



Rynkeby Foods A/S

Vestergade 30
5750 Ringe
CVR No. 19982912

Annual report 2020

The Annual General Meeting adopted the
annual report on 12.04.2021

Tim Berger
Chairman

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Entity details

Entity

Rynkeby Foods A/S

Vestergade 30

5750 Ringe

CVR No.: 19982912

Registered office: Faaborg-Midtfyn

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Tim Berger, Chairman

Àgnes Kovacs

Sidney Lins Coffeng, Deputy chairman

Ágnes Kovács

Ulrich Bunk

Lisa Howe Jepsen

Kim Smedegaard Nielsen

Executive Board

Ivan Snogdal Thyregod, Managing Director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020.

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, 29.03.2021

Executive Board

Ivan Snogdal Thyregod
Managing Director

Board of Directors

Tim Berger
Chairman

Àgnes Kovacs

Sidney Lins Coffeng
Deputy chairman

Ágnes Kovács

Ulrich Bunk

Lisa Howe Jepsen

Kim Smedegaard Nielsen

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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 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 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 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.

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, 29.03.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Tim Kjær-Hansen

State Authorised Public Accountant
Identification No (MNE) mne23295

Lars Rynord

State Authorised Public Accountant
Identification No (MNE) mne28680

Management commentary

Financial highlights

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	849,443	922,655	981,693	1,031,032	711,979
Gross profit/loss	216,317	225,816	164,905	182,632	109,483
Operating profit/loss	15,928	27,804	(383,472)	(1,471)	6,355
Net financials	(4,826)	(7,723)	(3,309)	(2,432)	(10,820)
Profit/loss for the year	1,118	12,107	(381,081)	(9,030)	(6,460)
Total assets	951,063	962,880	994,405	1,342,820	1,478,258
Investments in property, plant and equipment	20,340	16,662	45,839	184,514	466,881
Equity	695,098	693,980	681,868	1,062,950	1,071,980
Cash flows from (used in) operating activities	82,423	60,470	8,106	61,531	83,645
Cash flows from (used in) investing activities	(20,784)	(17,631)	(134,287)	(114,255)	(863,404)
Cash flows from (used in) financing activities	(20,204)	(46,822)	143,052	21,146	813,525
Average number of employees	248	259	251	206	197
Ratios					
Gross margin (%)	25.47	24.47	16.80	17.71	15.38
Net margin (%)	0.13	1.31	(38.82)	(0.88)	(0.91)
Return on equity (%)	0.16	1.76	(43.68)	(0.85)	15.6
Equity ratio (%)	73.09	72.07	68.57	79.16	72.52
Revenue per employee	3,425	3,562	3,911	4,980	3,614

The financial highlights include the financial statements of;
2016: Valsøllille Most ApS 01.01.2016 – 31.12.2016 and Rynkeby Foods A/S 18.05.2016 – 31.12.2016.

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

Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Revenue per employee:

$\frac{\text{Revenue}}{\text{Average number of employees}}$

Primary activities

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

Development in activities and finances

Rynkeby Foods A/S realized a revenue of DKK 849m in the financial year 2020 and a profit after income taxes for the year of DKK 1m for its total operation across Denmark and the Nordics. This is a decline on topline level of DKK 74 mio. and on the bottom-line decline of DKK 11 mio.

The domestic Retail juice, smoothie, nectar, and syrups market increased by 5.0 % in value in 2020 according to market data. The brands from Rynkeby Foods A/S declined in market share from 26.3% to 24.8%. The decline was primarily derived from the chilled juice segment, where fierce competition through promotional activities have driven the volume agenda in Retail. The domestic Out-of-Home market was severely impacted by the COVID-19 pandemic causing periodical lockdowns in the entertainment and leisure industry. While COVID-19 carries some of the explanation of the top and bottom line decline, it has been necessary to address the Sales & Marketing operations to secure a stronger market presence over time.

Similar impacts from COVID-19 are recorded from the Out-of-Home businesses in the other Nordic countries. In total this is causing the significant topline and hence bottom-line decline.

In 2018 a restructuring plan was made in close cooperation with the Eckes-Granini Group with an aim to reduce costs and increase efficiencies in the Supply Chain. This plan delivered material improvements in 2019 and 2020. However, this could not absorb the impact from the reduced topline in 2020.

Consequently, senior management had to adjust expenditures across the year. Further it has been necessary to initiate a structural business operations and organizational change program to establish a balanced cost structure in accordance with the realities of the activity level. This change has been initiated in January 2021 and will take place over first parts of 2021. Senior Management expects the future cash flows based on the restructured business platform from 2022 will improve and be more in line with Eckes-Granini Group expectations for the operation.

Investments

During 2020, a further DKK 21m were invested in production equipment, mainly as follow-up investments from the big investments in new production capabilities in 2017 and in catch-up of past years of underprioritizing in production maintenance programs.

Unusual circumstances affecting recognition and measurement

Except for the circumstances referred to above, nothing has been regarded as unusual. In this respect a tight control in the production and with office staff mainly working from home, the operation has had little impact from COVID-19.

Outlook

The domestic juice, smoothie, nectar, and syrups market was after years of modest decline in good growth in 2020 driven by a shift in consumer consumption pattern to more traditional products, which has also been seen in other food categories behind COVID-19. Still the Out-of-Home channel is under pressure due to lock downs and restrictions. Sales are not expected to normalize before 2nd half of 2021.

Initiated topline initiatives should over the next years grow back the topline to around DKK 870 mio. With the structural cost initiatives, as well as continued focus on increasing production efficiencies, we expect to generate cost savings that will improve the EBIT-level in 2021 vs. 2020 to a level of DKK 10-15 mio.

Particular risks

Price risks

The company's primary purchase of raw material (orange and apple concentrate) is facilitated through the Eckes-Granini Group Central Procurement function. Eckes-Granini Group seeks to hedge purchases and prices of raw material within a reasonable time frame.

Currency risks

The Eckes-Granini Group makes its main raw material purchase in USD and is accordingly exposed to currency risks. Further the operation is mainly facilitated in EUR or DKK, whereas sales operation is exposed to sales mainly in NOK.

Environmental performance

Eckes-Granini Group has over the last years engaged programs across sourcing and production activities to take a strong responsible and proactive agenda on key Sustainability topics. We hereby point to the separate CSR 2020 Annual Report from Rynkeby Foods A/S - Eckes-Granini Denmark.

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 Group offers several improvements and benefits also in relation to R&D activities.

New product developments and innovations are essential for continuously consumer and market engagement, hence new products and new packaging solutions will be launched later in 2021 and into 2022 across the branded portfolio.

Statutory report on corporate social responsibility

Rynkeby Foods A/S' CSR report may be found at:
<https://www.unglobalimpact.org> by searching for Rynkeby Foods.

Rynkeby Foods A/S has developed a Sustainability Strategy covering Environment and People, including social responsibility and has joined the UN Global Impact.

The CSR report can be found at: <https://www.rynkeby.dk/rynkeby/csr.aspx>.

Statutory report on the underrepresented gender

Eckes Granini Group & Rynkeby Foods A/S works towards increasing the number of the underrepresented gender in all management levels in the organization. The target is an equal 50/50 distribution. By the end of 2020, the ratio of the underrepresented gender is 41% in all levels of management. Through our recruitment and promotion work we expect to be able to increase the underrepresented gender ratio if candidates with the right qualifications can be found.

Executive Board

The Executive Board consists of 4 owner-appointed members and 2 employee-nominated members. Here 1 of the 4 owner-nominated members are female and 1 of the employee-nominated members are female.

Management Team

The management team consist of 5 functional directors and 1 general manager, with a gender split of one third women.

Events after the balance sheet date

No events have occurred after the balance sheet date, which would influence the evaluation of this annual report. The COVID-19 situation in Denmark has next to the impact on the topline not challenged the financial health of the operation yet. The duration of COVID-19 and the impact on society across our markets will be likewise for our operation.

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK '000
Revenue	2	849,443	922,655
Other operating income	3	34,159	41,704
Cost of sales		(493,383)	(550,680)
Other external expenses	4	(173,902)	(187,863)
Gross profit/loss		216,317	225,816
Staff costs	5	(145,916)	(141,883)
Depreciation, amortisation and impairment losses	6	(54,473)	(56,129)
Operating profit/loss		15,928	27,804
Other financial income	7	101	0
Other financial expenses	8	(4,927)	(7,723)
Profit/loss before tax		11,102	20,081
Tax on profit/loss for the year	9	(9,984)	(7,974)
Profit/loss for the year	10	1,118	12,107

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Acquired intangible assets		79,914	83,549
Acquired trademarks		165,427	169,073
Goodwill		173,992	182,530
Intangible assets	11	419,333	435,152
Land and buildings		78,636	87,966
Plant and machinery		173,531	192,549
Other fixtures and fittings, tools and equipment		3,781	3,412
Property, plant and equipment in progress		21,362	11,251
Property, plant and equipment	12	277,310	295,178
Fixed assets		696,643	730,330
Raw materials and consumables		31,884	30,188
Work in progress		2,300	1,981
Manufactured goods and goods for resale		38,755	42,374
Inventories		72,939	74,543
Trade receivables		69,399	77,582
Receivables from group enterprises		47,648	58,104
Other receivables		587	2,350
Tax receivable		3,381	1,055
Prepayments	13	2,320	2,205
Receivables		123,335	141,296
Cash		58,146	16,711
Current assets		254,420	232,550
Assets		951,063	962,880

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	14	30,000	30,000
Retained earnings		665,098	663,980
Equity		695,098	693,980
Deferred tax	15	27,272	18,072
Provisions		27,272	18,072
Mortgage debt		0	11,193
Other payables		12,987	4,260
Non-current liabilities other than provisions	16	12,987	15,453
Current portion of non-current liabilities other than provisions	16	0	3,667
Trade payables		87,882	93,232
Payables to group enterprises		87,780	103,580
Tax payable		1,759	0
Other payables	17	38,285	34,896
Current liabilities other than provisions		215,706	235,375
Liabilities other than provisions		228,693	250,828
Equity and liabilities		951,063	962,880
Events after the balance sheet date	1		
Contingent liabilities	19		
Assets charged and collateral	20		
Related parties with controlling interest	21		
Transactions with related parties	22		

Statement of changes in equity for 2020

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	30,000	663,980	693,980
Profit/loss for the year	0	1,118	1,118
Equity end of year	30,000	665,098	695,098

Cash flow statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Operating profit/loss		15,928	27,804
Amortisation, depreciation and impairment losses		54,622	56,129
Working capital changes	18	18,050	(17,732)
Cash flow from ordinary operating activities		88,600	66,201
Financial expenses paid		(4,826)	(4,557)
Taxes refunded/(paid)		(1,351)	(1,174)
Cash flows from operating activities		82,423	60,470
Acquisition etc of intangible assets		(593)	(993)
Acquisition etc of property, plant and equipment		(20,340)	(16,644)
Sale of property, plant and equipment		149	6
Cash flows from investing activities		(20,784)	(17,631)
Free cash flows generated from operations and investments before financing		61,639	42,839
Repayments of loans etc		(5,344)	(3,635)
Repayment of debt to group enterprises		(14,860)	(43,187)
Cash flows from financing activities		(20,204)	(46,822)
Increase/decrease in cash and cash equivalents		41,435	(3,983)
Cash and cash equivalents beginning of year		16,711	20,694
Cash and cash equivalents end of year		58,146	16,711
Cash and cash equivalents at year-end are composed of:			
Cash		58,146	16,711
Cash and cash equivalents end of year		58,146	16,711

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date, which would influence the evaluation of this annual report. The Covid-19 situation in Denmark has not had and is not expected to have a significant impact on RFAS financial position.

2 Revenue

	2020	2019
	DKK'000	DKK'000
Retail	424,052	442,348
Industry	425,391	480,307
Total revenue by activity	849,443	922,655

3 Other operating income

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

4 Fees to the auditor appointed by the Annual General Meeting

	2020	2019
	DKK'000	DKK'000
Statutory audit services	684	693
Tax services	37	26
Other services	919	895
	1,640	1,614

5 Staff costs

	2020	2019
	DKK'000	DKK'000
Wages and salaries	138,728	133,457
Pension costs	4,808	5,007
Other social security costs	2,380	3,419
	145,916	141,883
Average number of full-time employees	248	259

	Remuneration of management 2020 DKK'000	Remuneration of management 2019 DKK'000
Total amount for management categories	2,535	2,815
	2,535	2,815

6 Depreciation, amortisation and impairment losses

	2020	2019
	DKK'000	DKK'000
Amortisation of intangible assets	16,414	16,294
Depreciation of property, plant and equipment	38,208	39,841
Profit/loss from sale of intangible assets and property, plant and equipment	(149)	(6)
	54,473	56,129

7 Other financial income

	2020	2019
	DKK'000	DKK'000
Financial income from group enterprises	101	0
	101	0

8 Other financial expenses

	2020	2019
	DKK'000	DKK'000
Financial expenses from group enterprises	721	1,506
Other financial expenses	4,206	6,217
	4,927	7,723

9 Tax on profit/loss for the year

	2020	2019
	DKK'000	DKK'000
Current tax	786	972
Change in deferred tax	9,198	6,836
Adjustment concerning previous years	0	166
	9,984	7,974

10 Proposed distribution of profit and loss

	2020	2019
	DKK'000	DKK'000
Retained earnings	1,118	12,107
	1,118	12,107

11 Intangible assets

	Acquired intangible assets DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000
Cost beginning of year	93,988	182,277	586,587
Additions	593	0	0
Cost end of year	94,581	182,277	586,587
Amortisation and impairment losses beginning of year	(10,437)	(13,204)	(404,057)
Amortisation for the year	(4,230)	(3,646)	(8,538)
Amortisation and impairment losses end of year	(14,667)	(16,850)	(412,595)
Carrying amount end of year	79,914	165,427	173,992

The amortisation period for acquired intangible assets (trademarks) is based on the acquired trademark being of strategical nature, having a strong market position and the long-term earning history. The amortisation period is assessed to be 50 years.

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

12 Property, plant and equipment

	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
Cost beginning of year	205,835	408,298	30,810	11,251
Additions	225	7,417	2,587	20,933
Disposals	0	0	(290)	(10,822)
Cost end of year	206,060	415,715	33,107	21,362
Depreciation and impairment losses beginning of year	(117,869)	(215,749)	(27,398)	0
Depreciation for the year	(9,555)	(26,435)	(2,218)	0
Reversal regarding disposals	0	0	290	0
Depreciation and impairment losses end of year	(127,424)	(242,184)	(29,326)	0
Carrying amount end of year	78,636	173,531	3,781	21,362

13 Prepayments

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

14 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Contributed capital	30,000	1	30,000
	30,000		30,000

15 Deferred tax

	2020 DKK'000	2019 DKK'000
Changes during the year		
Beginning of year	18,072	11,236
Recognised in the income statement	9,200	6,836
End of year	27,272	18,072

16 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Mortgage debt	3,667	0	'0
Other payables	0	12,987	'0
	3,667	12,987	0

17 Other payables

	2020 DKK'000	2019 DKK'000
VAT and duties	1,027	2,788
Wages and salaries, personal income taxes, social security costs, etc payable	10,244	3,531
Holiday pay obligation	12,115	15,790
Other costs payable	14,899	12,787
	38,285	34,896

18 Changes in working capital

	2020 DKK'000	2019 DKK'000
Increase/decrease in inventories	1,604	7,632
Increase/decrease in receivables	9,832	(10,413)
Increase/decrease in trade payables etc	6,763	(14,790)
Other changes	(149)	(161)
	18,050	(17,732)

19 Contingent liabilities

Rental and lease commitments total DKK 12,711k. (2019: DKK 13,318).

The company has been requested to file transfer pricing documentation for the period 2016 to 2018 and is current in dialog with the tax authorities regarding certain intra group transactions. Whether the tax authorities will have a different point of view than the company is uncertain.

20 Assets charged and collateral

Payment guarantees provided amounts to DKK 1.103k (2019: DKK 500k).

21 Related parties with controlling interest

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

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

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.

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

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

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

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

22 Transactions with related parties

	Parent	Other related
	DKK'000	parties
	DKK'000	DKK'000
Gross sale	169	293,798
Raw material	150,187	437
Admin fee and royalties	336	15,910
IT costs	9,859	0
Interest	453	268
Purchase of fixed assets	0	37
Receivables	93	47,632
Liabilities other than provisions	64,719	23,333

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).

Non-comparability

Simple corrections have been made to the comparative figures in the note transactions with related parties.

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.

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 date.

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 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 write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and 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.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and 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, software and know-how.

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	10-30 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	5 years

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.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

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-amotisable 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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

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.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and 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 activities and fixed asset investments, and 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, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.