Akzo Nobel Salt A/S

Hadsundvej 17, DK-9550 Mariager

Annual Report for 1 January - 31 December 2018

CVR No 17 03 07 44

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 15/5 2019

Eveline Isabella Gratzer
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 Akzo Nobel Salt 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.

Mariager, 15 May 2019

Executive Board

Torben Brændgaard

Board of Directors

Nils Corneille var der Plas Chairman	Elisabeth Deelen	Eveline Isabella Gratzer

Independent Auditor’s Report

To the Shareholder of Akzo Nobel Salt 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 Akzo Nobel Salt 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.

Independent Auditor's Report

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 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.

Independent Auditor's Report

- 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.

Aalborg, 15 May 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Michael Nielsson	Kristian Kjær Jensen
State Authorised Public Accountant	State Authorised Public Accountant
mne15151	mne35627

Company Information

The Company	Akzo Nobel Salt A/S Hadsundvej 17 DK-9550 Mariager Telephone: + 45 96 68 78 88 CVR No: 17 03 07 44 Financial period: 1 January - 31 December Municipality of reg. office: Mariager
Board of Directors	Nils Corneille var der Plas , Chairman Elisabeth Deelen Eveline Isabella Gratzer
Executive Board	Torben Brændgaard
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A DK-9000 Aalborg

Financial Highlights

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

	2018 Mio. DKK	2017 Mio. DKK	2016 Mio. DKK	2015 Mio. DKK	2014 Mio. DKK
Key figures					
Profit/loss					
Revenue	439	430	451	451	425
Gross profit/loss	138	141	164	161	122
Operating profit/loss	39	47	59	66	25
Net financials	-25	31	59	23	18
Net profit/loss for the year	6	68	104	77	40
Balance sheet					
Balance sheet total	501	504	486	386	407
Equity	201	225	206	127	100
Investment in property, plant and equipment	7	47	44	18	24
Number of employees	143	139	140	144	151
Ratios					
Gross margin	31,4%	32,8%	36,4%	35,7%	28,7%
Profit margin	8,9%	10,9%	13,1%	14,6%	5,9%
Return on assets	7,8%	9,3%	12,1%	17,1%	6,1%
Solvency ratio	40,1%	44,6%	42,4%	32,9%	24,6%
Return on equity	2,8%	31,6%	62,5%	67,8%	80,0%

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

Key activities

The Company was established under the name Dansk Salt A/S in 1993 when it acquired all activities of Dansk Salt I/S.

In 2001, the Company changed its name to Akzo Nobel Salt A/S.

October 1, 2018, the sales of Akzo Nobel Specialty Chemicals to the Carlyle Group was completed and has become an independent company with a new name: Nouryon.
As a result of this, Akzo Nobel Salt A/S will per July 1, 2019, change name to Dansk Salt A/S (the present secondary name).

The Nouryon Group with headquarters in the Netherlands has activities in more than 80 countries. In 2017, the Group had approx. 10,000 employees and a turnover of EUR 5.0 bn. Nouryon has 5 business units and Industrial Chemicals is the business unit that Akzo Nobel Salt A/S is a part of.
Akzo Nobel Salt A/S' production is based on a sole concession to extract salt by solution mining from the Danish subsoil. This concession was granted in 1963 for a period of 50 years. In 2010, an agreement was made with the Danish Energy Agency on a new exclusive license for 15 years from 2013 with a possible extension for another 15 years to 2043 if certain conditions are met.
The salt is extracted from a salt dome southwest of Hobro and the production plant is located at Mariager Fjord. The plant's annual production capacity is approximately 600,000 tonnes and the product range includes salt for human consumption, industrial salt, road salt and chemical pure salt.
The Company is the only salt manufacturer in Scandinavia and a considerable proportion of the production is exported, mainly to the other European countries.The Company's salt production is made as toll manufacturing for Nouryon BV, who is managing the overall storing and sales for all Nouryon's European salt factories. Specialties, however, that mainly comprise packaged products for the food and pharmaceutical industries, continue to be stored and sold by Akzo Nobel Salt A/S. Maricogen A/S which owns a natural-gas-fired cogeneration plant is a 100%owned subsidiary that is incorporated in the company profit. The major share of the profit is based on subsidies based on availability for the public grid.

Development in the year

The income statement of the Company for 2018 shows a profit of TDKK 5,918, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 200,822.

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

Turnover amounted to DKK 438.5 m., which is lower than the year before.The turnover is primarily a result of sales of salt products to the food industry and sales of pharmaceutical salt. Sales are specifically concentrated on the Northern European market and the Chinese market.

The profit was DKK 5.9 m. compared to DKK 68.4 m last year. The result of the primary operations was satisfactory, but the income fra invetsments in subsidiaries where negative. The Board of Management considers the result for the year to be not satisfactory.

Management’s Review

Capital resources

The management estimates that sufficient financial ressources are present.

Special risks - operating risks and financial risks

Operating risks

The Company's earnings are significantly affected by the development in energy prices, which determines the cost price on salt.

Foreign exchange risks

As a result of foreign-currency transactions, the result and cash flows are affected by movements in a number of exchange rates, mainly the Euro and Scandinavian currencies. The Company does not undertake its own hedging of commercial exchange-rate risks. Net positions are hedged at Business Unit level.

Targets and expectations for the year ahead

Increased focus on costs and processes in production will have a positive impact on profit. Sales are expected to stay on an unchanged high level. All in all, the result is expected to equal to the budget in 2019.

Research and development

Research and development activities are primarily managed by the parent company Akzo Nobel N.V. (now: Nouryon). In 2018, Akzo Nobel Salt A/S has not recorded costs for research and development activities.

External environment

The Company constantly endeavours to improve the quality, safety andworking environment. During 2018, no incident/accident occurred entailinglost working days. The Company aims for 0 incidents/accidents for bothemployees and external contractors.

The Company's quality-, environmental- and energy management systems are certified according to:
ISO 9001Quality management
ISO 14001 Environmental management incl. Energy
ISO 45001 Working environment management
FSSC 22000 Food safety
GMP+ Feed safety
GMP Quality management for Active Pharmaceutical Ingredients (API)

The environmental impact of the operation of the company is within the boundaries in the above mentioned standards.

Management's Review

Intellectual capital resources

For Akzo Nobel Salt A/S it is vital that the employees possess the right competences. In connection with Akzo Nobel Salt A/S' business strategy, core qualifications and critical competences for the different business areas are defined.

Statement of corporate social responsibility according to Danish Financial Statements ACt. §99a

The legal entity in Denmark as such has no seperate CSR policies, but due to the sales process in 2018 the company has followed the polices and rules of Akzo Nobel N.V.until October 2018 in terms of policies for the UN Global Compact https://www.akzonobel.com/en/for-investors/all-reports/q1-2019-results.

As of October 2018, where the company changed the ownership to Nouryon, the company has continued to follow the policies mentioned above and as the company still has the name Akzo Nobel. The company is still following up on these polices as before the sales. Nouryon is at the moment implementing these polices and the company will report on it in the management review for 2019. Nouryon has for now issued a new code of conduct and position statements; https://www.nouryon.com/company/ethics-and-integrity/
https://www.nouryon.com/company/position-statements/

Human rights

Akzo Nobel N.V.'s Code of Conduct sets out the approach to human and labor rights and supports the United Nations Universal Declaration of Human Rights and Akzo Nobel Salt A/S follows the same regulations. Reference is made to the annual report for 2018 of the parent company for a full account of human rights, including policies, activities and results.

Climate impact

Akzo Nobel N.V. has set up a program named Planet Possible which main purpose is to gain more value from fewer ressources, and Akzo Nobel Salt A/S follows the same regulations. Reference is made to the annual report for 2018 of the parent company for a full account of policies, activities and results.

Management’s Review

Statement on gender composition according to Danish Financial Statement Act. §99b

Under sectíon 139a of the Danish Companies Act, the Board of Directors of Akzo Nobel Salt A/S has laid down the Company's policy to increase the share of the underrepresented gender in the Company's Management in general. To support the policy, the Company strives to promote equal career opportunities for men and women through skills development. In 2018 the company has actively included consideration of gender in recruitment and hiring for management positions at all levels. The Supervisory Board in Akzo Nobel Salt A/S has in 2014 taken steps to secure a more even distribution of the gender quota. The board members of Akzo Nobel Salt A/S has 3 members, 1 man and 2 women. Management thus considers that is has fulfilled the statutory requirement for an equal gender distribution in the top management.

Income Statement 1 January - 31 December

	Note	2018	2017
		TDKK	TDKK
Revenue	2	**438.515**	**429.984**
Cost of sales	3	-300.540	-288.761
Gross profit/loss		**137.975**	**141.223**
Distribution expenses	3	-71.205	-65.144
Administrative expenses	3	-27.758	-28.792
Operating profit/loss		**39.012**	**47.287**
Income from investments in subsidiaries	4	-19.172	34.657
Financial income		760	910
Financial expenses		-6.543	-4.514
Profit/loss before tax		**14.057**	**78.340**
Tax on profit/loss for the year	5	-8.139	-9.889
Net profit/loss for the year		**5.918**	**68.451**

Balance Sheet 31 December

Assets

	Note	2018	2017
		TDKK	TDKK
Acquired trademarks		383	454
Intangible assets	6	**383**	**454**
Land and buildings		79.042	69.228
Plant and machinery		104.393	77.480
Other fixtures and fittings, tools and equipment		525	793
Property, plant and equipment in progress		26.172	56.077
Property, plant and equipment	7	**210.132**	**203.578**
Investments in subsidiaries	8	29.733	48.905
Fixed asset investments		**29.733**	**48.905**
Fixed assets		**240.248**	**252.937**
Inventories	9	**29.740**	**28.217**
Trade receivables		42.875	45.475
Receivables from group enterprises		175.081	160.055
Other receivables		12.747	15.141
Prepayments	10	651	2.223
Receivables		**231.354**	**222.894**
Cash at bank and in hand		**16**	**29**
Currents assets		**261.110**	**251.140**
Assets		**501.358**	**504.077**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		TDKK	TDKK
Share capital		50.000	50.000
Reserve for net revaluation under the equity method		14.233	33.405
Retained earnings		136.589	111.499
Proposed dividend for the year		0	30.000
Equity		**200.822**	**224.904**
Provision for deferred tax	12	6.704	5.150
Provisions		**6.704**	**5.150**
Payables to group enterprises		175.000	175.000
Long-term debt	13	**175.000**	**175.000**
Trade payables		43.764	33.729
Payables to group enterprises	13	38.426	23.767
Corporation tax		5.522	10.626
Other payables		31.120	30.901
Short-term debt		**118.832**	**99.023**
Debt		**293.832**	**274.023**
Liabilities and equity		**501.358**	**504.077**
Subsequent events	1		
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Fee to auditors appointed at the general meeting	16		
Accounting Policies	17		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	50.000	33.405	111.499	30.000	224.904
Ordinary dividend paid	0	0	0	-30.000	-30.000
Net profit/loss for the year	0	-19.172	25.090	0	5.918
Equity at 31 December	**50.000**	**14.233**	**136.589**	**0**	**200.822**

Notes to the Financial Statements

1 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

2 Revenue

	2018	2017
	TDKK	TDKK
Geographical segments		
Denmark	110.582	116.909
Scandinavia excl. Denmark	93.267	79.115
Europe excl. Scandinavia	83.280	86.047
Outside Europe	65.817	54.631
Manufacturing fee	85.569	93.282
	438.515	**429.984**

3 Staff

	2018	2017
Salaries and wages	68.158	64.564
Pension premiums	12.632	11.607
Social security costs	1.100	1.118
	81.890	**77.289**
Including remuneration to the Executive Board	**1.744**	**1.428**
Average number of employees	**143**	**139**

4 Income from investments in subsidiaries

	2018	2017
Share of profits of subsidiaries	0	34.657
Share of losses of subsidiaries	-19.172	0
	-19.172	**34.657**

Notes to the Financial Statements

5 Tax on profit/loss for the year

	2018	2017
	TDKK	TDKK
Current tax for the year	5.522	10.626
Deferred tax for the year	1.554	-1.327
Adjustment of tax concerning previous years	1.063	590
	8.139	**9.889**

6 Intangible assets

	Acquired trade-marks
	TDKK
Cost at 1 January	3.315
Cost at 31 December	3.315
Impairment losses and amortisation at 1 January	2.861
Amortisation for the year	71
Impairment losses and amortisation at 31 December	2.932
Carrying amount at 31 December	**383**
Amortised over	3-15 years

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	194.018	568.781	22.782	56.077
Adjustments related to previous periods	0	-10.237	0	3.911
Additions for the year	0	9.517	0	26.172
Transfers for the year	16.883	43.105	0	-59.988
Cost at 31 December	210.901	611.166	22.782	26.172
Impairment losses and depreciation at 1 January	124.789	491.299	21.989	0
Adjustments related to previous periods	0	-6.326	0	0
Depreciation for the year	7.070	21.800	268	0
Impairment losses and depreciation at 31 December	131.859	506.773	22.257	0
Carrying amount at 31 December	**79.042**	**104.393**	**525**	**26.172**
Depreciated over	5-25 years	5-20 years	5 years	

Notes to the Financial Statements

8 Investments in subsidiaries

	2018	2017
	TDKK	TDKK
Cost at 1 January	15.500	15.500
Cost at 31 December	15.500	15.500
Value adjustments at 1 January	33.405	63.321
Net profit/loss for the year	-19.172	34.657
Dividend to the Parent Company	0	-64.573
Value adjustments at 31 December	14.233	33.405
Carrying amount at 31 December	**29.733**	**48.905**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Maricogen A/S	Hadsund	TDKK 500	100%

9 Inventories

	2018	2017
	TDKK	TDKK
Raw materials and consumables	19.346	18.144
Finished goods and goods for resale	10.394	10.073
	29.740	**28.217**

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a postitive fair value.

Notes to the Financial Statements

11 Distribution of profit

	2018 TDKK	2017 TDKK
Proposed dividend for the year	0	30.000
Reserve for net revaluation under the equity method	-19.172	-29.916
Retained earnings	25.090	68.367
	5.918	**68.451**

12 Provision for deferred tax

	2018 TDKK	2017 TDKK
Provision for deferred tax at 1 January	5.150	6.477
Amounts recognised in the income statement for the year	1.554	-1.327
Provision for deferred tax at 31 December	**6.704**	**5.150**

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2018 TDKK	2017 TDKK
Payables to group enterprises		
Between 1 and 5 years	175.000	175.000
Long-term part	175.000	175.000
Other short-term debt to group enterprises	38.426	23.767
	213.426	**198.767**

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK

14 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2018	2017
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1.623	2.274
Between 1 and 5 years	2.676	5.760
	4.299	**8.034**

Guarantee obligations

	2018	2017
Bank guarantees	83	81

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the 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.

Notes to the Financial Statements

15 Related parties

	Basis
Controlling interest	
Nouryon Coöperatief U.A.	The Netherlands

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm’s length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

16 Fee to auditors appointed at the general meeting

With reference to the informations regarding Fee to auditors appointed at the general meeting we refer to section 96(3) of the Danish Financial Statements Act and to the informations included in the consolidated financial statements of, the Company has not prepared the informations regarding Fee to auditors appointed at the general meeting.

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Akzo Nobel Salt 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 Nouryon Coöperatief U.A., 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 , 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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Revenue

Information on business segments and geographical segments based on the Companys 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 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

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

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

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	5-25	years
Other buildings	5-25	years
Plant and machinery	5-25	years
Other fixtures and fittings, tools and equipment	5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Inventories

Inventories are measured at the lower of cost under the FIFO method 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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$