Dansk Salt A/S

Hadsundvej 17, DK-9550 Mariager

Annual Report for 2023

CVR No. 17 03 07 44

The Annual Report was presented and adopted at the Annual General Meeting of the company on 26/6 2024

Nikki Gyldenløve Kousgaard
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 2023.

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 2023 of the Company and of the results of the Company operations for 2023.

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, 26 June 2024

Executive Board

Søren Møller
CEO

Board of Directors

Philipp Rolf Gotthelf Polenz	Nikki Gyldenløve Kousgaard	Achim Ernst Hupperts

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 2023 and of the results of the Company´s operations for the financial year 1 January - 31 December 2023 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 2023, 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’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Financial 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.

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.

Independent Auditor's report

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, 26 June 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Dalager	Kristian Kjær Jensen
State Authorised Public Accountant	State Authorised Public Accountant
mne26745	mne35627

Company information

The Company	Dansk Salt A/S Hadsundvej 17 9550 Mariager CVR No: 17 03 07 44 Financial period: 1 January - 31 December Incorporated: 16 March 1993 Financial year: 31st financial year Municipality of reg. office: Mariagerfjord
Board of Directors	Philipp Rolf Gotthelf Polenz Nikki Gyldenløve Kousgaard Achim Ernst Hupperts
Executive Board	Søren Møller
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Gross profit	39	31	28	33	145
Profit/loss of primary operations	19	14	16	-4	41
Profit/loss of financial income and expenses	-5	19	12	-7	-4
Net profit/loss for the year	10	25	40	42	33
Balance sheet					
Balance sheet total	774	498	297	581	533
Investment in property, plant and equipment	347	124	18	20	18
Equity	418	184	159	177	135
Number of employees	93	81	95	142	148
Ratios					
Return on assets	2.5%	2.8%	5.4%	-0.7%	7.7%
Solvency ratio	54.0%	36.9%	53.5%	30.5%	25.3%
Return on equity	3.3%	14.6%	23.8%	26.9%	19.6%

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.

In 2021 the chemical business of Nouryon, which Dansk Salt A/S is part of, was spun off into its own company, Nobian. Nobian is the leader in the production of essential chemicals for industries ranging from construction and cleaning to pharmaceuticals and water treatment. Nobian's headquarters is in the Netherland and has activities in the Western Europe. The company has approximately 1.600 employees.

In 2021 Nobian chose to sell the part of salt production that was not part of the core business. As a result of this half of Dansk Salt A/S was demerged into a new company, Mariager Salt Specialties A/S which is owned by Group Salins. The remainder part of Dansk Salt A/S is still owned by Nobian.

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 in Assens at Mariager Fjord. Dansk Salt A/S produces 600.000 k.ton of salt a year. Approximately 50% of the production is sold as specialties salt which is used as food and feed salt and pharmaceutical salt. The industrial salt which comprises the remainder 50% is primarily sold to use in the chlorine industry.

The Company's salt production is made as toll manufacturing for Nobian Chemicals International B.V., who is managing the overall storing and sales for all Nobian's European salt factories.

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 2023 shows a profit of DKK 12m and on 31 December 2023 the balance sheet of the Company shows an equity of DKK 419m. In 2023 a capacity expansion was commenced with an expected capacity expansion of 60%. The expansion is funded by the mother company of Dansk Salt A/S via equity input.

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

Gross profit amounted to DKK 39 m, which is higher than the year before. The increase in profit is the direct result of an extraordinary sales of CO2 rights. Dansk Salt is still operating as a toll manufacturing company with a stable output and hence the profit is also stable.

The profit from operations was DKK 19,4 m compared to DKK 14,1 m. last year. The result exceeds the expectations of DKK 10-15 m for 2023. The primary driver of the result is extraordinary sales of CO2 rights. The Board of Management considers the result for the year to be satisfactory.

The income in consolidated companies is back to a normal level compared to the years with increased energy prices. The expectations to the result in consolidated companies was DKK 19m but realized at DKK 4m is the result of a faster normalization of energy prices. In addition, Dansk Salt substituted amount of steam from gas with sustainable energy which has lowered the activity in consolidated companies with 30% in 2023.

Management's review

Capital resources

The management estimate that enough capital resources are present. Cashflow and capital resources are monitored and coordinated with Nobian.

Operating risks

With the fluctuation in energy prices and potential energy shortage in 2022 the most significant risk was the potential shutdown of production because of potential reduced availability of natural gas. The risk was mitigated by installing an electrical boiler as an additional energy source in the plant which in principle removed the dependency on natural gas. In the current situation no major risks are present.

Foreign exchange risks

Dansk Salt has only a limited exchange rate risk. As the company operated as a toll manufacturer the single customer is European based and trades in euro. With Denmark's fixed exchange rate policy towards the euro not significant fluctuations will affect Dansk Salt A/S.

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 2023 amounted to DKK 346,6 m which is higher than the level in 2022.

Targets and expectations for the year ahead

Dansk Salt A/S acts as a toll manufacturer with a cost-plus agreement with its mother company. This means that an increased cost base will ultimately lead to an increased result in Dansk Salt A/S.

Profit from operations is expected in level in the range DKK 5-15 m.

With a decline in energy prices results in consolidated companies is expected to decrease to the level of DKK 5-10 m. Interests for 2024 is expected to be on the level of 2023.

Research and development

Research and development activities are primarily managed by the parent company. In 2023 Dansk Salt A/S have not recorded cost for research and development activities.

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. order 1409/2020
- ISO 22000:2018 FSSC Food Safety System Certification
- GMP+ R1.0 Feed safety – production, trade and services
- GMP Quality management for Active Pharmaceutical Ingredients (API)
- Halal
- Kosher

Management's review

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.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities and cash flows of the Company for the financial year for 2023 have not been affected by any unusual events.

Subsequent events

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

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Gross profit		**38,672**	**31,309**
Distribution expenses	1	-8,919	-7,818
Administrative expenses	1	-10,413	-9,408
Profit/loss before financial income and expenses		**19,340**	**14,083**
Income from investments in subsidiaries		4,143	21,046
Financial income		278	0
Financial expenses	2	-9,355	-2,012
Profit/loss before tax		**14,406**	**33,117**
Tax on profit/loss for the year	3	-3,919	-8,045
Net profit/loss for the year	4	**10,487**	**25,072**

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Acquired trademarks		160	200
Development projects in progress		6,600	0
Intangible assets	5	**6,760**	**200**
Land and buildings		40,365	45,369
Plant and machinery		26,164	32,809
Other fixtures and fittings, tools and equipment		260	130
Property, plant and equipment in progress		497,355	160,538
Property, plant and equipment	6	**564,144**	**238,846**
Investments in subsidiaries	7	92,000	87,857
Fixed asset investments		**92,000**	**87,857**
Fixed assets		**662,904**	**326,903**
Inventories	8	**17,430**	**16,327**
Trade receivables		2,435	34,551
Receivables from group enterprises		32,308	28,612
Other receivables		23,372	14,215
Deferred tax asset	9	3,277	3,179
Corporation tax		1,863	1,989
Corporation tax receivable from group enterprises		0	35
Prepayments	10	270	295
Receivables		**63,525**	**82,876**
Cash at bank and in hand		**30,298**	**72,076**
Current assets		**111,253**	**171,279**
Assets		**774,157**	**498,182**

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital		50,000	50,000
Reserve for net revaluation under the equity method		76,499	72,356
Reserve for development costs		5,148	0
Retained earnings		286,273	61,745
Equity		**417,920**	**184,101**
Lease obligations		2,489	58
Payables to group enterprises		163,875	163,875
Long-term debt	11	**166,364**	**163,933**
Lease obligations	11	134	134
Trade payables		116,331	35,568
Payables to group enterprises	11	24,062	93,874
Payables to group enterprises relating to corporation tax		2,677	0
Other payables		46,669	20,572
Short-term debt		**189,873**	**150,148**
Debt		**356,237**	**314,081**
Liabilities and equity		**774,157**	**498,182**
Contingent assets, liabilities and other financial obligations	12		
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Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	50,000	72,356	0	61,745	184,101
Contribution from group	0	0	0	223,332	223,332
Development costs for the year	0	0	5,148	-5,148	0
Net profit/loss for the year	0	4,143	0	6,344	10,487
Equity at 31 December	**50,000**	**76,499**	**5,148**	**286,273**	**417,920**

Notes to the Financial Statements

		2023	2022
		TDKK	TDKK
1.	**Staff**		
	Wages and salaries	55,412	49,221
	Pensions	9,550	8,300
	Other social security expenses	695	872
		65,657	**58,393**

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

	2023	2022
Average number of employees	**93**	**81**

In 2023 an amount of TDKK 15,202 are recognized in the balance sheet relating to Property, plant and equipment in progress.

		2023	2022
		TDKK	TDKK
2.	**Financial expenses**		
	Interest paid to group enterprises	8,359	1,595
	Other financial expenses	996	417
		9,355	**2,012**

		2023	2022
		TDKK	TDKK
3.	**Income tax expense**		
	Current tax for the year	2,429	2,848
	Deferred tax for the year	-98	-1,661
	Adjustment of tax concerning previous years	1,588	6,858
		3,919	**8,045**

		2023	2022
		TDKK	TDKK
4.	**Profit allocation**		
	Reserve for net revaluation under the equity method	4,143	21,046
	Retained earnings	6,344	4,026
		10,487	**25,072**

5. Intangible fixed assets

	Acquired trademarks	Development projects in progress
	TDKK	TDKK
Cost at 1 January	3,315	0
Transfers for the year	0	6,600
Cost at 31 December	3,315	6,600
Impairment losses and amortisation at 1 January	3,115	0
Amortisation for the year	40	0
Impairment losses and amortisation at 31 December	3,155	0
Carrying amount at 31 December	**160**	**6,600**
Amortised over	3-15 years	

6. 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	200,453	461,847	16,278	160,538
Additions for the year	0	2,975	243	343,417
Transfers for the year	0	0	0	-6,600
Cost at 31 December	200,453	464,822	16,521	497,355
Impairment losses and depreciation at 1 January	155,084	429,038	16,148	0
Depreciation for the year	5,004	9,620	113	0
Impairment losses and depreciation at 31 December	160,088	438,658	16,261	0
Carrying amount at 31 December	**40,365**	**26,164**	**260**	**497,355**
Amortised over	5-25 years	5-25 years	5 years	
Including assets under finance leases amounting to	0	2,490	77	0

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK

7. Investments in subsidiaries

	2023 TDKK	2022 TDKK
Cost at 1 January	15,501	15,501
Cost at 31 December	15,501	15,501
Value adjustments at 1 January	72,356	51,310
Net profit/loss for the year	4,143	21,046
Value adjustments at 31 December	76,499	72,356
Carrying amount at 31 December	**92,000**	**87,857**

Investments in subsidiaries are specified as follows:

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

8. Inventories

	2023 TDKK	2022 TDKK
Raw materials and consumables	17,430	16,327
	17,430	**16,327**

9. Deferred tax asset

	2023 TDKK	2022 TDKK
Deferred tax asset at 1 January	3,179	1,517
Amounts recognised in the income statement for the year	3,488	1,662
Amounts recognised in equity for the year	-3,390	0
Deferred tax asset at 31 December	**3,277**	**3,179**

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 positive fair value.

Notes to the Financial Statements

11. 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:

	2023	2022
	TDKK	TDKK
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	2,489	58
Long-term part	2,489	58
Within 1 year	134	134
	2,623	**192**
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	163,875	163,875
Long-term part	163,875	163,875
Other short-term debt to group enterprises	24,062	93,874
	187,937	**257,749**

12. Contingent assets, liabilities and other financial obligations

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.

13. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
The Carlyle Group Inc.	Legal Global Ultimate Parent
Nobian Industrial Chemicals B.V.	Immediate Parent

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.

Consolidated Financial Statements

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

Name	Place of registered office
The Carlyle Group Inc.	The United States *1209 Orange St. Wilmington, Delaware 19801*
Nobian Coöperatief U.A.	The Netherlands *Van Asch van Wijckstraat 53 Amersfoort, Utrecht 3811 LP*

The Group Annual Report of The Carlyle Group Inc. may be obtained at the following address:

1001 Pennsylvania Ave. NW, Ste 220 Washington, District Of Columbia 20004

The Group Annual Report of Nobian Coöperatief U.A. may be obtained at the following address:

Van Asch van Wijckstraat 53 Amersfoort, Utrecht 3811 LP

Notes to the Financial Statements

14. Accounting policies

The Annual Report of Dansk Salt A/S for 2023 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.

The Financial Statements for 2023 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of Nobian 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 Nobian Coöperatief U.A., 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.

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.

The Company uses IFRS 16 when measuring and recognizing leases.

Translation policies

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

Notes to the Financial Statements

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 transaction date rates are recognised in financial income and expenses in the income statement

Income statement

Revenue

The revenue in Dansk Salt is generated as a result of toll manufacturing services provided to the parent company. The revenue is recognized on a monthly basis based on the actual cost occurred in Dansk Salt plus a mark-up. No risk adjustment on revenue is taken into consideration as the revenue is generated as an intercompany transaction.

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

The Company applies IFRS 15 as its basis of interpretation for the recognition of revenue.

Production expenses

Production expenses comprise 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.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, production expenses and other operating income.

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.

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.

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.

Notes to the Financial Statements

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 companies . The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intangible fixed assets

Development projects

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 20 year.

Other intangible fixed assets

Patents are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 3-15 years.

Property, plant and equipment

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

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

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments 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.

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of 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.

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, including the tax base of tax loss carry-forwards, 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

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 liabilities

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

Financial Highlights

Explanation of financial ratios

Return on assets	Profit/loss of ordinary primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity