Deloitte.

Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
Weidekampsgade 6
Postboks 1600
0900 København C

Telefon 36 10 20 30
Telefax 36 10 20 40
www.deloitte.dk

Rynkeby Foods A/S
Vestergade 30
5750 Ringe
Central Business Registration No
19982912

Annual report 2017

The Annual General Meeting adopted the annual report on 29.05.2018

Chairman of the General Meeting

Name: Jan E. Pedersen

Contents

Entity details

Entity

Rynkeby Foods A/S
Vestergade 30
5750 Ringe

Central Business Registration No: 19982912
Founded: 30.06.1967
Registered in: Ringe
Financial year: 01.01.2017 - 31.12.2017

Phone: 63623200
Fax: 63623201
Website: www.rynkeby.dk
E-mail: rynkeby@rynkeby.dk

Board of Directors

Claus Thomas Hinderer, chairman
Sidney Lins Coffeng, deputy chairman
Ulrich Bunk
Jose Marti Cos
Karsten Hansen
Lene Bøjden Lindstrøm

Executive Board

Peter Frank Andersen, chief executive officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Rynkeby Foods A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Ringe, 29.05.2018

Executive Board

Peter Frank Andersen
chief executive officer

Board of Directors

Claus Thomas Hinderer
chairman

Sidney Lins Coffeng
deputy chairman

Ulrich Bunk

Jose Marti Cos

Karsten Hansen

Lene Bøjden Lindstrøm

Independent auditor's report

To the shareholders of Rynkeby Foods A/S

Opinion

We have audited the financial statements of Rynkeby Foods A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

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

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

Copenhagen, 29.05.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Tim Kjær-Hansen
State Authorised Public Accountant
Identification number (MNE) mne23295

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights			
Key figures			
Revenue	1.025.978	711.979	26.248
Gross profit/loss	183.486	109.483	2.033
Operating profit/loss	-1.471	6.355	410
Net financials	-2.432	-10.005	-20
Profit/loss for the year	-9.030	-6.460	299
Total assets	1.342.820	1.478.258	6.232
Investments in property, plant and equipment	225.337	466.881	33
Equity	1.062.950	1.071.980	1.915
Cash flows from (used in) operating activities	61.531	83.638	569
Cash flows from (used in) investing activities	-114.255	-863.404	58
Cash flows from (used in) financing activities	21.146	813.525	-5.279
Employees in average	206	197	N/A
Ratios			
Gross margin (%)	17,9	15,4	7,7
Net margin (%)	(0,9)	(0,9)	1,1
Return on equity (%)	(0,8)	(1,2)	15,6
Equity ratio (%)	79,2	72,5	30,7
Revenue per employee	4.980,5	3.614,1	-

The Financial highlights contains the accounts for respectively;
2015: Valsølille Most ApS 01.01.2015 - 31.12.2015.
2016: Valsølille Most ApS 01.01.2016 – 31.12.2016 and Rynkeby Foods A/S 18.05.2016 – 31.12.2016.

Financial highlights for the period before 2015 are not presented, as the period consisted solely of Valsølille Most ApS, which in the years up to 2016 prepared financial statements in accordance with the Danish Financial Act governing report class B enterprises, and therefore have not compiled highlights and ratios. Management does not consider the financial highlights for the period 2012 to 2014 to be of significance for evaluating the development of the entity.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2017" issued by the Danish Society of Financial Analysts.

Management commentary

Ratios	Calculation formula	Ratios
Gross margin (%)	Gross profit/loss x 100 / Revenue	The entity's operating gearing.
Net margin (%)	Profit/loss for the year x 100 / Revenue	The entity's operating profitability.
Return on equity (%)	Profit/loss for the year x 100 / Average equity	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity x 100 / Total assets	The financial strength of the entity.
Revenue per employee	Revenue / Revenue per employee	The entity's productivity

Management commentary

Primary activities

The primary business activity of Rynkeby Foods A/S is to develop, produce and sell fruit-based drinks and cordials which are sold mainly in Denmark, Sweden, Finland, and Norway.

Development in activities and finances

Rynkeby Foods A/S realized a revenue of DKK 1,026 million in the financial year 2017 and a loss from the ordinary operation of DKK 3.2 million and showed a loss for the year of DKK 9.0 million.
Overall the Danish juice and cordials marked increased 1% in value in 2017 but declined 2.8 % in volume, this however covers some significant movements within the various segments:

1. Ambient Juice experienced a 1.5 % decline in volume and a 0.2 % decline in value.
2. Chilled Juice experienced an 8 % increase in value and a 5.6 % increase in volume.
3. Smoothies grew 9 % in value and 4 % in volume.
4. Fruit drinks declined 13.2 % in value and 19.2 % in volume
5. Cordials declined 1.5 % in volume and maintained the value.

Rynkeby Foods A/S started 2017 holding branded a marked share of 30%, but because of significant price increases due to increasing raw material prices, experienced declining market shares during the spring and summer of 2017, during the last part of the year Rynkeby managed to regain the market shares and ended the year holding a 30.8 % branded marked share.

The result for the year 2017 has been affected by several extraordinary transactions and events that has affected the result of the year:

1. During 2017 Rynkeby invested in an Elopak high speed production line replacing two old production lines.

2. In June 2017 Rynkeby changes ERP system and the existing M3 IT solution was replaced with the groups SAP based template called HiScore. The change went well as customers and consumers did not notice the change, however internal the change resulted in significant changes in processes and introduction of a number of manual workarounds.

3. During the year Rynkeby invested significant in establishing a production unit that from 1. January 2018 will take over the production of Brämhults products from the group's production facility in Borås. To be able to take over the production a significant number of new people have been hired and trained during 2017.

4. Rynkeby decided to launch a PET product range under to Godmorgon brand in the last part of 2017.

5. The distribution agreement with Innocent was terminated and expired end of 2017

Investments

During 2017 DKK 154m was invested in new equipment, mainly the new high speed Elopak line and the new production line that will take over the production of Brämhults products from the factory in Borås in Sweden.

Research and development activities

The company is continuing its development activities to constantly improve and build on its products and competitive strength. The ownership of Eckes-Granini offers several improvements and benefits also in relation to R&D activities.

Management commentary

Unusual circumstances regarding the 2017 financial statements
Except for the circumstances referred to above, there has been nothing to be regarded as unusual.

Outlook
Expectations are that the Danish juice and cordials marked will continue to be under pressure, as mainly citrus related raw material, but also apples have increased in price as well as the USD development has had a negative impact. Ambient juice will most likely continue to decline, and chilled juice and smoothies will continue to increase its market share of the category.

The start-up of the new production line that will take over the production of Brämhults products with effect from 1 January 2018 will most likely result in increased waste and start with very low line efficiency.

Our new SAP based ERP system still create internal issues mainly due to the number of manual workarounds that result in low efficiency, as well as the continuing issues related to the Elopak high speed line.

Against this background, we expect the performance for 2018 to be better than the performance in 2017, but not without some major challenges.

Particular risks
Price risks
The Company primary purchase of raw material is orange and apple concentrate, is done through the Eckes-Granini central purchase function. The Company seeks through the Eckes-Granini Group to hedged purchases and prices of raw material within a reasonable time frame.

Currency risks
The Company makes its main purchase in EUR and is accordingly exposed to currency risks with respect to its current operation. Also, the Company makes many of its sales transactions in EUR, with a similar currency risk.

Environmental performance
The Company is carrying on environmentally sound operations with focus on product quality and production environment. The Company prepares green accounts.

Statutory report on corporate social responsibility
Rynkeby Foods A/S has created a CSR policy for the Company's social responsibility and has joined the UN Global Compact.

Rynkeby Foods A/S's CSR report may be found at:

http://www.unglobalcompact.org by searching for Rynkeby Foods.

Management commentary

Statutory report on the underrepresented gender

Target for the Executive Board

The Executive Board consists of 5 owner appointed members and 2 employee nominated members. It is the company's goal to provide a gender composition among top management in 2020 of 1 of the under-represented gender (here female). The current status is that 0% of the 5 owner nominated members are female.

Gender equality in other management levels of Rynkeby Foods A/S

It is a management assessment that a balanced gender ratio leads to increased employee satisfaction, as genders handle professional and personal situations in different ways and opens up for different ways of problem solving that will provide better results.

Rynkeby Foods A/S works towards increasing the number of the under-represented gender in all management levels in the organization. Target is an equal 50/50 distribution. By the end of 2017, the under-represented gender is 41% in all levels of management. Through our recruitment and promotion work we expect to increase the under-represented gender ratio, provided that candidates with the right qualifications can be found.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	1	1.025.978	711.979
Other operating income	2	14.931	0
Cost of sales		-735.968	-479.438
Other external expenses	3	-121.455	-123.058
Gross profit/loss		**183.486**	**109.483**
Staff costs	4	-134.026	-69.060
Depreciation, amortisation and impairment losses	5	-50.931	-34.068
Operating profit/loss		**-1.471**	**6.355**
Income from investments in group enterprises		0	815
Other financial income	6	570	188
Other financial expenses	7	-3.002	-11.008
Profit/loss before tax		**-3.903**	**-3.650**
Tax on profit/loss for the year	8	-5.127	-2.810
Profit/loss for the year	9	**-9.030**	**-6.460**

Balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Acquired intangible assets		1.320	0
Acquired trademarks		176.364	250.369
Goodwill		548.532	571.995
Intangible assets	10	**726.216**	**822.364**
Land and buildings		75.208	80.585
Plant and machinery		74.263	54.819
Other fixtures and fittings, tools and equipment		4.630	4.328
Property, plant and equipment in progress		154.233	9.126
Property, plant and equipment	11	**308.334**	**148.858**
Fixed assets		**1.034.550**	**971.222**
Raw materials and consumables		36.640	28.248
Work in progress		1.404	0
Manufactured goods and goods for resale		35.823	32.938
Inventories		**73.867**	**61.186**
Trade receivables		130.247	149.956
Receivables from group enterprises		88.737	242.156
Other receivables		4.325	16.134
Prepayments	12	7.271	2.203
Receivables		**230.580**	**410.449**
Cash		**3.823**	**35.401**
Current assets		**308.270**	**507.036**
Assets		**1.342.820**	**1.478.258**

Balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital	13	30.000	30.000
Retained earnings		1.032.950	1.041.980
Equity		**1.062.950**	**1.071.980**
Deferred tax	14	1.240	824
Provisions		**1.240**	**824**
Mortgage debts		22.101	38.665
Non-current liabilities other than provisions	15	**22.101**	**38.665**
Trade payables		144.208	138.040
Payables to group enterprises		46.438	162.146
Income tax payable		5.360	6.643
Other payables		60.523	59.960
Current liabilities other than provisions		**256.529**	**366.789**
Liabilities other than provisions		**278.630**	**405.454**
Equity and liabilities		**1.342.820**	**1.478.258**
Mortgages and securities	17		
Related parties with controlling interest	18		
Transactions with related parties	19		

Statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	30.000	1.041.980	1.071.980
Profit/loss for the year	0	-9.030	-9.030
Equity end of year	**30.000**	**1.032.950**	**1.062.950**

Cash flow statement 2017

	Notes	2017 DKK'000	2016 DKK'000
Operating profit/loss		-1.471	6.355
Amortisation, depreciation and impairment losses		50.931	34.068
Working capital changes	16	20.499	71.133
Cash flow from ordinary operating activities		**69.959**	**111.556**
Financial income received		507	1.003
Financial income paid		-3.002	-11.008
Income taxes refunded/(paid)		-5.933	-17.913
Cash flows from operating activities		**61.531**	**83.638**
Acquisition etc of intangible assets		-1.416	-839.341
Sale of intangible assets		70.477	0
Acquisition etc of property, plant and equipment		-225.337	-8.218
Sale of property, plant and equipment		42.021	1.423
Sale of fixed asset investments		0	55.327
Addition through business combination, ex. cash and cash equivalents		0	-72.595
Cash flows from investing activities		**-114.255**	**-863.404**
Instalments on loans etc		-16.563	-103.195
Repayment of debt to group enterprises		37.709	0
Cash increase of capital		0	1.076.263
Change in receivables/payables to group entreprises		0	-159.543
Cash flows from financing activities		**21.146**	**813.525**
Increase/decrease in cash and cash equivalents		**-31.578**	**33.759**
Cash and cash equivalents beginning of year		35.401	1.642
Cash and cash equivalents end of year		**3.823**	**35.401**

Notes

	2017 DKK'000	2016 DKK'000
1. Revenue		
Detail	560.412	343.180
Industri	465.566	368.799
	1.025.978	**711.979**

2. Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

	2017 DKK'000	2016 DKK'000
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	611	373
Other assurance engagements	0	5
Tax services	164	57
Other services	482	114
	1.257	**549**

	2017 DKK'000	2016 DKK'000
4. Staff costs		
Wages and salaries	126.075	63.421
Pension costs	4.709	2.803
Other social security costs	3.242	2.836
	134.026	**69.060**
Average number of employees	**206**	**197**

Notes

	Remuneration of management 2017 DKK'000	Remuneration of management 2016 DKK'000
Total amount for management categories	6.365	2.416
	6.365	**2.416**

	2017 DKK'000	2016 DKK'000
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	29.580	16.977
Depreciation of property, plant and equipment	24.012	17.091
Profit/loss from sale of intangible assets and property, plant and equipment	-2.661	0
	50.931	**34.068**

	2017 DKK'000	2016 DKK'000
6. Other financial income		
Financial income arising from group enterprises	570	18
Other financial income	0	170
	570	**188**

	2017 DKK'000	2016 DKK'000
7. Other financial expenses		
Financial expenses from group enterprises	86	9.813
Other financial expenses	2.916	1.195
	3.002	**11.008**

	2017 DKK'000	2016 DKK'000
8. Tax on profit/loss for the year		
Tax on current year taxable income	4.711	3.534
Change in deferred tax for the year	416	-861
Adjustment concerning previous years	0	137
	5.127	**2.810**

Notes

	2017 DKK'000	2016 DKK'000
9. Proposed distribution of profit/loss		
Retained earnings	-9.030	-6.460
	-9.030	**-6.460**

	Acquired intangible assets DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000
10. Intangible assets			
Cost beginning of year	0	252.754	586.587
Transfers	6.161	0	0
Additions	1.416	0	0
Disposals	0	-70.477	0
Cost end of year	**7.577**	**182.277**	**586.587**
Amortisation and impairment losses beginning of year	0	-2.385	-14.592
Transfers	-5.195	0	0
Amortisation for the year	-1.062	-5.055	-23.463
Reversal regarding disposals	0	1.527	0
Amortisation and impairment losses end of year	**-6.257**	**-5.913**	**-38.055**
Carrying amount end of year	**1.320**	**176.364**	**548.532**

Amortization period for Acquired Intangible assets (trademarks) is based on that the acquired trademark is of strategical nature, has a strong market position and the long-term earning history. Amortization period is assessed to be 50 years.

Amortization period for Goodwill is based on that the strategical importance of the acquired entity, the strong market position, the historical employee turnover rate and the long-term earnings profile. Amortization period is assessed to be 25 years.

Notes

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
11. Property, plant and equipment				
Cost beginning of year	171.677	219.826	36.264	9.126
Transfers	0	1.528	-7.689	0
Additions	2.305	32.883	4.219	185.930
Disposals	0	-15.156	-726	-40.823
Cost end of year	**173.982**	**239.081**	**32.068**	**154.233**
Depreciation and impairment losses beginning of the year	-91.092	-165.007	-31.936	0
Transfers	0	-1.454	6.649	0
Depreciation for the year	-7.682	-13.513	-2.817	0
Reversal regarding disposals	0	15.156	666	0
Depreciation and impairment losses end of the year	**-98.774**	**-164.818**	**-27.438**	**0**
Carrying amount end of year	**75.208**	**74.263**	**4.630**	**154.233**

12. Prepayments

Prepayments consist of prepaid insurances and other prepaid costs related to subsequent financial years.

	Number	Par value DKK'000	Nominal value DKK'000
13. Contributed capital			
Share capital	30.000	1	30.000
	30.000		**30.000**

Notes

14. Deferred tax

	2017 DKK'000	2016 DKK'000
Deferred tax at 1 January	(824)	358
Addition through business combination	0	(1.832)
Change in deferred tax	(416)	861
Adjustment of deferred tax for previous years	0	(137)
Value adjustments relating to financial instruments	0	(74)
Deferred tax at 31 December	**(1.240)**	**(824)**

	Outstanding after 5 years DKK'000
15. Liabilities other than provisions	
Mortgage debts	3.727
	3.727

	2017 DKK'000	2016 DKK'000
16. Change in working capital		
Increase/decrease in inventories	-12.678	13.279
Increase/decrease in receivables	26.447	12.694
Increase/decrease in trade payables etc	6.730	45.160
	20.499	**71.133**

17. Mortgages and securities
Payment guarantees provided amount to DKK 500k (2016: DKK 500k).

A charge for DKK 85,000k on land and buildings in the carrying amount of DKK 75,208k has been registered as security for mortgage debt of DKK 22,101k.

Rental and lease commitments total DKK 15,543k.

Notes

18. Related parties with controlling interest
Related parties with a controlling interest in Rynkeby Foods A/S:

Eckes-Granini Group GmbH, Ludwig-Platz 1, 55268 Nieder-Olm, Germany.

The above company holds the entire share capital of the Company, and is the ultimate owner of the company.

Eckes-Granini Group GmbH, Ludwig-Platz 1, 55268 Nieder-Olm, Germany, is preparing a consolidated financial statement for the group.

19. Transactions with related parties
The exemption in the Financial Statements Act, section 98c is applied.
All transaction with related parties are carried out at arm's length terms.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large entities).

Non-comparability

Valsølille Most ApS and Rynkeby Foods A/S merged effectively as of 18 May 2016, with Rynkeby Foods A/S as the legally surviving company.

Accounting wise Valsølille Most ApS is the continuing entity according to the Danish Financial Statement act 2016. Therefore last year's figures comprise the figures of Valsølille Most ApS for the period 1 January to 31 December 2016 and those of Rynkeby Foods A/S for the period 18 May to 31 December 2016. This year's figures comprise the figures of Rynkeby Foods A/S for the financial year 1 January to 31 December 2017. Thus last year's figures are not comparable with those for this year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Accounting policies

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date.

Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date.

Fixed assets that have been purchased in foreign currencies are translated using the exchange rate in effect at the transaction data.

Income statement
Revenue
Income from sale of manufactured goods and goods for resale is recognised in revenue when the most significant risks and rewards have been transferred to the buyer, and the income can be calculated reliably and is likely to be received. The time of transfer of the most significant risks and rewards is based on standard terms of delivery.

Revenue is measured at fair value of the payment agreed exclusive of VAT and other levies collected for third parties. All types of discounts are recognised in revenue.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

Accounting policies

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises dividend etc. received from the individual group enterprises in the financial year. Income from investments in group enterprises are recognised in the profit and loss at the time of declaration.

Other financial income
Other financial income comprises interest income, net capital gains on securities, payables and transactions in foreign currencies, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, net capital losses on securities, payables and transactions in foreign currencies, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile, the level of the employee turnover rate and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets.

The amortisation periods used are 25 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc
Intellectual property rights etc. comprise acquired trademarks and software.

Accounting policies

Trademarks
Intellectual property rights acquired are measured at cost less accumulated amortisation. Trademarks are amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each trademark. Although trademarks are valued based on an infinite useful life, the useful life for accounting purposes are qualified to have a finite useful life. Useful life is further determined based on an assessment of whether the trademark are strategically, the marked position and a long-term earnings history.

The amortisation periods used are 50 years.

Software
Acquired intangible assets comprise acquired software services. Acquired intangible assets are measured at cost less accumulated amortisation. Software is amortised straight-line over its estimated useful life.

The amortisation periods used are 3 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

Cost of a combined asset is divided into small components depreciated individually if their useful lives vary.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	20 years
Plant and machinery	3-10 years
Transport equipment and furniture	5 years

Depreciation is recognised in the income statement in production costs, sales and distribution costs and administrative expenses.

Accounting policies

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognised in depreciation in the income statement.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories
Inventories are measured at cost based on weighted average prices comprising both direct and indirect production costs, and is written down to a net realisable value if assessed to be lower.

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs.

Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs. Indirect production costs comprise indirect materials and labour costs, costs of maintenance and depreciation of machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs incurred to execute sale and is determined allowing for marketability, obsolescence and development of the expected selling price.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Write-downs for bad and doubtful debts is made when objective evidence of impairment is deemed to exist that an amount receivable or a portfolio of receivables is impaired. If such objective evidence of impairment of an individual amount receivable exists, a write-down for impairment is made on an individual level.

Receivables for which no objective evidence of impairment exists on an individual level are reviewed for impairment on a portfolio level. Portfolios are primarily based on the debtors' registered office and a credit rating of such debtors in accordance with the Company's and the Group's credit risk management policy. The objective indicators applied to portfolios have been defined based on historical loss experience.

Impairment losses are determined as the difference between the carrying amount of receivables and the present value of estimated cash flows, including the realisable value of any collateral received. The effective interest rate for each amount receivable or a portfolio of receivables is used as a discount rate.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Accounting policies

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Dividend
Proposed dividend is recognised as a liability at the time of adoption at the general meeting (time of declaration). Dividend expected to be paid for the year is disclosed as a separate line item in equity.

Income tax receivable or payable
The current tax payable and receivable is recognised in the balance sheet as tax computed on this year's tax-able income, adjusted for prior years' taxable income and prepaid taxes.

Deferred tax is measured in accordance with the balance-sheet liability method of all temporary differences between the carrying amount and tax-based value of assets and liabilities. However, deferred tax on temporary differences regarding non-amortisable goodwill and other items for which temporary differences have occurred at the time of acquisition without affecting the results or taxable income is not recognised. Where the computation of the tax base can be made according to varying tax rules, deferred tax is measured on the basis of Management's planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the amount at which they are expected to be used, either by setting off tax on future earnings or by a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Adjustments are made for deferred tax on eliminations of unrealised intercompany profits and losses.

Accounting policies

Deferred tax is measured based on the tax regulations and tax rates of the relevant countries that will be in effect according to law at the balance sheet date when the deferred tax is estimated to crystallise as current tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, change in group financing agreements and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.