Caldic Ingredients Denmark A/S

Odinsvej 23, DK-8722 Hedensted

Annual Report for 1 January - 31 December 2018

CVR No 16 54 59 96

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/5 2019

Olav Caspar van Caldenborgh
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Caldic Ingredients Denmark 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.

Hedensted, 28 May 2019

Executive Board

Steen Nordmark Kunnerup

Board of Directors

Olav Caspar van Caldenborgh Chairman	Bernardus Witte	Steen Nordmark Kunnerup

Independent Auditor's Report

To the Shareholder of Caldic Ingredients Denmark A/S

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

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstate-

ment, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

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

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

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

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

Aarhus, 28 May 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Lyngsø Sørensen
statsautoriseret revisor
mne34539

Company Information

The Company	Caldic Ingredients Denmark A/S Odinsvej 23 DK-8722 Hedensted CVR No: 16 54 59 96 Financial period: 1 January - 31 December Municipality of reg. office: Hedensted
Board of Directors	Olav Caspar van Caldenborgh, Chairman Bernardus Witte Steen Nordmark Kunnerup
Executive Board	Steen Nordmark Kunnerup
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

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

	2018	2017	2016	2015	2014
	kDKK	kDKK	kDKK	kDKK	kDKK
Key figures					
Profit/loss					
Gross profit/loss	53.447	52.002	176.510	66.264	63.278
Profit/loss before financial income and expenses	12.295	9.175	130.124	15.660	26.733
Net profit/loss for the year	10.992	6.064	114.784	11.932	21.723
Balance sheet					
Balance sheet total	220.229	209.803	224.122	173.836	167.761
Equity	176.274	165.071	159.045	110.869	98.881
Investment in property, plant and equipment	2.322	2.953	-161	4.362	-30.478
Number of employees	57	62	64	65	65
Ratios					
Return on assets	5,6%	4,4%	58,1%	9,0%	15,9%
Solvency ratio	80,0%	78,7%	71,0%	63,8%	58,9%
Return on equity	6,4%	3,7%	85,1%	11,4%	20,3%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

The Financial Statements of Caldic Ingredients Denmark A/S for 2018 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

The activities of the Company are within sale, production and distribution of food and beverage ingredients.

Products are sold on domestic and foreign markets.

Market overview

On the Danish market the Company is selling own produced assembled products and distributing food ingredients from various suppliers with whom the Company has long term relationships. The Danish market is the dominant market of the Company.

The export markets are dominated by the Nordic countries and countries within the EU, but also sale outside of the EU for own produced products.

Development in the year

The income statement of the Company for 2018 shows a profit of kDKK 10.992, which is in alignment whit the expectations and at 31 December 2018 the balance sheet of the Company shows equity of kDKK 176 274.

Strategy

It's the strategy of the company to provide food ingredients to the companies producing end-products to consumers. The strategy is to provide value added activities to commodities. The company expects to further develop the current activities in cooperation with activities of the Caldic Group.

Targets and expectations for the year ahead

The Company expects positive results from operation in the coming year on level with 2018.

Research and development

A substantial part of the activities of the Company is related to the continuous development of ingredients for food and beverage products in cooperation with the Company's suppliers.

Management's Review

Intellectual capital resources

A substantial part of the income is related to own produced products with recipes developed in cooperation with customers. The Company is the owner of these recipes.

Statement of corporate social responsibility

Social responsibility is of high importance within the Caldic Group and in order to comply with the social responsibility we have in the Caldic Group implemented a Caldic Code of Conduct which each employee needs to sign upon employment. This is the basic principle for all conduct within the Caldic organization.

Environment and Climate

The Caldic Code of Conduct implies that all employees of Caldic at any time will have focus on reducingclimate changing behavior including reduction of scarce resources. This policy is followed by quarterlyreporting to the Executive Board of the Caldic Group and there has been no violations reported of thisConduct in 2018.
In 2018 we have continuously worked on reducing the consumption of electricity, Gas and water andinvestment in production equipment with low energy consumption has been initiated.Besides financial measurements, accidents and nearby accidents are measured as an internal targetreported to the Executive Board of Caldic Group on a quarterly basis. We are happy to know that therehas been no accidents or nearby accidents in 2018 that could have environmental or climate effect.

Human rights

The Caldic Code of Conduct implies that all employees of Caldic at any time will give fair human rights to all individuals. This policy is followed by quarterly reporting to the Executive Board of the Caldic Group and there has been no violations reported of this Conduct in 2018.

In 2018 all job interviews has ensured the ideal match of candidates based on competence match and fair.

Safety

The safety of all individuals involved in Caldic's operations is given the highest priority at all times, hence each person employed at Caldic is responsible for remaining up-to-date on the main applicable safety and environmental laws and regulations. The precautionary measures implemented by Caldic with respect to safety and the environment must be applied at all times. Therefore, the Caldic Code of conduct is:

- Each person must refrain from any conduct that could potentially give rise to dangerous situations.
- All persons are required to immediately report any situation that could potentially undermine safety and/or harm the environment.

Human rights

The Caldic Code of Conduct implies that all employees of Caldic at any time will give fair human rights toall individuals. This policy is followed by quarterly reporting to the Executive Board of the Caldic Groupand there has been no violations reported of this Conduct in 2018.

In 2018 all job interviews has ensured the ideal match of candidates based on competence match and fair.
human rights

Employee relations

Caldic is committed to providing equal career opportunities to all qualified individuals, regardless of race, age, personal beliefs, skin color, religion, gender, sexual orientation or on any other grounds specified by law. No form of discrimination based on these characteristics will be tolerated; everyone is required to treat his or her colleagues with respect and to be open and honest in their dealings with others. All job and appraisal interviews in 2018 has complied with this policy in accordance with the Caldic Code of Conduct.

Competition

Caldic will compete honestly and lawfully in the markets in which it operates, which means that the applicable competition laws and regulations will be complied with at all times. Therefore, the Caldic Code of Conduct is to:

- Avoid anticompetitive practices at all times.
- Limit interaction with competitors to legitimate business purposes.
- Not enter into any verbal or written agreements that could potentially undermine competition laws and regulations.
- Not enter into any verbal or written agreements with one or more competitors for the purpose of fixing prices or dividing markets.
- In those cases where Caldic acts as a distributor, persons employed at the Company must refrain from exchanging information with the supplier about Caldic's customers.

There has in 2018 not been reported any non-compliance with this policy. During 2018 all sales and procurement staff is followed up regularly by the Executive Board to ensure compliance with the policy. For any of the above policies within social responsibility a whistle blower rule is set for each employee to contact the managing director of the company or the CFO of the Caldic Group.

Uncertainty relating to recognition and measurement

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

Management's Review

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.

Subsequent events

The board made a decision on the 30 April 2019 to close down the factory in Sejling. The primary reason for the closing of our production site in Sejling is lack of profitability. We will transfer a small part of the volume to our production sites in Rödovre and Knisslinge (Caldic Ingredients Sweden AB).

The business category ”nutrition” has been sold the 1 January 2019 to Caldic Ingredients Sweden AB. This category is specific in terms of customers and product development. As Caldic Ingredients Sweden AB already costs the majority of our Nordic nutrition business, we will gain efficiency by centralizing our Nordic nutrition business.

Income Statement 1 January - 31 December

	Note	2018	2017
		kDKK	kDKK
Gross profit/loss		**53.447**	**52.002**
Staff expenses	1	-33.337	-34.695
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-7.815	-8.132
Profit/loss before financial income and expenses		**12.295**	**9.175**
Income from investments in subsidiaries		-26	-34
Financial income	2	3.793	1.107
Financial expenses	3	-636	-1.193
Profit/loss before tax		**15.426**	**9.055**
Tax on profit/loss for the year	4	-4.434	-2.991
Net profit/loss for the year		**10.992**	**6.064**

Balance Sheet 31 December

Assets

	Note	2018	2017
		kDKK	kDKK
Acquired patents		0	0
Goodwill		38.785	46.219
Intangible assets	5	**38.785**	**46.219**
Land and buildings		9.324	9.585
Plant and machinery		3.165	4.186
Other fixtures and fittings, tools and equipment		1.410	1.062
Leasehold improvements		4.129	3.590
Property, plant and equipment	6	**18.028**	**18.423**
Investments in subsidiaries	7	0	1.641
Deposits	8	1.186	980
Fixed asset investments		**1.186**	**2.621**
Fixed assets		**57.999**	**67.263**
Inventories	9	**27.745**	**32.483**
Trade receivables		27.093	33.987
Receivables from group enterprises		92.206	60.639
Other receivables	12	0	11
Corporation tax		316	186
Prepayments		3.136	680
Receivables		**122.751**	**95.503**
Cash at bank and in hand		**11.734**	**14.554**
Currents assets		**162.230**	**142.540**
Assets		**220.229**	**209.803**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		kDKK	kDKK
Share capital		4.100	4.100
Reserve for net revaluation under the equity method		0	1.372
Retained earnings		172.174	159.599
Equity		**176.274**	**165.071**
Provision for deferred tax	11	2.046	1.867
Provisions		**2.046**	**1.867**
Trade payables		27.777	29.621
Payables to group enterprises		747	2.356
Corporation tax		4.284	2.722
Other payables	12	9.101	8.166
Short-term debt		**41.909**	**42.865**
Debt		**41.909**	**42.865**
Liabilities and equity		**220.229**	**209.803**
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	4.100	1.372	159.599	165.071
Dissolution of previous years' revaluation	0	-1.372	1.372	0
Fair value adjustment of hedging instruments, end of year	0	0	211	211
Net profit/loss for the year	0	0	10.992	10.992
Equity at 31 December	**4.100**	**0**	**172.174**	**176.274**

Notes to the Financial Statements

		2018	2017
		kDKK	kDKK
1	**Staff expenses**		
	Wages and salaries	28.882	29.877
	Pensions	2.010	2.129
	Other social security expenses	427	513
	Other staff expenses	2.018	2.176
		33.337	**34.695**
	Average number of employees	**57**	**62**

With reference to section 98B, litra 3 of the Danish Financial Statements Act, the remuneration to Executive Board and Board of Directors is not disclosed.

		2018	2017
2	**Financial income**		
	Interest received from group enterprises	3.793	663
	Other financial income	0	15
	Exchange adjustments	0	429
		3.793	**1.107**
3	**Financial expenses**		
	Interest paid to group enterprises	14	29
	Other financial expenses	208	798
	Exchange adjustments, expenses	414	366
		636	**1.193**
4	**Tax on profit/loss for the year**		
	Current tax for the year	4.284	2.722
	Deferred tax for the year	179	370
	Adjustment of tax concerning previous years	-29	-101
		4.434	**2.991**

Notes to the Financial Statements

5 Intangible assets

	Acquired patents	Goodwill	Total
	kDKK	kDKK	kDKK
Cost at 1 January	3.742	82.461	86.203
Disposals for the year	0	-3.194	-3.194
Cost at 31 December	3.742	79.267	83.009
Impairment losses and amortisation at 1 January	3.742	36.241	39.983
Amortisation for the year	0	5.039	5.039
Impairment and amortisation of sold assets for the year	0	-798	-798
Impairment losses and amortisation at 31 December	3.742	40.482	44.224
Carrying amount at 31 December	**0**	**38.785**	**38.785**

6 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	kDKK	kDKK	kDKK	kDKK	kDKK
Cost at 1 January	12.588	19.671	11.718	8.210	52.187
Additions for the year	116	0	749	1.553	2.418
Disposals for the year	0	0	-96	0	-96
Cost at 31 December	12.704	19.671	12.371	9.763	54.509
Impairment losses and depreciation at 1 January	3.003	15.485	10.656	4.620	33.764
Depreciation for the year	377	1.021	305	1.014	2.717
Impairment losses and depreciation at 31 December	3.380	16.506	10.961	5.634	36.481
Carrying amount at 31 December	**9.324**	**3.165**	**1.410**	**4.129**	**18.028**

Notes to the Financial Statements

7 Investments in subsidiaries

	2018	2017
	kDKK	kDKK
Cost at 1 January	269	269
Disposals for the year	-269	0
Cost at 31 December	0	269
Value adjustments at 1 January	1.372	1.428
Disposals for the year	-1.372	0
Exchange adjustment	0	-22
Net profit/loss for the year	0	-34
Value adjustments at 31 December	0	1.372
Carrying amount at 31 December	**0**	**1.641**

Notes to the Financial Statements

8 Other fixed asset investments

	Deposits
	kDKK
Cost at 1 January	980
Additions for the year	206
Cost at 31 December	1.186
Revaluations at 1 January	0
Revaluations at 31 December	0
Carrying amount at 31 December	**1.186**

	2018	2017
	kDKK	kDKK

9 Inventories

Raw materials and consumables	8.702	12.190
Finished goods and goods for resale	19.043	20.293
	27.745	**32.483**

10 Distribution of profit

Reserve for net revaluation under the equity method	0	-34
Retained earnings	10.992	6.098
	10.992	**6.064**

11 Provision for deferred tax

Provision for deferred tax at 1 January	1.867	1.497
Amounts recognised in the income statement for the year	179	370
Provision for deferred tax at 31 December	**2.046**	**1.867**

Notes to the Financial Statements

12 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	2018	2017
	kDKK	kDKK
Assets	142	17
Liabilities	0	0

Forward exchange contracts have been concluded to hedge future purchase of goods in USD and GBP. At the balance sheet date the fair value of the forward exchange contracts amounts to kDKK 142. Purchase of goods in kUSD of 309 and kGBP of 30, corresponding to approximately 1% of the expected purchase, has been hedged. The forward exchange contracts have a term up to 12 months.

13 Contingent assets, liabilities and other financial obligations

	2018	2017
	kDKK	kDKK
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	3.402	3.890
Between 1 and 5 years	3.312	6.502
	6.714	**10.392**

The Company has entered into rent contracts with notice periods of 3-42 months. The total obligation at 31 December 2018 is kDKK 6.714 (2017: kDKK 10.392)

Guarantee obligations

As guarantee for the parent company loans in banks, Caldic Ingredients Denmark A/S has provided a guarantee for these loans together with other sister companies.
The guarantee is however limited to booked Equity, at any given time, in Caldic Ingredients Denmark A/S.

Other contingent liabilities

In 2013 the Company has performed a tax free demerger approved by the Danish Tax Authorities. When Caldic B.V. acquired the share capital, the approval was withdrawn which led to a tax to be paid of kDKK 8.300 excluding interests. The decision has been appealed to the National Tax Tribunal in Denmark and the legal assessment is that it is less likely that the Company will loose the case.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is the sum of Caldic Ingredients Denmark A/S' payable and the payable disclosed in the Annual Report of Caldic Denmark A/S. Caldic Ingredients Denmark A/S is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

14 Related parties

Basis

Notes to the Financial Statements

Controlling interest

Caldic B.V.	100%

Transactions

The sale of goods to group enterprises, kDKK 36.876

The purchase of goods from group enterprises, kDKK 34.248

Management fee received from group enterprises amounts to kDDK 6.528.
Management fee to group enterprises amounts to kDKK 14.814.

Receivables from group enterprises amounts to kDDK 3.117. kDDK 2.481 relates to sale at normal terms e.g. not interest bearing. kDDK 636 relates to intercompany fee.

Payables to group enterprises amounts to kDDK 719. TDK 653 relates to purchase of goods at normal terms e.g. not interest bearing. kDDK 65 relates to intercompany fee.

Loan from group neterprises amounts to kDKK 89.086 and needs to be repaid no later than 31 December 2022. The loan is interest bearing with and annual interest rate of 5 %.

Consolidated Financial Statements

The company is part of the Group Annual Reports of the parent companies:

Name	Place of registered office
Caldic Holco B.V.	Rotterdam, Holland
Caldic B.V.	Rotterdam, Holland

The Group Annual Reports of Caldic B.V. and Caldic Holdco B.V. may be obtained at the following address:

Westerlaan 1
NL-3016 CK Rotterdam
Holland

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Caldic Ingredients Denmark A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2018 are presented in kDKK.

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 Caldic B.V., 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.

Business combinations

Book value method

Intragroup business combinations are accounted for under the book value method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The Book value method is applied at the date of acquisition, and comparative figures have not been restated.

Notes to the Financial Statements

15 Accounting Policies (continued)

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

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

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

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

Derivative financial instruments

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

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Notes to the Financial Statements

15 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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

Expenses for raw materials and consumables

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

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, change in inventories of finished goods, work in progress and goods for resale, other operating income, expenses for raw materials and consumables and other external expenses.

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.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5-20 years.

The estimated useful life has been determined by taking into consideration the business platform acquired, including a strong brand and reputation as well as very loyal customers.

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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:

Production buildings	35	years
Plant and machinery	5-10	years
Other fixtures and fittings, tools and equipment	3-5	years

Notes to the Financial Statements

15 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 37.250 (EUR 5.000) are expensed in the year of acquisition.

Impairment of fixed assets

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

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposit.

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

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

Notes to the Financial Statements

15 Accounting Policies (continued)

The cost of goods for resale, raw materials and consumables equals landed cost.

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

Receivables

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

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

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

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

15 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Financial Highlights

Explanation of financial ratios

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