Dansk Salt A/S

Hadsundvej 17, DK-9550 Mariager

Annual Report for 1 January - 31 December 2020

CVR No 17 03 07 44

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/06 2021

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 Dansk Salt A/S for the financial year 1 January - 31 December 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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, 28 June 2021

Executive Board

Søren Møller

Board of Directors

Philipp Rolf Gotthelf Polenz Chairman	Elisabeth Deelen	Eveline Isabella Gratzer

Independent Auditor's Report

To the Shareholder of Dansk 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Dansk Salt A/S for the financial year 1 January - 31 December 2020, 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 misstatement, whether due to fraud or error.

Independent Auditor’s Report

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

Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aalborg, 28 June 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Michael Nielsson statsautoriseret revisor mne15151	Kristian Kjær Jensen statsautoriseret revisor mne35627

Company Information

The Company	Dansk 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: Mariagerfjord
Board of Directors	Philipp Rolf Gotthelf Polenz , Chairman Elisabeth Deelen Eveline Isabella Gratzer
Executive Board	Søren Møller
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:

	2020	2019	2018	2017	2016
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	85	455	439	430	451
Gross profit/loss	33	145	138	141	164
Operating profit/loss	-4	41	39	47	59
Net financials	-7	-4	-25	31	59
Profit/loss from discontinuing activities	50	0	0	0	0
Net profit/loss for the year	42	33	6	68	104
Balance sheet					
Balance sheet total	581	533	501	504	486
Equity	177	135	201	225	206
Investment in property, plant and equipment	10	8	7	-204	44
Number of employees	142	148	143	139	140
Ratios					
Gross margin	38,8%	31,9%	31,4%	32,8%	36,4%
Profit margin	-4,7%	9,0%	8,9%	10,9%	13,1%
Return on assets	-0,7%	7,7%	7,8%	9,3%	12,1%
Solvency ratio	30,5%	25,3%	40,1%	44,6%	42,4%
Return on equity	26,9%	19,6%	2,8%	31,6%	62,5%

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

I/S Dansk Salt was founded in 1963 in a joint venture by the Danish company Kryolitselskabet and the Dutch company KNZ NV Hengelo with an equal ownership. Dansk Salt A/S was established in 1993 when it acquired all the activities of Dansk Salt I/S.

In 2001 the company changed name to Akzo Nobel Salt A/S. In 2018 the ultimate parent company of Akzo Nobel Salt A/S, AkzoNobel Specialty Chemicals, was purchased by Carlyle Group and became an independent company called Nouryon. As a result, Akzo Nobel Salt A/S in 2019 changed name to Dansk Salt A/S.

The Nouryon Group with headquarter in the Netherland has activities in more than 80 countries approximately 10,000 employees.

Dansk Salt A/S production is based on a sole concession to extract salt by solution mining from the Danish subsoil. The concession was granted in 1963 for a period for 50 years. In 2010 a new 15-year exclusive license was granted by the Danish Energy Agency with effect from 2013 with a possible extension for another 15 years.

The salt is extracted from a salt dome southwest of Hobro and transported via an undergrown pipeline to the production plant located at Mariager Fjord. The plant's annual production capacity is approximately 600,000 ton and the product range include salt for human consumption, livestock, industrial salt, road salt and chemical pure salt. The industrial salt is primarily sold to use in the chlorine industry.

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 Chemicals International B.V., 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 Dansk 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.

Development in the year

The income statement of the Company for 2020 shows a profit of TDKK 42,209, and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 177,004.

Management's Review

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

Turnover amounted to DKK 466.6 m.,including discontinuing operations, adjusted for discontinued operations, revenue is 84.8 m. Which is higher 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 Norther European market and the Asian market.

The profit was DKK 42.2 m. compared to DKK 32.6 m. last year. The result of the primary operation was satisfactory. The Board of Management considers the result for the year to be satisfactory.

Capital resources

The management estimate that enough capital resources are present.

Operating risks

In the sales-process of AkzoNobel Specialty Chemicals to the Carlyle Group it turned out that Dansk Salt A/S needed a second reliability source which should be Akzo Nobel B.V. beside to Nouryon. This dispute/discussion is not yet finished, so we still relay on the existing concession.

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.

Investments

New investments in 2020 amounted to DKK 10.2 m which is higher than the level in 2019.

Targets and expectations for the year ahead

As a consequence of the demerger of the Salt Specialties production the result for 2021 is expected to decrease to a level between DKK 5-10 m.

Research and development

Research and development activities are primarily managed by the parent company. In 2020 Dansk Salt A/S have not recorded cost for research and development activities

Management's Review

External environment

The company constantly strive for excellence in quality of our products, health & safety of our employees and environmental protection. Our vision is Zero injures, waste and harm.

The company holds accredited certification of our management systems according to following international standards:

ISO 9001:2015 Quality Management
ISO 14001:2015 Environmental Management incl. Energy
ISO 45001:2018 Occupational Health & Safety Management Incl. stat. order1510/2018
ISO 22000:2015 FSSC Food Safety System Certification
GMP+ B1 Feed safety – production, trade and services
GMP Quality management for Active Pharmaceutical Ingredients (API)

The Company's quality-, environmental- and energy management systems are certified according to:

ISO 9001 Quality management
ISO 14001 Environmental management incl. Energy
ISO 45001 Working environment managementFSSC 22000 Food safety
GMP+ Feed safety
GMP Quality management for Active Pharmaceutical Ingredients (API)

Intellectual capital resources

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

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

Nouryon has acceded to the UN Global Compact meaning that, in its capacity as subsidiary, Dansk Salt A/S is under an obligation to comply with the UN Global Compact principles. Dansk Salt A/S is comprised by the strategy and the policies for corporate social responsibility adopted by Nouryon. Reference is made to the Nouryon Sustainability Report 2020. The report is available at:

https://www.nouryon.com/globalassets/nouryon/4.-company/4.-sustainability/downloads/sustainability-report-2020_en_fullversion.pdf

Management's Review

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

Under section 139c of the Danish Companies Act, the Board of Directors of Dansk 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 2019 and 2020 the company had focus on recruitment and development of included consideration of gender on all levels. As part of the ongoing employee development conversations a focus on the individual whishes towards career development is taken into consideration. In 2020 1 female employee was promoted to manager as which was in line with her long-term desired career development path within management.

The Supervisory Board in Dansk Salt A/S has in 2014 taken steps to secure a more even distribution of the gender quota. The board of Dansk 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.

Subsequent events

After the end of the financial year the Salt Specialties production has been decided to divest to an external party. The production facility will remain at the same location and the new owner will continue production. Dansk Salt will continue to serve as a toll manufacture for the current mother company.

Income Statement 1 January - 31 December

	Note	2020	2019
		TDKK	TDKK
Revenue	1	**84.798**	**455.229**
Cost of sales	2	-51.350	-310.196
Gross profit/loss		**33.448**	**145.033**
Distribution expenses	2	-27.162	-74.989
Administrative expenses	2	-10.729	-29.058
Operating profit/loss		**-4.443**	**40.986**
Profit/loss before financial income and expenses		**-4.443**	**40.986**
Income from investments in subsidiaries		5.816	12.189
Financial income		0	1
Financial expenses		-13.181	-16.036
Profit/loss before tax		**-11.808**	**37.140**
Tax on profit/loss for the year	3	4.310	-4.505
Profit/loss from continuing activities		**-7.498**	**32.635**
Profit/loss from discontinuing activities	4	49.707	0
Net profit/loss for the year		**42.209**	**32.635**

Balance Sheet 31 December

Assets

	Note	2020 TDKK	2019 TDKK
Acquired trademarks		281	321
Intangible assets	5	**281**	**321**
Land and buildings		67.235	73.135
Plant and machinery		54.547	106.437
Other fixtures and fittings, tools and equipment		284	911
Property, plant and equipment in progress		14.976	11.504
Property, plant and equipment	6	**137.042**	**191.987**
Investments in subsidiaries	7	47.737	41.921
Fixed asset investments		**47.737**	**41.921**
Fixed assets		**185.060**	**234.229**
Inventories	8	**15.431**	**30.121**
Trade receivables		0	49.525
Receivables from group enterprises		258.671	207.485
Other receivables		11.230	10.838
Prepayments	9	496	682
Receivables		**270.397**	**268.530**
Cash at bank and in hand		**0**	**13**
Assets relating to discontinued activities	4	**110.170**	**0**
Currents assets		**395.998**	**298.664**
Assets		**581.058**	**532.893**

Balance Sheet 31 December

Liabilities and equity

	Note	2020	2019
		TDKK	TDKK
Share capital		50.000	50.000
Reserve for net revaluation under the equity method		32.236	26.421
Retained earnings		94.768	58.374
Equity		**177.004**	**134.795**
Provision for deferred tax	11	5.150	5.150
Provisions		**5.150**	**5.150**
Lease obligations		511	3.363
Payables to group enterprises		215.000	275.000
Other payables		4.698	3.110
Long-term debt	12	**220.209**	**281.473**
Credit institutions		29	0
Lease obligations	12	796	1.943
Trade payables		11.709	40.057
Payables to group enterprises	12	85.150	32.982
Corporation tax		7.443	5.489
Other payables	12	15.768	31.004
Liabilities relating to discontinued activities	4	57.800	0
Short-term debt		**178.695**	**111.475**
Debt		**398.904**	**392.948**
Liabilities and equity		**581.058**	**532.893**

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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	50.000	26.421	58.374	134.795
Net profit/loss for the year	0	5.815	36.394	42.209
Equity at 31 December	**50.000**	**32.236**	**94.768**	**177.004**

Notes to the Financial Statements

		2020	2019
		TDKK	TDKK

1 Revenue

Geographical segments

	2020 TDKK	2019 TDKK
Denmark	0	113.454
Scandinavia excl. Denmark	0	101.581
Europe excl. Scandinavia	0	98.450
Outside Europe	0	57.644
Manufacturing fee	84.798	84.100
	84.798	**455.229**

2 Staff

	2020 TDKK	2019 TDKK
Salaries and wages	22.955	71.820
Pension premiums	13.808	13.441
Social security costs	1.128	1.355
	37.891	**86.616**
Including remuneration to the Executive and Board of Directors:		
Executive Board	2.370	0
Board of Directors	1.290	0
	3.660	**0**
Average number of employees	**142**	**148**

The Company has in accordance with section 98(b)(3) of the Danish Financial Statement Act. chosen to disclose management remuneration together for 2019. In 2019 The Board of Directors and Executive Board recived a total salary of 3.185 t.DKK in 2019.

3 Tax on profit/loss for the year

	2020 TDKK	2019 TDKK
Current tax for the year	-4.310	5.496
Deferred tax for the year	0	-1.554
Adjustment of tax concerning previous years	0	563
	-4.310	**4.505**

Notes to the Financial Statements

4 Discontinuing activities

	2020	2019
	TDKK	TDKK
Revenue	381.796	0
Cost of sales	-300.149	0
Gross profit/loss	**81.647**	**0**
Administrative expenses	-12.041	0
Profit/loss before financial income and expenses	**69.606**	**0**
Financial income	2.903	0
Financial expenses	-8.782	0
Profit/loss before tax	**63.727**	**0**
Tax on profit/loss for the year	-14.020	0
Profit/loss from discontinuing activities	**49.707**	**0**
Property, plant and equipment	34.689	0
Fixed assets	**34.689**	**0**
Inventories	16.604	0
Receivables	58.843	0
Cash at bank and in hand	34	0
Currents assets	**75.481**	**0**
Assets relating to discontinued activities	**110.170**	**0**
Debt	57.800	0
Liabilities relating to discontinued activities	**57.800**	**0**

Notes to the Financial Statements

5 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	2.994
Amortisation for the year	40
Impairment losses and amortisation at 31 December	3.034
Carrying amount at 31 December	**281**
Amortised over	3-15 years

Notes to the Financial Statements

6 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	211.813	638.657	23.681	11.504	885.655
Net effect from demerger and business sale	0	-166.552	-7.495	-6.332	-180.379
Additions for the year	0	383	0	9.804	10.187
Cost at 31 December	211.813	472.488	16.186	14.976	715.463
Impairment losses and depreciation at 1 January	138.678	532.220	22.770	0	693.668
Depreciation for the year	5.900	24.064	479	0	30.443
Impairment and depreciation of sold assets for the year	0	-138.343	-7.347	0	-145.690
Impairment losses and depreciation at 31 December	144.578	417.941	15.902	0	578.421
Carrying amount at 31 December	**67.235**	**54.547**	**284**	**14.976**	**137.042**
Depreciated over	5-25 years	5-25 years	5 years		
Including assets under finance leases amounting to	0	3.503	127	0	3.630

Notes to the Financial Statements

7 Investments in subsidiaries

	2020	2019
	TDKK	TDKK
Cost at 1 January	15.501	15.500
Cost at 31 December	15.501	15.500
Value adjustments at 1 January	26.421	14.233
Net profit/loss for the year	5.815	12.188
Value adjustments at 31 December	32.236	26.421
Carrying amount at 31 December	**47.737**	**41.921**

Investments in subsidiaries are specified as follows:

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

8 Inventories

	2020	2019
	TDKK	TDKK
Raw materials and consumables	15.431	19.530
Finished goods and goods for resale	0	10.591
	15.431	**30.121**

9 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

10 Distribution of profit

	2020 TDKK	2019 TDKK
Extraordinary dividend paid	0	100.000
Reserve for net revaluation under the equity method	5.815	12.188
Retained earnings	36.394	-79.553
	42.209	**32.635**

11 Provision for deferred tax

	2020 TDKK	2019 TDKK
Provision for deferred tax at 1 January	5.150	6.704
Amounts recognised in the income statement for the year	0	-1.554
Provision for deferred tax at 31 December	**5.150**	**5.150**

12 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:

	2020 TDKK	2019 TDKK
Lease obligations		
Between 1 and 5 years	511	3.363
Long-term part	511	3.363
Within 1 year	796	1.943
	1.307	**5.306**
Payables to group enterprises		
Between 1 and 5 years	215.000	275.000
Long-term part	215.000	275.000
Within 1 year	60.000	0
Other short-term debt to group enterprises	25.150	32.982
Short-term part	85.150	32.982
	300.150	**307.982**

Notes to the Financial Statements

12 **Long-term debt** (continued)

	2020	2019
	TDKK	TDKK
Other payables		
Between 1 and 5 years	4.698	3.110
Long-term part	4.698	3.110
Other short-term payables	15.768	31.004
	20.466	**34.114**

13 Contingent assets, liabilities and other financial obligations

Guarantee obligations

Bank guarantees	33	33

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

14 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.

15 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

16 Accounting Policies

The Annual Report of Dansk Salt A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Financial Statements for 2020 are presented in TDKK.

With effect of the 1. January 2021, the company has performed a split of the company. The effect of the performed Split in two seperate companies, of the company's business divisions, have been effected after the end of the financial statement. The effect of the split is presented in the company's financial statement, where the Cessation activities have been presented separately. The balance sheet has been adjusted to the expected net effect of the company split, and represent the effect of the Cessation activities

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Leases

Leases are recognised in the balance sheet at the calculated amount of the lease liability. The lease liability is calculated at the present value of the lease payments calculated by applying the interest rate implicit in the lease or the Company's incremental borrowing rate as discount rate if the interest rate implicit in the lease is not available. Lease assets are depreciated and written down for impairment under the same policy as for the Company's other fixed assets.

The Company has chosen to apply the exemptions concerning short-term and low-value leases. Therefore, such lease assets are not recognised as assets and liabilities in the balance sheet. The costs are recognised in the income statement on a straight-line basis over the lease term.

The lease liability is recognised in the balance sheet under debt and is adjusted for prepaid lease payments on a current basis. At the same time, interest is added on the liability. Interest expenses are charged to the income statement on a current basis.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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 recgonised in 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:

Notes to the Financial Statements

16 Accounting Policies (continued)

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

Assets costing less than DKK 14.100 are expensed in the year of acquisition.

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, 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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

16 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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$