
Bayer A/S

Arne Jacobsens Allé 13, DK-2300 Copenhagen

Annual Report for 1 January - 31 December 2018

CVR No 16 08 98 18

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
7 /5 2019

Miriam Holstein
Chairman of the General
Meeting

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	10
Balance Sheet 31 December	11
Statement of Changes in Equity	13
Notes to the Financial Statements	14

Management's Statement

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

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

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

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

Copenhagen, 7 May 2019

Executive Board

Jean Antoine Bernet

Board of Directors

Miriam Holstein
Chairman

Anna Karolina Svahn

Johanna Kristiina Kouru

Elisabeth Birgitte Lundström
Staff Representative

Susanne Ingeborg Visler
Staff Representative

Independent Auditor's Report

To the Shareholder of Bayer A/S

Opinion

We have audited the financial statements of Bayer A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity, and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations 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 additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report

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

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

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

Statement on management commentary

Management is responsible for management commentary.

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 commentary and, in doing so, consider whether management commentary is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be

Independent Auditor's Report

materially misstated.

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

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

Copenhagen, 7 May 2019

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Martin Norin Faarborg
State-Authorised Public Accountant
mne29395

Morten Dandanell Kiærskou
State-Authorised Public Accountant
mne33749

Company Information

The Company

Bayer A/S
Arne Jacobsens Allé 13
DK-2300 Copenhagen

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Facsimile: + 45 45 23 52 55
Website: www.bayer.dk

CVR No: 16 08 98 18
Financial period: 1 January - 31 December
Incorporated: 18 December 1952
Financial year: 66th financial year
Municipality of reg. office: Copenhagen

Board of Directors

Miriam Holstein, Chairman
Anna Karolina Svahn
Johanna Kristiina Kouru
Elisabeth Birgitte Lundström
Susanne Ingeborg Visler

Executive Board

Jean Antoine Bernet

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 København S

Financial Highlights

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

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Key figures					
Profit/loss					
Revenue	1.414.136	1.443.904	1.388.624	1.353.901	1.228.521
Gross profit/loss	149.898	162.329	197.825	184.622	167.885
Profit/loss before financial income and expenses	38.194	47.423	82.521	64.568	56.034
Net financials	-867	1.091	80	261.153	1.426
Net profit/loss for the year	28.567	37.308	63.645	310.363	42.164
Balance sheet					
Balance sheet total	372.206	438.508	381.339	585.826	367.639
Equity	155.206	126.639	184.706	391.061	195.698
Investment in property, plant and equipment	2.743	3.524	3.479	715	1.087
Number of employees	122	122	118	124	123
Ratios					
Gross margin	10,6%	11,2%	14,2%	13,6%	13,7%
Profit margin	2,7%	3,3%	5,9%	4,8%	4,6%
Return on assets	10,3%	10,8%	21,6%	11,0%	15,2%
Solvency ratio	41,7%	28,9%	48,4%	66,8%	53,2%
Return on equity	20,3%	24,0%	22,1%	105,8%	24,1%

Management's Review

Main activity

The main activity of Bayer A/S is marketing and sale of products within the divisions Pharmaceuticals (PH), Consumer Health (CH) & Crop Science (CS).

Development in the year

Revenue for the year is distributed with 45.8 % to the Agricultural Sector (Crop Science), 51.8 % to Pharmaceuticals and 1.8 % to Consumer Health. The remaining 0.6 % is allocated to IT services.

The turnover decreased with 2.1 % and the result from ordinary activities (EBIT) decreased with 17.8 %. The result after taxes decreased with MDKK 8,7 (23.4 %).

Crop Science shows revenue of MDKK 647 compared to MDKK 712 in the previous year (- 9.1 %).

Pharmaceuticals shows revenue of MDKK 732 compared to MDKK 695 in the previous year (+ 5.3 %).

Consumer Health shows revenue of MDKK 25 compared to MDKK 28 in the previous year (- 10.5 %).

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

The Management considers the 2018 revenue satisfactory given the adverse circumstances for the CropScience division. The growth of the Pharmaceutical division came from the bigger brands. CropScience suffered from a general strong market decline caused by the draught affecting Denmark during spring and summer 2018 which resulted in much less field treatment. The result before taxes was lower than anticipated due lower sales in CropScience and the loss of the Diabetes Care business for the full 2018.

Capital resources

Bayer A/S is well consolidated. The equity ratio (solvency) amounts to 41.7 % (2017: 28.8 %), corresponding to equity at 31 December 2018 of MDKK 155 (2017: MDKK 127).

Foreign exchange risks

It is the Company's policy to hedge against commercial foreign exchange exposure. Hedging mainly takes place by means of balancing in- and outgoing cash flows.

Interest rate risks

As the net interest bearing debt does not constitute a significant amount, moderate changes in the level of interest will not have any material, direct effect on earnings. Therefore, the Company does not enter into interest rate agreements to hedge against interest rate exposure.

Management's Review

Targets and expectations for the year ahead

Bayer A/S expects the main financial indicators to be slightly increasing in 2019. The Pharmaceutical and CropScience divisions are expected to grow on a low single digit percentage (0-5%)

The result before taxes is expected to increase to a range of MDKK 40-45 with increased sales and cost effectiveness.

Basis of earnings

Research and development

As a sales unit the Company has no R&D costs.

External environment

The company is a sales unit in Denmark with no significant impact on external environment. We refer to the Bayer Group's annual report for further about Bayer.

Intellectual capital resources

The company is a sales unit in Denmark with no significant intellectual capital resources. We refer to the Bayer Group's annual report for further about Bayer.

Statutory report on Corporate Social Responsibility, CF section 99 a in the Danish Financial Statements Act

The Company is covered by Bayer Group's policy for social responsibility. Reference is made to the Group Annual Report: <http://www.investor.bayer.de/en/reports/sustainability-reports/>.

Bayer AG is a member of the UN Global Compact and the Participants & Stakeholders Report is available at: <http://www.unglobalcompact.org/participant/1212BayerAG>.

Statutory report on Underepresented Gender, CF section 99 b in the Danish Statement Act

Regarding section 99 part b of the Danish Financial Statements Act, Bayer A/S generally wants to ensure, that it always is the most qualified person who possesses a given position at a given time. All employees and managers' efforts are measured based on individual goals.

We want to foster diversity and create opportunities for all persons, regardless of gender, age and ethnicity, religious or political conviction.

The Company's group of leaders, defined as the Danish Country Leadership Team consists presently of 3 women and 4 men.

Besides Bayer A/S's two female employee representatives, the Board of Directors consists of three women.

Management's Review

Bayer A/S's Board of Directors is composed of the Senior Bayer representative for the country group Nordics (Finland, Norway, Sweden, Denmark, Iceland, Estonia, Latvia & Lithuania) and the managers of the two Nordic functions Human Resources and Law, Patents & Compliance.

For the time being these three positions are filled by women, but it is the goal that before year 2022 the underrepresented gender, presently being the male, should have at least one seat in the Board.

This will however only be possible whenever a replacement in any of the three mentioned positions becomes relevant, and the goal is therefore presently not fulfilled.

In this connection it should be mentioned, that it is Bayer A/S's policy to assure that both male and female candidates are considered and identified in connection with in- and external recruitment of employees and managers, and that both women and men are a part of the company's talent program.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Revenue	1	1.414.136	1.443.904
Expenses for raw materials and consumables		-1.133.017	-1.110.126
Other external expenses		-131.221	-171.449
Gross profit/loss		149.898	162.329
Staff expenses	2	-108.752	-112.301
Profit/loss before depreciations		41.146	50.028
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-2.952	-2.605
Profit/loss before financial income and expenses		38.194	47.423
Financial income	4	8.594	10.731
Financial expenses	5	-9.461	-9.640
Profit/loss before tax		37.327	48.514
Tax on profit/loss for the year	6	-8.760	-11.206
Net profit/loss for the year		28.567	37.308

Balance Sheet 31 December

Assets

	Note	2018 TDKK	2017 TDKK
Software		8	44
Acquired rights		6.238	7.350
Intangible assets	7	6.246	7.394
Other fixtures and fittings, tools and equipment		1.187	926
Property, plant and equipment	8	1.187	926
Investments in subsidiaries	9	0	0
Deposits	10	75	73
Fixed asset investments		75	73
Fixed assets		7.508	8.393
Inventories	11	217.004	168.115
Trade receivables		104.685	194.283
Receivables from group enterprises		33.115	42.687
Other receivables		4.796	20.867
Deferred tax asset	15	182	0
Corporation tax		3.842	902
Prepayments	12	1.074	3.261
Receivables		147.694	262.000
Currents assets		364.698	430.115
Assets		372.206	438.508

Balance Sheet 31 December

Liabilities and equity

	Note	2018 TDKK	2017 TDKK
Share capital		78.000	78.000
Retained earnings		77.206	48.639
Equity	13	155.206	126.639
Provision for deferred tax	15	0	706
Provisions		0	706
Credit institutions		0	4
Trade payables		45.182	132.245
Payables to group enterprises		74.951	99.486
Other payables		96.867	79.428
Short-term debt		217.000	311.163
Debt		217.000	311.163
Liabilities and equity		372.206	438.508
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Fee to auditors appointed at the general meeting	18		
Accounting Policies	19		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	78.000	48.639	126.639
Net profit/loss for the year	0	28.567	28.567
Equity at 31 December	78.000	77.206	155.206

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK
1 Revenue		
Geographical segments		
Revenue, Denmark	1.028.659	1.040.673
Revenue, Sweden	155.944	186.831
Revenue, Norway	57.798	67.700
Revenue, Finland	84.595	90.969
Other	87.140	57.731
	1.414.136	1.443.904
Business segments		
CropScience	647.415	711.961
HealthCare	732.398	695.422
Consumer Health	25.457	28.431
Bayer Business Service	8.866	8.090
	1.414.136	1.443.904
2 Staff expenses		
Wages and salaries	96.974	100.655
Pensions	10.223	10.163
Other social security expenses	606	649
Other staff expenses	949	834
	108.752	112.301
Average number of employees	122	122

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

Notes to the Financial Statements

	2018 <u>TDKK</u>	2017 <u>TDKK</u>
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	2.485	2.181
Depreciation of property, plant and equipment	467	318
Loss on disposal	0	106
	<u>2.952</u>	<u>2.605</u>
Which is specified as follows:		
Software	36	39
Acquired patents	2.449	2.142
Other fixtures and fittings, tools and equipment	467	318
Loss on sale of property, plant and equipment	0	106
	<u>2.952</u>	<u>2.605</u>
4 Financial income		
Interest received from group enterprises	56	14
Exchange adjustments	8.538	10.717
	<u>8.594</u>	<u>10.731</u>
5 Financial expenses		
Interest paid to group enterprises	269	267
Other financial expenses	54	188
Exchange loss	9.138	9.185
	<u>9.461</u>	<u>9.640</u>
6 Tax on profit/loss for the year		
Current tax for the year	9.648	9.119
Deferred tax for the year	-888	323
Adjustment of tax concerning previous years	0	1.764
	<u>8.760</u>	<u>11.206</u>

Notes to the Financial Statements

7 Intangible assets

	Software TDKK	Acquired rights TDKK	Total TDKK
Cost at 1 January	774	23.541	24.315
Additions for the year	0	2.015	2.015
Disposals for the year	0	-679	-679
Cost at 31 December	<u>774</u>	<u>24.877</u>	<u>25.651</u>
Impairment losses and amortisation at 1 January	730	16.191	16.921
Amortisation for the year	<u>36</u>	<u>2.448</u>	<u>2.484</u>
Impairment losses and amortisation at 31 December	<u>766</u>	<u>18.639</u>	<u>19.405</u>
Carrying amount at 31 December	<u>8</u>	<u>6.238</u>	<u>6.246</u>
Amortised over	<u>3 years</u>	<u>5-15 years</u>	

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK
Cost at 1 January	10.779
Additions for the year	728
Disposals for the year	<u>-31</u>
Cost at 31 December	<u>11.476</u>
Impairment losses and depreciation at 1 January	9.853
Depreciation for the year	467
Impairment and depreciation of sold assets for the year	<u>-31</u>
Impairment losses and depreciation at 31 December	<u>10.289</u>
Carrying amount at 31 December	<u>1.187</u>
Depreciated over	<u>3-10 years</u>

Notes to the Financial Statements

	2018 <u>TDKK</u>	2017 <u>TDKK</u>
9 Investments in subsidiaries		
Cost at 1 January	0	5.027
Disposals for the year	0	-5.027
Carrying amount at 31 December	<u>0</u>	<u>0</u>
10 Other fixed asset investments		
		<u>Deposits</u> TDKK
Cost at 1 January		73
Additions for the year		<u>2</u>
Cost at 31 December		<u>75</u>
Carrying amount at 31 December		<u>75</u>
	2018 <u>TDKK</u>	2017 <u>TDKK</u>
11 Inventories		
Goods for resale	<u>217.004</u>	<u>168.115</u>
	<u>217.004</u>	<u>168.115</u>

12 Prepayments

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

13 Equity

The share capital consists of 78,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

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

Notes to the Financial Statements

	2018 <u>TDKK</u>	2017 <u>TDKK</u>
14 Distribution of profit		
Retained earnings	28.567	37.308
	<u>28.567</u>	<u>37.308</u>

15 Deferred tax asset

Intangible assets	1.374	1.627
Property, plant and equipment	-422	-524
Inventories	-896	-155
Other payables	-254	-242
Tax loss carry-forward	16	0
Transferred to deferred tax asset	182	0
	<u>0</u>	<u>706</u>

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

Deferred tax asset

Calculated tax asset	182	0
Carrying amount	<u>182</u>	<u>0</u>

Notes to the Financial Statements

	<u>2018</u> TDKK	<u>2017</u> TDKK
16 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	10.901	12.369
Between 1 and 5 years	<u>5.594</u>	<u>6.286</u>
	<u>16.495</u>	<u>18.655</u>

Other contingent liabilities

A bank guarantee of TDKK 3.202 has been established to cover obligations in connection to leased offices.

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

Notes to the Financial Statements

17 Related parties

Basis

Controlling interest

Bayer AG, Leverkusen, Germany

Controlling shareholder, ultimate

Transactions

All transactions in the Bayer concern are based on arm's length principles. The local management believes that all transactions in all material aspects with related parties is based on market conditions.

Ownership

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

Bayer Nordic SE, Finland

Consolidated Financial Statements

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

Name

Place of registered office

Bayer AG

The Group Annual Report of Bayer AG may be obtained at the following address:

Bayer AG Corporate Communications, 51368 Leverkusen Germany.

Bayer A/S, Arne Jacobsens Allé 13, 2300 Copenhagen.

18 Fee to auditors appointed at the general meeting

Fee to auditors appointed at the general meeting has not been disclosed in accordance with section 96 (3) of the Danish Financial Statements Act. Reference is made to the consolidated Financial Statements of Bayer AG.

Notes to the Financial Statements

19 Accounting Policies

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

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in TDKK.

Consolidated financial statements

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

Cash flow statement

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

Recognition and measurement

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

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

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

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

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

19 Accounting Policies (continued)

Translation policies

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

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

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

Revenue

Information on business segments and geographical segments are based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

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

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment as well as gains and losses from current replacement of fixed assets.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

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

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with wholly subsidiaries and Monsanto Crop Sciences Denmark A/S. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

19 Accounting Policies (continued)

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3-15 years.

Property, plant and equipment

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

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

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

Other fixtures and fittings

tools and equipment 3-10 years

Leasehold improvements 5-10 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under standard cost and net realisable value.

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

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

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

Equity

Dividend

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

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

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

Deferred tax assets and liabilities are offset within the same legal tax entity.

Notes to the Financial Statements

19 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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