.129
Asia	149.514	163.834
America	98.485	94.374
Africa	9.164	9.638
	612.195	**574.975**

The Group solely sells products used for animal feed.

	2018 DKK'000	2017 DKK'000
3. Staff costs		
Wages and salaries	80.437	68.507
Pension costs	4.107	3.943
Other social security costs	535	2.884
Other staff costs	5.654	4.958
	90.733	**80.292**
Average number of employees	**126**	**118**

	Remunera-tion of manage-ment 2018 DKK'000	Pension liabilities 2018 DKK'000	Remunera-tion of manage-ment 2017 DKK'000
Executive Board	4.644	299	5.112
Board of Directors	1.595	0	1.348
	6.239	**299**	**6.460**

The remuneration to the Executive Board is paid by the parent.

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
4. Other financial income		
Financial income arising from group enterprises	0	26
Other interest income	259	62
Exchange rate adjustments	2.455	0
	2.714	**88**

	2018 DKK'000	2017 DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	7.312	7.018
Other interest expenses	0	1.484
Exchange rate adjustments	2.815	10.051
Other financial expenses	1.065	1.065
	11.192	**19.618**

	2018 DKK'000	2017 DKK'000
6. Tax on profit/loss for the year		
Current tax	0	211
Change in deferred tax	(378)	(3.580)
Adjustment concerning previous years	(1.873)	99
	(2.251)	**(3.270)**

	2018 DKK'000	2017 DKK'000
7. Proposed distribution of profit/loss		
Retained earnings	1.272	(18.756)
	1.272	**(18.756)**

Notes to consolidated financial statements

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000	Develop-ment projects in progress DKK'000
8. Intangible assets				
Cost beginning of year	2.753	9.965	137.000	0
Exchange rate adjustments	0	3	0	0
Transfers	22.487	0	0	6.270
Additions	3.493	1.024	0	11.456
Cost end of year	**28.733**	**10.992**	**137.000**	**17.726**
Amortisation and impairment losses beginning of year	(2.753)	(2.372)	(72.496)	0
Exchange rate adjustments	0	(3)	0	0
Transfers	(5.211)	0	0	0
Amortisation for the year	(2.731)	(1.466)	(6.850)	0
Amortisation and impairment losses end of year	**(10.695)**	**(3.841)**	**(79.346)**	**0**
Carrying amount end of year	**18.038**	**7.151**	**57.654**	**17.726**

Development projects

The Group continuously develops new product lines in order to stay a head in the market. Development is based on current knowledge of protein solutions.

Notes to consolidated financial statements

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
9. Property, plant and equipment				
Cost beginning of year	112.106	473.003	29.711	25.838
Exchange rate adjustments	1.797	11.307	141	189
Transfers	0	0	(7.580)	(21.940)
Additions	159	12.980	610	69.300
Disposals	0	0	(970)	0
Cost end of year	**114.062**	**497.290**	**21.912**	**73.387**
Depreciation and impairment losses beginning of year	(46.905)	(294.580)	(22.808)	0
Exchange rate adjustments	(353)	(5.128)	(101)	0
Transfers	0	0	5.211	0
Depreciation for the year	(3.942)	(17.351)	(1.963)	0
Reversal regarding disposals	0	0	616	0
Depreciation and impairment losses end of year	**(51.200)**	**(317.059)**	**(19.045)**	**0**
Carrying amount end of year	**62.862**	**180.231**	**2.867**	**73.387**

	Deposits DKK'000
10. Fixed asset investments	
Cost beginning of year	233
Additions	128
Disposals	(106)
Cost end of year	**255**
Carrying amount end of year	**255**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
11. Deferred tax		
Intangible assets	1.875	1.581
Property, plant and equipment	11.818	17.057
Tax losses carried forward	(8.760)	(11.506)
	4.933	**7.132**

Changes during the year		
Beginning of year	7.132	
Recognised in the income statement	(2.251)	
Other changes	52	
End of year	**4.933**	

Deferred tax liabilities are expected to be set off within 1-5 years.

	Due within 12 months 2018 DKK'000	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK'000	Outstanding after 5 years DKK'000
12. Liabilities other than provisions				
Mortgage debt	1.891	1.824	8.159	4.314
	1.891	**1.824**	**8.159**	**4.314**

The credit facilities of the New Nutrition Holding Group are subject to usual financial covenants, which include leverage, interest coverage ratios and investment amounts. All such financial covenants were in compliance durent the year end as of 31 December 2018.

	2018 DKK'000	2017 DKK'000
13. Change in working capital		
Increase/decrease in inventories	(13.629)	1.410
Increase/decrease in receivables	23.744	(24.493)
Increase/decrease in trade payables etc	20.446	28.494
Other changes	(6.894)	25.971
	23.667	**31.382**

14. Financial instruments

The group uses hedging instruments such as forward exchange contracts to hedge recognized and non-recognized transactions.

Notes to consolidated financial statements

Recognized transactions

Hedging of recognized transactions primarily includes receivables and payables.

Forecast transactions

The group uses forward exchanges contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year. The forward exchange contracts has a negative value of DKK 642K as per 31.12.2018 and the period runs from 1-12 months

	2018 DKK'000	2017 DKK'000
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**7.563**	**6.290**

16. Assets charged and collateral

The group has concluded regular forward purchase contracts for raw materials.

The group is liable for total bank loans in the New Nutrition Holding Group. At year-end 2018 total credit facilities amounted to DKK 485 million of which Hamlet Protein A/S is liable.

A mortgage of USD 2,000 thousand secured upon the Group's properties has been provided as collateral for transactions with Ohio Department of Development.

The carrying amount of mortgaged propertiesamounted to USD 4,420 thousand.

As collateral for commitments with banks, the following has been deposited:
- Mortgage of DKK 18,000 thousand secured on the property Saturnvej 51, Horsens
- Owner's mortgage of DKK 20,000 thousand and letter of indemnity of DKK 14,402 thousand secured on the Company's property Saturnvej 51, Horsens.

The carrying amountin of mortgaged properties amounted to DKK 34,049 thousand.

As collateral for commitments with banks, the following has been deposited:
- Letter of indemnity on movables of DKK 12,000 thousand with a current debt of DKK 22,000 thousand.

The carrying amount of assets provided as collateral amounted to DKK 42,332 thousand.

17. Transactions with related parties

New Nutrition ApS (CVR: 36904429), Horsens, owns 100% of the shares in the company and therefore has controlling interest.

Referring to section 98 (C) of the Danish Financial Statements act the company does not disclose transactions with related parties as the transactions have been performed at arm's length.

Notes to consolidated financial statements

18. Group relations
Name and registered office of the Parent preparing consolidated financial statements for the largest group: New Nutrition Holding S.a.r.l., Luxenbourg.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: New Nutrition Holding ApS, Denmark.

19. Subsidiaries	**Registered in**	**Corpo-rate form**	**Equity inte-rest %**
Hamlet Protein Inc.	Ohio, USA	Inc.	100,0
Hamlet Protein Iowa Inc.	Iowa, USA	Inc.	100,0
Hamlet Protein GmbH	Germany	GmbH	100,0
Hamlet Trading Co. Ltd.	China	Ltd.	100,0

Parent income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	2	413.019	402.243
Other operating income		576	6.808
Cost of sales		(282.873)	(274.194)
Other external expenses		(58.773)	(61.815)
Gross profit/loss		**71.949**	**73.042**
Staff costs	3	(60.843)	(57.319)
Depreciation, amortisation and impairment losses		(21.946)	(24.627)
Other operating expenses		(130)	(48)
Operating profit/loss		**(10.970)**	**(8.952)**
Income from investments in group enterprises		11.611	104
Other financial income	4	8.707	6.060
Other financial expenses	5	(10.924)	(19.346)
Profit/loss before tax		**(1.576)**	**(22.134)**
Tax on profit/loss for the year	6	2.848	3.378
Profit/loss for the year	7	**1.272**	**(18.756)**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Completed development projects		18.038	0
Acquired intangible assets		7.151	7.593
Goodwill		57.654	64.504
Development projects in progress		17.726	0
Intangible assets	8	**100.569**	**72.097**
Land and buildings		34.049	36.441
Plant and machinery		40.091	39.405
Other fixtures and fittings, tools and equipment		2.242	6.050
Property, plant and equipment in progress		4.307	22.076
Property, plant and equipment	9	**80.689**	**103.972**
Investments in group enterprises		67.805	51.511
Deposits		255	233
Fixed asset investments	10	**68.060**	**51.744**
Fixed assets		**249.318**	**227.813**
Raw materials and consumables		8.562	11.762
Manufactured goods and goods for resale		12.798	7.957
Inventories		**21.360**	**19.719**
Trade receivables		65.031	57.139
Receivables from group enterprises		163.520	147.644
Other receivables		9.350	14.242
Prepayments	11	1.909	1.519
Receivables		**239.810**	**220.544**
Cash		**25.126**	**10.833**
Current assets		**286.296**	**251.096**
Assets		**535.614**	**478.909**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		4.710	4.710
Reserve for development expenditure		7.486	3.349
Retained earnings		179.879	178.911
Equity		**192.075**	**186.970**
Deferred tax	12	4.098	6.946
Provisions		**4.098**	**6.946**
Mortgage debt		0	2.752
Non-current liabilities other than provisions		**0**	**2.752**
Current portion of long-term liabilities other than provisions		1.952	1.049
Bank loans		40.295	39.215
Trade payables		40.442	39.454
Payables to group enterprises		246.407	189.831
Other payables		10.345	12.692
Current liabilities other than provisions		**339.441**	**282.241**
Liabilities other than provisions		**339.441**	**284.993**
Equity and liabilities		**535.614**	**478.909**
Events after the balance sheet date	1		
Financial instruments	13		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		
Transactions with related parties	18		

Parent statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	4.710	3.349	178.911	186.970
Exchange rate adjustments	0	0	2.138	2.138
Fair value adjustments of hedging instruments	0	0	1.695	1.695
Transfer to reserves	0	4.137	(4.137)	0
Profit/loss for the year	0	0	1.272	1.272
Equity end of year	**4.710**	**7.486**	**179.879**	**192.075**

Notes to parent financial statements

1. 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.

	2018 DKK'000	2017 DKK'000
2. Revenue		
Europe	338.204	293.590
Asia	69.898	97.855
Americas	667	1.585
Africa	4.250	9.213
	413.019	**402.243**

	2018 DKK'000	2017 DKK'000
3. Staff costs		
Wages and salaries	53.254	48.826
Pension costs	3.724	3.482
Other social security costs	535	463
Other staff costs	3.330	4.548
	60.843	**57.319**
Average number of employees	**81**	**77**

	Remunera-tion of manage-ment 2018 DKK'000	Pension liabilities 2018 DKK'000	Remunera-tion of manage-ment 2017 DKK'000
Executive Board	4.644	299	5.112
Board of Directors	1.595	0	1.348
	6.239	**299**	**6.460**

	2018 DKK'000	2017 DKK'000
4. Other financial income		
Financial income arising from group enterprises	5.759	6.060
Exchange rate adjustments	2.696	0
Other financial income	252	0
	8.707	**6.060**

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	7.366	7.017
Other interest expenses	2.494	1.294
Exchange rate adjustments	0	9.971
Other financial expenses	1.064	1.064
	10.924	**19.346**

	2018 DKK'000	2017 DKK'000
6. Tax on profit/loss for the year		
Change in deferred tax	(975)	(3.405)
Adjustment concerning previous years	(1.873)	27
	(2.848)	**(3.378)**

	2018 DKK'000	2017 DKK'000
7. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	0	104
Retained earnings	1.272	(18.860)
	1.272	**(18.756)**

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000	Develop-ment projects in progress DKK'000
8. Intangible assets				
Cost beginning of year	2.753	9.965	137.000	0
Transfers	22.487	0	0	6.270
Additions	3.493	1.024	0	11.456
Cost end of year	**28.733**	**10.989**	**137.000**	**17.726**
Amortisation and impairment losses beginning of year	(2.753)	(2.372)	(72.496)	0
Transfers	(5.211)	0	0	0
Amortisation for the year	(2.731)	(1.466)	(6.850)	0
Amortisation and impairment losses end of year	**(10.695)**	**(3.838)**	**(79.346)**	**0**
Carrying amount end of year	**18.038**	**7.151**	**57.654**	**17.726**

Notes to parent financial statements

Development projects

The Group continuously develops new product lines in order to stay ahead in the market. Development is based on current knowledge of protein solutions.

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
9. Property, plant and equipment				
Cost beginning of year	76.326	247.816	26.840	22.076
Transfers	0	0	(7.580)	(21.940)
Additions	159	7.507	441	4.171
Disposals	0	0	(530)	0
Cost end of year	**76.485**	**255.323**	**19.171**	**4.307**
Depreciation and impairment losses beginning of year	(39.885)	(208.411)	(20.790)	0
Transfers	0	0	5.211	0
Reversal of impairment losses	0	0	177	0
Depreciation for the year	(2.551)	(6.821)	(1.527)	0
Depreciation and impairment losses end of year	**(42.436)**	**(215.232)**	**(16.929)**	**0**
Carrying amount end of year	**34.049**	**40.091**	**2.242**	**4.307**

Notes to parent financial statements

	Investments in group enterprises DKK'000	Deposits DKK'000
10. Fixed asset investments		
Cost beginning of year	46.656	233
Additions	896	128
Disposals	0	(106)
Cost end of year	**47.552**	**255**
Revaluations beginning of year	4.855	0
Exchange rate adjustments	2.137	0
Transfers	1.650	0
Share of profit/loss for the year	11.611	0
Revaluations end of year	**20.253**	**0**
Carrying amount end of year	**67.805**	**255**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

11. Prepayments

Primarily consist of prepaid insurance expenses regarding the subsequent financial year.

	2018 DKK'000	2017 DKK'000
12. Deferred tax		
Intangible assets	1.825	1.581
Property, plant and equipment	11.786	8.937
Tax losses carried forward	(9.513)	(3.572)
	4.098	**6.946**
Changes during the year		
Beginning of year	6.946	
Recognised in the income statement	(2.848)	
End of year	**4.098**	

13. Financial instruments

The company uses hedging instruments such as forward exchange contracts to hedge recognized and non-recognized transactions.

Recognized transactions

Notes to parent financial statements

Hedging of recognized transactions primarily includes receivables and payables.

Forecast transactions

The company uses forward exchanges contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year. The forward exchange contracts has a negative value of DKK 642K as per 31.12.2018 and the period runs from 1-12 months.

	2018 DKK'000	2017 DKK'000
14. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**7.062**	**6.290**

15. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where New Nutrition Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

16. Assets charged and collateral

The Company is liable for total bank loans in the Hamlet Protein Group. At year-end 2018 total credit facilities amounted to DKK 485 million of which Hamlet Protein A/S is liable.

As collateral for commitments with banks, the following has been deposited:

- Owner’s mortage of DKK 20,000 thousand and letter of indemnity of DKK 18,000 thousand secured on the Company’s property Saturnvej 51, Horsens. Current debt is respectively DKK 14.402 thousand and DKK 35,402 thousand. The carrying amount of mortgaged properties amounted to DKK 34,049 thousand.

- Letter of indemnity on movables of DKK 12,000 thousand with a current debt og DKK 22.000 thousand. The carrying amount of assets provided as collateral amounted to DKK 42,332 thousand.

17. Related parties with controlling interest

New Nutrition ApS (CVR: 36904429), Horsens, owns 100% of the shares in the company and therefore has controlling interest.

Notes to parent financial statements

18. Transactions with related parties

Referring to section 98 (C) of the Danish Financial Statements act the company does not disclose transactions with related parties as the transactions have been performed at arm's length.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

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

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Income statement
Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when control 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.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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 writedowns 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.

Accounting policies

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation 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 operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme 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.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile, and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation period used is 20 years.

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.

Accounting policies

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 on 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 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 3-5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment 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. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

Indirect production costs in the form of indirect 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 asset.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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	30 years
Plant and machinery	10 to 30 years
Other fixtures and fittings, tools and equipment	3 to 10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises
In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straigth-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used is 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount. Investments with a negative equity is measured at 0 DKK. Negative equity is written down on receivables at that investment. Negative equity succeding receivables is presented as a provission if the mother company is obliged to support the subsidiary.

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 of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

Accounting policies

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 writedowns 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.

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

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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

Accounting policies

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.