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Rynkeby Foods A/S

Vestergade 30
5750 Ringe
Central Business Registration No
19982912

Annual report 2016

The Annual General Meeting adopted the annual report on 31.05.2017

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: 01.01.2016 - 31.12.2016

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

Jørgen Groth Dirksen, 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 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

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, 31.05.2017

Executive Board

Jørgen Groth Dirksen
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 01.01.2016 - 31.12.2016, 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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 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, 31.05.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Tim Kjær-Hansen
State Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000
Financial highlights		
Key figures		
Revenue	711.979	26.248
Gross profit/loss	109.482	2.033
Operating profit/loss	6.355	410
Net financials	(10.005)	(20)
Profit/loss for the year	(6.460)	299
Total assets	1.478.264	6.232
Investments in property, plant and equipment	474.423	33
Equity	1.071.980	1.915
Cash flows from (used in) operating activities	83.645	569
Cash flows from (used in) investing activities	(863.404)	58
Cash flows from (used in) financing activities	813.525	(5.279)
Employees in average	197	N/A
Ratios		
Gross margin (%)	15,4	7,7
Net margin (%)	(0,9)	1,1
Return on equity (%)	(1,2)	15,6
Equity ratio (%)	72,5	30,7
Revenue per employee	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 2015" issued by the Danish Society of Financial Analysts.

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

Acquisition of Rynkeby Foods A/S and subsequent Merger between Valsølille Most ApS and Rynkeby Foods A/S

Rynkeby Foods A/S was sold by Arla Foods amba on the 18th of May 2016 to the Eckes-Granini Group and the acquiring company in the Eckes-Granini Group was Valsølille Most ApS.

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 this 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. Last year's figures comprise the figures of Valsølille Most ApS for the financial year 1 January to 31 December 2015. Thus this year's figures are not comparable with those for last year.

Performance in the financial year

The merged company realized a revenue of DKK 712,0 m in the financial year 2016 and a profit from the ordinary operation of DKK 6,3 m , the year however showed a loss for the year of DKK 6,5 m.

Overall the Danish juice and cordials marked in 2016 is in volume just marginally above 2015 level. Chilled juice grew by 14% whereas Ambient declined by 1,2 %.

In terms of value, Ambient juice adds 1,5 % to 2015 market value and Chilled juice was 11% up. In total resulting in a 3,9 % growth in 2016. Ambient juice prices have grown by 2,7 % whereas Chilled juice average prices falls by 2,5%.

Rynkeby's total brand portfolio has grown by 9,8 % in 2016, with the Rynkeby brand showing a +6,6 % growth and Innocent a +40,3 % growth. The God Morgon brand lost 6,7% ,while the Valsølille brand show a positive growth of 2,4 % value growth.

The result for the year 2016 has been affected by a number of extraordinary transactions that has affected the result for the year:

1. Rynkeby Foods A/S sold at the end of 2016 Rynkeby Foods AB to Bramhults Sweden

2. Rynkeby Foods acquired the rights to the Valsølille brand for Denmark and the rights to the Bramhults brand for Norway and Finland.

3. In connection with the takeover of Rynkeby Foods A/S by the Eckes-Granini Group a number of assets was written off.

Management commentary

4. The merger between Valsølille Most ApS and Rynkeby Foods A/S

Investments

In 2016, DKK 22,4m was invested in new equipment, for example a bag in box production line and other production equipment, IT equipment and juice machinery for the food service marked segment.

Research and development activities

The company is continuing its development activities to constantly improve and build on its products and competitive power. The new ownership offers a number of improvements and benefits in relation to R&D activities.

Unusual circumstances regarding the 2016 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 have increased dramatically in price as well as the USD development has had a negative impact and combined those two factors increasing raw material prices and the USD development has resulted in substantial price increases and this is expected to have a positive effect on the gross margins in 2017 compared to 2016.

The Company will during 2017 change ERP IT system to the Group platform called HiScore.

The Company will during 2017 invest substantial amounts in production facilities in order to be able to produce Bramhults and Valsølille branded products early 2018.

Against this background, performance for 2017 is expected to be somewhat better that in 2016.

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 hedge purchases and prices of raw material within a reasonable time frame.

Currency risks

The Company makes is 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.

Management commentary

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.

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 2016, the under-represented gender is 35% 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 2016

	Notes	2016 DKK'000	2015 DKK'000
Revenue	1	711.979	26.248
Cost of sales		(479.438)	(15.776)
Other external expenses	2	(123.059)	(8.439)
Gross profit/loss		**109.482**	**2.033**
Staff costs	3	(69.059)	(1.576)
Depreciation, amortisation and impairment losses	4	(34.068)	(47)
Operating profit/loss		**6.355**	**410**
Income from investments in group enterprises		815	0
Other financial income	5	188	144
Other financial expenses	6	(11.008)	(164)
Profit/loss before tax		**(3.650)**	**390**
Tax on profit/loss for the year	7	(2.810)	(91)
Profit/loss for the year	8	**(6.460)**	**299**

Balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Acquired intangible assets		250.369	0
Goodwill		571.995	0
Intangible assets	9	**822.364**	**0**
Land and buildings		80.586	0
Plant and machinery		54.819	0
Other fixtures and fittings, tools and equipment		4.328	66
Property, plant and equipment in progress		9.126	0
Property, plant and equipment	10	**148.859**	**66**
Deposits		0	24
Deferred tax	12	0	358
Fixed asset investments		**0**	**382**
Fixed assets		**971.223**	**448**
Raw materials and consumables		28.248	0
Manufactured goods and goods for resale		32.938	72
Inventories		**61.186**	**72**
Trade receivables		149.954	3.980
Receivables from group enterprises		242.156	0
Other receivables		18.337	90
Receivables		**410.447**	**4.070**
Cash		**35.408**	**1.642**
Current assets		**507.041**	**5.784**
Assets		**1.478.264**	**6.232**

Balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital	11	30.000	200
Retained earnings		1.041.980	1.715
Equity		**1.071.980**	**1.915**
Deferred tax	12	824	0
Mortgage debts		38.665	0
Non-current liabilities other than provisions	13	**39.489**	**0**
Trade payables		138.040	2.056
Payables to group enterprises		162.146	1.058
Income tax payable		6.643	0
Other payables		59.966	1.203
Current liabilities other than provisions		**366.795**	**4.317**
Liabilities other than provisions		**406.284**	**4.317**
Equity and liabilities		**1.478.264**	**6.232**
Mortgages and securities	15		
Related parties with controlling interest	16		
Transactions with related parties	17		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	200	1.715	1.915
Effect of mergers and business combinations	29.800	(29.800)	0
Fair value adjustments of hedging instruments	0	262	262
Group contributions etc	0	1.076.263	1.076.263
Profit/loss for the year	0	(6.460)	(6.460)
Equity end of year	**30.000**	**1.041.980**	**1.071.980**

Cash flow statement 2016

	Notes	2016 DKK'000	2015 DKK'000
Operating profit/loss		6.355	410
Amortisation, depreciation and impairment losses		34.068	47
Working capital changes	14	71.133	223
Cash flow from ordinary operating activities		**111.556**	**680**
Financial income received		1.003	144
Financial income paid		(11.008)	(164)
Income taxes refunded/(paid)		(17.906)	(91)
Cash flows from operating activities		**83.645**	**569**
Acquisition etc of intangible assets		(839.341)	0
Acquisition etc of property, plant and equipment		(8.218)	(33)
Sale of property, plant and equipment		1.423	0
Sale of fixed asset investments		55.327	91
Addition through business combination, ex. cash and cash equivalents		(72.595)	0
Cash flows from investing activities		**(863.404)**	**58**
Instalments on loans etc		(103.195)	0
Cash increase of capital		1.076.263	0
Change in receivables/payables to group entreprises		(159.543)	(5.279)
Cash flows from financing activities		**813.525**	**(5.279)**
Increase/decrease in cash and cash equivalents		**33.766**	**(4.652)**
Cash and cash equivalents beginning of year		1.642	6.294
Cash and cash equivalents end of year		**35.408**	**1.642**

Notes

	2016 DKK'000	2015 DKK'000
1. Revenue		
Detail	343.180	26.248
Industri	368.799	0
	711.979	**26.248**

	2016 DKK'000	2015 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	373	25
Other assurance engagements	5	0
Tax services	57	10
Other services	114	0
	549	**35**

	2016 DKK'000	2015 DKK'000
3. Staff costs		
Wages and salaries	63.421	1.375
Pension costs	2.802	192
Other social security costs	2.836	9
	69.059	**1.576**
Average number of employees	**197**	

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

Notes

	2016 DKK'000	2015 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	16.977	0
Depreciation of property, plant and equipment	17.091	47
	34.068	**47**

	2016 DKK'000	2015 DKK'000
5. Other financial income		
Financial income arising from group enterprises	18	0
Other financial income	170	144
	188	**144**

	2016 DKK'000	2015 DKK'000
6. Other financial expenses		
Financial expenses from group enterprises	9.813	0
Other financial expenses	1.195	164
	11.008	**164**

	2016 DKK'000	2015 DKK'000
7. Tax on profit/loss for the year		
Tax on current year taxable income	3.534	0
Change in deferred tax for the year	(861)	91
Adjustment concerning previous years	137	0
	2.810	**91**

	2016 DKK'000	2015 DKK'000
8. Proposed distribution of profit/loss		
Retained earnings	(6.460)	299
	(6.460)	**299**

Notes

	Acquired intangible assets DKK'000	Goodwill DKK'000
9. Intangible assets		
Addition through business combinations etc	252.754	586.587
Cost end of year	**252.754**	**586.587**
Amortisation for the year	(2.385)	(14.592)
Amortisation and impairment losses end of year	**(2.385)**	**(14.592)**
Carrying amount end of year	**250.369**	**571.995**

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
10. Property, plant and equipment				
Cost beginning of year	0	0	682	0
Addition through business combinations etc	181.092	219.116	44.173	11.383
Additions	881	8.862	732	8.184
Disposals	(549)	(10.357)	(1.673)	(10.441)
Cost end of year	**181.424**	**217.621**	**43.914**	**9.126**
Depreciation and impairment losses beginning of the year	0	0	(616)	0
Transfers	(96.526)	(163.480)	(36.693)	0
Depreciation for the year	(4.642)	(8.499)	(3.950)	0
Reversal regarding disposals	330	9.177	1.673	0
Depreciation and impairment losses end of the year	**(100.838)**	**(162.802)**	**(39.586)**	**0**
Carrying amount end of year	**80.586**	**54.819**	**4.328**	**9.126**

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

The share capital (anpartskapital) in Valsølille Most ApS is converted into share capital (aktiekapital) due to the merger with Rynkeby Foods A/S. As Rynkeby Foods A/S, legally, is the continuing entity the share capital is adjusted accordingly.

Prior to the merger between Valsølille Most ApS and Rynkeby Foods A/S the shareholder of Valsølille Most ApS converted a loan directly into the equity in accordance with and based on the Danish Accounting law § 49.3

Notes

12. Deferred tax

	2016 DKK'000	2015 DKK'000
Deferred tax at 1 January	358	449
Addition through business combination	(1.832)	0
Change in deferred tax	861	(91)
Adjustment of deferred tax for previous years	(137)	0
Value adjustments relating to financial instruments	(74)	0
Deferred tax at 31 December	**(824)**	**358**

	Outstanding after 5 years DKK'000
13. Liabilities other than provisions	
Mortgage debts	7.463
	7.463

	2016 DKK'000	2015 DKK'000
14. Change in working capital		
Increase/decrease in inventories	13.279	(17)
Increase/decrease in receivables	12.694	426
Increase/decrease in trade payables etc	45.160	(186)
	71.133	**223**

15. Mortgages and securities
Payment guarantees provided amount to DKK 500k (2015: DKK 826k).

A charge for DKK 85,000k on land and buildings in the carrying amount of DKK 80,586k has been registered as security for mortgage debt of DKK 38,665k.

Rental and lease commitments total DKK 12,140k.

16. 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.

Notes

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

17. 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 this 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. Last year's figures comprise the figures of Valsølille Most ApS for the financial year 1 January to 31 December 2015. Thus this year’s figures are not comparable with those for last year.

Changes in accounting policies
Changes in presentation (classification)
As part of the merger of Valsølille Most ApS and Rynkeby Foods A/S, it was decided to change accounting format from presentation of costs by function to presentation of costs by nature among others due to that Rynkeby Foods A/S now is part of the Eckers-Granini Group.

This change in classification applies to the accounting figures of both the discontinuing company and the surviving company. The comparative figures for 2015 have been restated accordingly.

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.

Accounting policies

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.

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.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised in other receivables or other payables and adjusted for deferred tax thereon in equity. If a future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to cost of the asset or the liability. If the future transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement for the period when the hedged transaction affects profit or loss.

Accounting policies

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

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.

Cost of sales

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

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 writedowns 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.

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 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.

Accounting policies

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.

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.

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, subsuppliers and labour costs.

Accounting policies

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	10 years
Transport equipment and furniture	5 years
Software	3 years

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

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.

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 carryforwards, 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.

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.

Accounting policies

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 writedowns 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.

Cash
Cash comprises cash in hand and bank deposits.

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 tempo-

Accounting policies

rary 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.

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 financeing 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.