Østerberg Holding ApS

Planen 1, DK-5300 Kerteminde

Annual Report for 1 October 2017 - 30 September 2018

CVR No 21 21 04 98

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/2 2019

Niels Olaf Østerberg
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board has today considered and adopted the Annual Report of Østerberg Holding ApS for the financial year 1 October 2017 - 30 September 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In my opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 September 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2017/18.

I recommend that the Annual Report be adopted at the Annual General Meeting.

Kerteminde, 28 February 2019

Executive Board

Niels Olaf Østerberg
Executive Management

Independent Auditor's Report

To the Shareholders of Østerberg Holding ApS

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 September 2018 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 October 2017 - 30 September 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Østerberg Holding ApS for the financial year 1 October 2017 - 30 September 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group'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 Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Trekantområdet, 28 February 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen
statsautoriseret revisor
mne30224

Company Information

The Company	Østerberg Holding ApS Planen 1 DK-5300 Kerteminde CVR No: 21 21 04 98 Financial period: 1 October - 30 September Municipality of reg. office: Kerteminde
Executive Board	Niels Olaf Østerberg
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Group Chart

Østerberg Holding ApS

100%	Orana Canada Inc.
100%	Orana A/S
100%	Orana Denmark AIS
10%	OIC Holding ApS
10%	OST HK Holding ApS
100%	Osterberg Service & Trading A/S
52%	Østerberg Ice Cream A/S
100%	Orana DMCC Dubai
100%	Orana Limited Dubai
96,8%	Orana Egypt Ltd.
98,8%	International Fruit Production Ltd. Egypt
100%	Osterberg Service & Trading Hong Kong Ltd.
95%	Orana India Private Ltd.
100%	Orana Kenya Ltd.
100%	Osterberg Food Service Sdn. Bhd., Malaysia
95%	Orana Vietnam Ltd.
100%	Osterberg Service & Trading Vietnam Ltd.

Financial Highlights

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

	Group				
	2017/18	2016/17	2015/16	2014/15	2013/14
	T.USD	T.USD	T.USD	T.USD	T.USD
Key figures					
Profit/loss					
Revenue	46.910	40.337	41.172	40.640	35.082
Gross profit/loss	12.524	9.935	9.525	9.761	7.866
Operating profit/loss	2.056	1.733	2.133	2.237	1.029
Profit/loss before financial income and expenses	2.539	1.413	1.922	2.135	1.057
Net financials	-1.434	-1.127	-458	-402	-511
Net profit/loss for the year	898	187	1.045	1.182	344
Balance sheet					
Balance sheet total	30.775	29.812	26.847	25.954	24.420
Equity	6.232	5.991	6.106	5.491	4.365
Cash flows					
Cash flows from:					
- operating activities	2.411	-1.415	1.097	831	-2.267
- investing activities	-789	-2.020	-892	-2.613	-1.588
including investment in property, plant and equipment	-659	-1.999	-879	-2.603	-1.337
- financing activities	-1.430	3.823	-526	9	2.807
Change in cash and cash equivalents for the year	192	388	-321	-1.773	-1.048
Number of employees	332	333	319	286	248
Ratios					
Gross margin	26,7%	24,6%	23,1%	24,0%	22,4%
Profit margin	5,4%	3,5%	4,7%	5,3%	3,0%
Return on assets	8,3%	4,7%	7,2%	8,2%	4,3%
Solvency ratio	20,3%	20,1%	22,7%	21,2%	17,9%
Return on equity	14,7%	3,1%	18,0%	24,0%	15,8%

For definitions, see under accounting policies.

Management's Review

Consolidated and Parent Company Financial Statements of Østerberg Holding ApS for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Consolidated and Parent Company Financial Statements have been prepared under the same accounting policies as last year.

Key activities

The Group's main activity is innovation, sales and production of fruit based semi-manufactures and Food Service products. The processing is done at the group companies and as co-packing at producers located close to the main markets. Sales are mainly at the markets in the Middle East, Asia, Africa and Europe.

The Group's strategy is to grow organically, and through various alliances to exploit local market knowledge and thereby increase the Group's overall growth.

Development in the year

The income statement of the Group for 2017/18 shows a profit of T.USD 898, and at 30 September 2018 the balance sheet of the Group shows equity of T.USD 6,232.

The profit of the financial year 2017/2018 is satisfactory and is within our expectations.

Consolidated revenue increased by 6.5 million USD compared to last year, corresponding to an increase of 16.3%. The gross. profit percentage increased from 24.2% to 26.6% due to change in product mix. Net profit increased by 0.7 million USD compared to 2016/17.

The earnings in 2017/18 are especially influenced by:
A general increase in all major markets and within all business units.

Business risk and other risks

The business risk is spread and lowered in the Group as a part of the Group strategy being close to the customers and near to the raw materials. Further to this the risk is also spread on product categories.

However, the Group is exposed to fluctuations in the prices of fruit based raw material.

Intellectual capital resources

Derived from the Group's business concept it is essential that the company's employees maintain and develop their knowledge resources. This is both in regards to sales, development and production.

It is therefore important for the company to attract and retain the most qualified employees.

Management's Review

External Environment

Through continuous optimization of processes the Group ensures the least possible strain on the environment, including work on lowering energy consumption per unit produced and to reduce waste.

The Group companies comply with group policies and local statutory and regulatory requirements in regards to both external environment and work environment.

Development

The Group wants to remain among the leaders in its field. The Group expects that the activities within fruit based raw materials will be further enhanced and strengthened in the coming years. In addition, the Group expects a significant growth in copacking as well as the Food Service activities.

Business Concept and Objectives

The Group's business concept is to develop, produce and sell tailor made fruit based semimanufactures and Food Service products to the global market. The company is also involved in processing of fresh fruit.

The Group aims to be among the most innovative and proactive provider of fruit based semimanufactures and fruit based food service products by developing and produce high quality products in line with demand in individual markets.

Targets and expectations for the year ahead

There are positive expectations for the financial year 2018/19. We expect increase in sales of 5 - 10 percentage and a net profit of 1.0 - 2.0 million USD as we expect that some of the efforts made and expense paid in 2017/18 will turn into profit in 2018/19.

Report on Corporate Social Responsibility as per Section 99 a of the Danish Financial Statements

The Østerberg Group is committed to sustainability in all business activities and aims to apply highest ethical standards in order to strengthen the long-term success of the Østerberg Group and its stakeholders, which is described below.

Management's Review

UN's Global Goals (SDGs)

In September 2015, the 193 Member States of the United Nations adopted Agenda 2030 with 17 Sustainable Development Goals (SDGs). The aim of the SDGs is to solve and/or minimize many of the world's biggest problems by 2030.

In the Østerberg Group, we have been working on the SDGs as we are interested in actively contributing to a sustainable future for everyone. Our goal is to minimize our footprint and ultimately to have a neutral footprint. We will keep doing what we do best and bring that expertise to our business and global commitments every day. We aim to make a positive difference for our employees irrespective of country and the local communities we operate in. As a global company we moreover need a shared set of values and principles for good and ethical business conduct. Our journey is therefore to link our market opportunities to our business strengths. We see the SDGs as a business driver to support our vision to be a sustainable value-based company.

For this reason, the Østerberg Group started participating in a 2 year project starting in 2018 called "From Global Goals to Local Business". This project is facilitated by the Confederation of Danish Industries. The aim of the project is for the 21 participating companies to integrate the UN Sustainable Development Goals (SDGs) into the company's strategy to ensure a sustainable development at the same time as creating value to the company.

The following 3 SDGs are the prioritized SDGs which the Østerberg Group is working on:

All 3 SDG's are all in line with the historical values and beliefs of Østerberg as we believe that we by offering decent working conditions, securing equality, and by promoting responsible consumption and production can ensure happy, loyal and well trained staff and a continuous focus on resource and energy efficiency which will result in higher productivity and ultimately a higher profit.

Management's Review

Goal 8: Decent Work and Economic Growth

Through the establishment of production and innovation centers in Denmark, Egypt, India and Vietnam and sales offices in the same countries plus in Canada, China, Kenya, Malaysia, Sri Lanka and the UAE, Østerberg is providing employment and decent work for its staff irrespective of nationality, gender and religion. The Østerberg Group has policies implemented for forced labour, child labour, wages, benefits, working hours, freedom of association and non-discrimination. We also encourage our staff to participate in or form a labour union so that all staff are able to communicate openly and are able to negotiate collectively. Through these establishments, the Østerberg Group is further able to promote sustainable economic growth through the purchase of raw materials and services locally.

Goal 5: Gender Equality

In the Østerberg Group, we are working specifically to ensure good working conditions and opportunities for all of our staff hereunder our many female employees. We have further implemented measures allowing our staff to achieve a work life balance, hereby ensuring that female employees will stay with Østerberg also after getting married and having kids.

Goal 12: Responsible Consumption and Production

Østerberg is promoting better food quality by ensuring high food safety and high productivity. Moreover, the Østerberg Group has a focus on resource and energy efficiency via objectives on energy consumption per produced ton and via the safe handling, recycling and management of waste and wastewater discharges. One of our targets are to reduce the energy consumption (electricity, water and oil) by 50% per produced unit in 2030 compared to what we use in 2018.

We will continue working on the SDGs and our aim is also to extend our scope by also working on the following SDGs:

Management's Review

Other relevant activities:

The Østerberg Group and its subsidiaries have further subscribed to the UN Global Compact and are providing yearly reporting in accordance with the UN Global Compact guidelines. In addition, Østerberg is a member of the Global Compact Network Denmark. Both these memberships were a natural step after launching its first CSR policy and Code of Conduct in 2007.

The CSR policy and Code of Conduct have since been updated several times. The current version specifies minimum standards for the Østerberg Group inclusive of all subsidiaries and for all suppliers and are based on the UN Global Compact principles for:

1.Human Rights
2.Social Practices
3.Work Place Health and Safety
4.Environment
5.Management System
6.Anti-Corruption

Policies

Human Rights

All Østerberg Group sites support and respect the protection of internationally declared human rights and ensure that they do not contribute to the violation of human rights. The Østerberg Group expects that all business partners, including suppliers, also do not contribute to the violation of human rights.

The Østerberg Group's commitment to respect human rights is integrated and communicated to all sites through its corporate values and its Code of Conduct and CSR policy. Moreover, all Østerberg Group's sites are signatories of the UN Global Compact. All Østerberg Group sites are continuously working on improving its governance and actions towards human rights.

Social Practices

Policies have been implemented against forced labour and child labour. Moreover, policies are implemented for wages, benefits and working hours, freedom of association and non-discrimination.

The Østerberg Group has zero tolerance for use of forced labour and child labour.

In regards to wages and benefits, we are paying all staff according to applicable wage laws, including minimum wages, overtime hours and mandated benefits.

As to working hours, the Østerberg Group has implemented Danish style working hours in its subsidiaries. This means short lunch breaks instead of siestas so that the staff will be able to go home to their families earlier instead of later.

Management's Review

For all our sites, the Østerberg Group encourage its staff to participate in or form a labour union so that staff is able to communicate openly and negotiate collectively with management regarding working conditions without threat of reprisal, intimidation or harassment.

The Østerberg Group provides a workplace free of harassment and discrimination. The Østerberg Group is providing a work place free of discrimination by always hiring and promoting based on qualifications and objective criteria only so that no discrimination will be made on the basis of gender, age, nationality, ethnicity, race, colour, creed, caste, language, mental or physical disability, organization membership, health status, marital status, sexual orientation, social or political characteristics, etc. In the Østerberg Group management and in the Board of Directors of the Østerberg Group subsidiaries, both men and women are represented and in addition many nationalities including Danish, Indian, Sri Lankan, Vietnamese. Moreover, the Østerberg Group ensures that its training programmes are culturally respectful and appropriate. No cases of discrimination were reported in the Østerberg Group in 2017/18. Currently our grievance mechanism is to inform the labour union representative in the event of a case but we are working on moving this mechanism to an external lawyer's office instead.

Work Place Health and Safety

The Østerberg Group ensures that all staff is provided safe, suitable and sanitary work facilities as per ILO convention Article 120.

The Østerberg Group is further protecting its staff against processes, substances and techniques which are unhealthy, toxic or harmful. All relevant staff are provided with protective equipment and training necessary to safely perform the functions of their positions.

Environment

All Østerberg Group sites comply with local environmental regulations. All required environmental permits and licenses are obtained and their reporting requirements followed. The Østerberg Group is aiming to maintain the same high environmental standard irrespective of country of operation.

All Østerberg Group sites are aiming for continuous improvement of environmental performance.

All Østerberg Group sites have systems in place to ensure the safe handling of waste and wastewater discharges. Waste water from our plants is rich in organic material mainly carbohydrates. The waste water also contains proteins and minerals and is non-toxic and biodegradable in nature.
Moreover, the Østerberg Group is attentive towards environmental challenges in the world today hereunder climate change. The Østerberg Group is working on reducing its environmental impacts by initiating carbon foot print measuring. As our strategy is to have decentralized productions close to the fruits and close to the customers, our carbon foot print will be less than companies that produce in one place and then export to the rest of the world.

Management's Review

For carbon foot printing, we will initiate Scope 1 and Scope 2 measuring in October Quarter 2018 Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. We will further look into how and when we can start to measure Scope 3 emissions which are a consequence of the activities of the company that occur from sources not owned or controlled by the company. It is under Scope 3 where the Østerberg Group is making a difference by having decentralized productions. By establishing carbon foot print measuring, we will be able to assess our impact in all areas and will be able to establish initiatives to address opportunities for improvement.

Management Systems

All Østerberg Group sites identify and comply with applicable laws, regulations and Østerberg global standards hereunder quality, safety and environmental standards.

The Østerberg Group is divided into different geographical teams. Each team is having a General Manager and will operate as an independent separate company. The General Manager is hired by a Board of Directors, which is either a separate legal entity with a board of directors in its own right or an advisory board because the team is a division under the Østerberg Group. In addition to this, a business unit structure has been introduced on top of the geographical structure. Each of these business units are managed by a Business Unit Director who is in charge of activities in this unit, irrespective of geographic location.

In terms of quality systems, all Østerberg Group sites are certified ISO 9001:2015 (management system) and ISO 22000:2005 and/or FSSC 22000 (food safety system). The sites further have the certifications required locally as per the requirements of their markets such as Organic, Halal, Halal Mui, etc.

Anti-Corruption and Bribery

The Østerberg Group has a zero-policy for corruption and extortion and embezzlement are prohibited. The Østerberg Group is conducting its business with fair competition and in compliance with all applicable anti-trust laws. Østerberg Group staff is not allowed to accept any gifts or entertainment and is also not allowed to accept or give kickbacks. For sites located in countries prone to corruption, when deemed necessary, staff are encouraged to go to meetings with the authorities 2 persons at a time in order to discourage corruption. All relationships with customers and suppliers are based entirely on sound business decisions and fair dealings. The Østerberg Group has not had any breaches to its Code of Conduct in 2017/18 related to corruption. We are continuously working on improving and identifying gaps in our compliance programme.

Supplier Audits

The Østerberg Group works systematically with risk assessment and supplier management. Our Code of Conduct for Suppliers defines the Østerberg Group's CSR requirements hereunder Human Rights. All suppliers are required to sign the Code. The Østerberg Group has implemented a supplier risk assessment model for identifying which suppliers pose the highest risk and regular supplier audits are performed for both high risk and lower risk suppliers in order to verify compliance.

Management's Review

In case of any non-compliance, the non-compliance is addressed with the supplier.

All Østerberg Group sites are buying its raw materials from approved suppliers only.

The Østerberg Group will continue to support the UN Global Compact and Global Compact Network Denmark and will continue to integrate the ten principles in its business strategy, CSR policy, Code of Conduct and daily activities.

All Østerberg Group sites are measuring as follows:

1.Staff turnover
2.Accidents
3.Energy consumption
4.Wastewater

Results achieved during 2017/18 for staff turnover and accidents are as follows:

Staff Turnover per site:

	2014/15	**2015/16**	**2016/17**	**2017/18**
DK	13.0%	11.0%	10.1%	17.2%
EG	10.9%	16.7%	17.9%	8.8%
IN	19.7%	27.7%	20.9%	25.4%
VN	13.9%	17.4%	12.4%	17.9%
Total	**13.7%**	**17.2%**	**13.8%**	**16.9%**

For staff turnover for the Østerberg Group, there was an increase in 2017/18 compared to 2016/17. For Denmark and Vietnam, the increase in the staff turnover rate is in general due to higher turnover for workers. In India, the rate is generally higher compared to other countries and we realized a low rate the year before in 2016/17 after which the rate is now back at normal level. In Egypt where a high rate was realized in previous years, the staff has stabilized and the rate in Egypt is therefore at an all-time low.

	2014/15	**2015/16**	**2016/17**	**2017/18**
Accidents	0	0	1	**2**

Management's Review

The accidents in 2016/17 and in 2017/18 were all recorded in Denmark. Corrective actions have been taken.

For energy consumption per ton produced, we are measuring as follows:

1.Electricity. KwH/ton
2.Oil / gas. l/ton
3.Water. l/ton
4.Waste water. m3/ton

We have initiated measurement for all these parameters line wise at all the sites to ensure we have a control on these parameters line wise. Now we measured these parameters consumption utilized in Production and calculated per ton and consolidated figures are as follows:

Energy consumptions	Østerberg Group 2016-17	Østerberg Group 2017-18	Improvement Delta
Electricity kWh/ton	294	271	23
Gas (m^3) / Diesel in mJ / ton	1,278	1,116	161
Water m^3 /ton	4.2	4.1	0.1
Waste water m^3 / ton	3.1	3.0	0.1

Gas & Diesel converted to mJ
1 lit of Diesel oil = 35.9mJ
1 cu meter of Natural gas =37.0mJ

While site wise details are as below:

Energy consumption	DK			EG			VN		
	2016-17	2017-18	Delta	2016-17	2017-18	Delta	2016-17	2017-18	Delta
Electricity kWh/ton	181	175	6	1,089	928	161	272	257	15
Gas (m3) / Diesel in mJ/ton	1,647	1,439	207	1,747	1,377	370	875	779	96
Water m3/ton	4.2	4.2	0.0	5.2	3.0	2.2	4.1	4.1	0.0
Waste water m3/ton	3.8	3.9	-0.1	NA	NA	-	2.9	2.7	0.2

Management's Review

The electricity figures in EG factory are higher per ton vs. others sites due to lower production volume and hence less utilization of the line.

India is not included in the above numbers as do not have our own factory in India but are producing via co-packing agreements.

Share of the underrepresented gender

The Group follows the Danish Business Authority's recommendation about the underrepresented gender.

The Board of Directors currently consists of 1 woman (17%) and 5 men (83%). The Board of Directors will be expanded in 2018/19 and then the division will be 2 women (29%) and 5 men (71%). The goal is to have at least 30% women in the Board in 2020, however as 29% women is very close to the target, the goal is considered achieved.

In the Østerberg Group Management, the genders represented are divided with 60% women and 40% men and the target is considered met.

In general, the Group hires the most qualified candidates to vacant positions without considerations about the gender of the candidate. The Group's goal is that on management level the two genders shall be equally represented and the goal is considered achieved.

Sebsequent events

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

Income Statement 1 October - 30 September

	Note	Group 2017/18 T.USD	Group 2016/17 T.USD	Parent 2017/18 T.USD	Parent 2016/17 T.USD
Revenue	1	**46.910**	**40.337**	**0**	**0**
Cost of sales	2	-34.386	-30.402	0	0
Gross profit/loss		**12.524**	**9.935**	**0**	**0**
Distribution expenses	2	-4.670	-3.055	0	0
Development expenditure	2	-1.154	-1.031	0	0
Administrative expenses	2	-4.644	-4.116	-46	-4
Operating profit/loss		**2.056**	**1.733**	**-46**	**-4**
Other operating income		852	81	0	0
Other operating expenses		-369	-401	0	0
Profit/loss before financial income and expenses		**2.539**	**1.413**	**-46**	**-4**
Income from investments in subsidiaries		0	0	815	42
Financial income	3	371	619	17	31
Financial expenses	4	-1.805	-1.746	-3	-3
Profit/loss before tax		**1.105**	**286**	**783**	**66**
Tax on profit/loss for the year	5	-207	-99	0	-7
Net profit/loss for the year		**898**	**187**	**783**	**59**

Balance Sheet 30 September

Assets

	Note	Group 2017/18 T.USD	Group 2016/17 T.USD	Parent 2017/18 T.USD	Parent 2016/17 T.USD
Acquired trademarks		26	36	0	0
Acquired rights		119	0	0	0
Intangible assets	6	**145**	**36**	**0**	**0**
Land and buildings		3.694	3.850	0	0
Plant and machinery		5.495	4.052	0	0
Other fixtures and fittings, tools and equipment		937	1.030	0	0
Leasehold improvements		86	73	0	0
Property, plant and equipment in progress		51	1.717	0	0
Property, plant and equipment	7	**10.263**	**10.722**	**0**	**0**
Investments in subsidiaries	8	0	0	5.864	5.275
Fixed asset investments		**0**	**0**	**5.864**	**5.275**
Fixed assets		**10.408**	**10.758**	**5.864**	**5.275**
Inventories	9	**8.675**	**8.032**	**0**	**0**
Trade receivables		7.423	8.251	0	0
Receivables from group enterprises		0	0	270	265
Other receivables		2.474	1.738	0	0
Deferred tax asset		738	384	0	0
Corporation tax		170	0	116	31
Prepayments	10	307	261	0	0
Receivables		**11.112**	**10.634**	**386**	**296**
Current asset investments	11	**0**	**5**	**0**	**0**
Cash at bank and in hand		**580**	**383**	**0**	**0**
Currents assets		**20.367**	**19.054**	**386**	**296**
Assets		**30.775**	**29.812**	**6.250**	**5.571**

Balance Sheet 30 September

Liabilities and equity

	Note	Group 2017/18 T.USD	Group 2016/17 T.USD	Parent 2017/18 T.USD	Parent 2016/17 T.USD
Share capital		20	20	20	20
Reserve for net revaluation under the equity method		0	0	4.938	5.185
Retained earnings		5.722	5.205	784	20
Proposed dividend for the year		20	20	20	20
Equity attributable to shareholders of the Parent Company		**5.762**	**5.245**	**5.762**	**5.245**
Minority interests		470	746	0	0
Equity		**6.232**	**5.991**	**5.762**	**5.245**
Credit institutions		4.543	4.123	0	0
Other payables		495	453	0	0
Long-term debt	13	**5.038**	**4.576**	**0**	**0**
Mortgage loans		11.175	12.175	0	0
Credit institutions	13	478	1.285	0	0
Trade payables		5.926	3.530	6	0
Payables to group enterprises		0	0	402	267
Payables to owners and Management		383	426	80	57
Corporation tax		0	263	0	0
Other payables	13	1.233	1.566	0	2
Deferred income		310	0	0	0
Short-term debt		**19.505**	**19.245**	**488**	**326**
Debt		**24.543**	**23.821**	**488**	**326**
Liabilities and equity		**30.775**	**29.812**	**6.250**	**5.571**

Distribution of profit	12
Contingent assets, liabilities and other financial obligations	16
Fee to auditors appointed at the general meeting	17
Accounting Policies	18

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	T.USD	T.USD	T.USD	T.USD	T.USD	T.USD	T.USD
Equity at 1 October	20	0	5.206	20	5.246	746	5.992
Net effect from acquisition under the uniting of interests method	0	0	0	0	0	-357	-357
Adjusted equity at 1 October	20	0	5.206	20	5.246	389	5.635
Exchange adjustments	0	0	-237	0	-237	-58	-295
Cash capital increase	0	0	0	0	0	24	24
Ordinary dividend paid	0	0	0	-20	-20	0	-20
Fair value adjustment of hedging instruments	0	0	-10	0	-10	0	-10
Net profit/loss for the year	0	0	763	20	783	115	898
Equity at 30 September	**20**	**0**	**5.722**	**20**	**5.762**	**470**	**6.232**

Statement of Changes in Equity

Parent

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	T.USD	T.USD	T.USD	T.USD	T.USD	T.USD	T.USD
Equity at 1 October	20	5.185	21	20	5.246	0	5.246
Ordinary dividend paid	0	0	0	-20	-20	0	-20
Exchange adjustments relating to foreign entities	0	-237	0	0	-237	0	-237
Fair value adjustment of hedging instruments	0	-10	0	0	-10	0	-10
Net profit/loss for the year	0	0	763	20	783	0	783
Equity at 30 September	**20**	**4.938**	**784**	**20**	**5.762**	**0**	**5.762**

Cash Flow Statement 1 October - 30 September

	Note	Group 2017/18 T.USD	Group 2016/17 T.USD
Net profit/loss for the year		898	187
Adjustments	14	2.597	2.268
Change in working capital	15	1.347	-2.523
Cash flows from operating activities before financial income and expenses		**4.842**	**-68**
Financial income		371	619
Financial expenses		-1.808	-1.746
Cash flows from ordinary activities		**3.405**	**-1.195**
Corporation tax paid		-994	-220
Cash flows from operating activities		**2.411**	**-1.415**
Purchase of intangible assets		-130	-21
Purchase of property, plant and equipment		-659	-1.999
Cash flows from investing activities		**-789**	**-2.020**
Repayment of mortgage loans		-1.000	3.663
Repayment of loans from credit institutions		-386	180
Minority interests		-24	0
Dividend paid		-20	-20
Cash flows from financing activities		**-1.430**	**3.823**
Change in cash and cash equivalents		**192**	**388**
Cash and cash equivalents at 1 October		388	0
Cash and cash equivalents at 30 September		**580**	**388**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		580	383
Current asset investments		0	5
Cash and cash equivalents at 30 September		**580**	**388**

Notes to the Financial Statements

		Group		Parent	
		2017/18	2016/17	2017/18	2016/17
		T.USD	T.USD	T.USD	T.USD
1	**Revenue**				
	Geographical segments				
	Revenue, Denmark	4.010	4.649	0	0
	Revenue, exports	42.900	35.688	0	0
		46.910	**40.337**	**0**	**0**
2	**Staff**				
	Wages and Salaries	5.582	6.279	0	0
	Pensions	599	791	0	0
	Other social security expenses	247	241	0	0
		6.428	**7.311**	**0**	**0**
	Wages and Salaries, pensions and other social security expenses are recognised in the following items:				
	Cost of sales	1.787	2.278	0	0
	Distribution expenses	2.050	1.833	0	0
	Development expenditure	614	756	0	0
	Administrative expenses	1.977	2.444	0	0
		6.428	**7.311**	**0**	**0**
	Average number of employees	**332**	**333**	**0**	**0**
3	**Financial income**				
	Interest received from group enterprises	0	0	17	17
	Other financial income	367	180	0	0
	Exchange gains	4	439	0	14
		371	**619**	**17**	**31**

Notes to the Financial Statements

	Group		Parent	
	2017/18	2016/17	2017/18	2016/17
	T.USD	T.USD	T.USD	T.USD

4 Financial expenses

Other financial expenses	954	824	3	3
Exchange loss	851	922	0	0
	1.805	**1.746**	**3**	**3**

5 Tax on profit/loss for the year

Current tax for the year	515	317	0	5
Deferred tax for the year	-354	-216	0	0
Adjustment of tax concerning previous years	46	-2	0	2
	207	**99**	**0**	**7**

6 Intangible assets

Group

	Acquired trade-marks	Acquired rights
	T.USD	T.USD
Cost at 1 October	44	0
Additions for the year	0	130
Cost at 30 September	44	130
Impairment losses and amortisation at 1 October	8	0
Amortisation for the year	10	11
Impairment losses and amortisation at 30 September	18	11
Carrying amount at 30 September	**26**	**119**

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	T.USD	T.USD	T.USD	T.USD	T.USD	T.USD
Cost at 1 October	5.220	7.377	2.674	165	1.717	17.153
Additions for the year	37	328	232	24	35	656
Disposals for the year	0	0	-178	0	0	-178
Transfers for the year	0	1.701	0	0	-1.701	0
Cost at 30 September	5.257	9.406	2.728	189	51	17.631
Impairment losses and depreciation at 1 October	1.369	3.324	1.644	92	0	6.429
Impairment losses for the year	0	0	-51	0	0	-51
Depreciation for the year	194	587	198	11	0	990
Impairment losses and depreciation at 30 September	1.563	3.911	1.791	103	0	7.368
Carrying amount at 30 September	**3.694**	**5.495**	**937**	**86**	**51**	**10.263**

Notes to the Financial Statements

8 Investments in subsidiaries

	Parent 2017/18 T.USD	Parent 2016/17 T.USD
Cost at 1 October	76	76
Cost at 30 September	76	76
Value adjustments at 1 October	5.199	5.441
Exchange adjustment	-237	-3
Net profit/loss for the year	815	42
Fair value adjustment of hedging instruments for the year	11	-290
Other equity movements, net	0	24
Other adjustments	0	-15
Value adjustments at 30 September	5.788	5.199
Carrying amount at 30 September	**5.864**	**5.275**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Osterberg Service & Trading A/S	Kerteminde	TDKK 500	100%

9 Inventories

	Group 2017/18 T.USD	Group 2016/17 T.USD	Parent 2017/18 T.USD	Parent 2016/17 T.USD
Raw materials and consumables	6.809	4.829	0	0
Work in progress	262	295	0	0
Finished goods and goods for resale	1.604	2.908	0	0
	8.675	**8.032**	**0**	**0**

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a postitive fair value.

Notes to the Financial Statements

	Group		Parent	
	2017/18	2016/17	2017/18	2016/17
	T.USD	T.USD	T.USD	T.USD

11 Current asset investments

Bonds	0	5	0	0
	0	**5**	**0**	**0**

12 Distribution of profit

Proposed dividend for the year	20	20	20	20
Minority interests' share of net profit/loss of subsidiaries	115	0	0	0
Retained earnings	763	167	763	39
	898	**187**	**783**	**59**

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Credit institutions

After 5 years	161	517	0	0
Between 1 and 5 years	4.382	3.606	0	0
Long-term part	4.543	4.123	0	0
Within 1 year	434	1.285	0	0
Other short-term debt to credit institutions	44	0	0	0
Short-term part	478	1.285	0	0
	5.021	**5.408**	**0**	**0**

Other payables

Between 1 and 5 years	495	453	0	0
Long-term part	495	453	0	0
Other short-term payables	1.233	1.566	0	2
	1.728	**2.019**	**0**	**2**

Notes to the Financial Statements

	Group	
	2017/18	2016/17
	T.USD	T.USD
14 Cash flow statement - adjustments		
Financial income	-371	-619
Financial expenses	1.805	1.746
Depreciation, amortisation and impairment losses, including losses and gains on sales	956	1.042
Tax on profit/loss for the year	207	99
	2.597	**2.268**

15 Cash flow statement - change in working capital

Change in inventories	-643	-626
Change in receivables	47	-1.462
Change in trade payables, etc	1.953	-435
Fair value adjustments of hedging instruments	-10	0
	1.347	**-2.523**

16 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

	Group 2017/18 T.USD	Group 2016/17 T.USD	Parent 2017/18 T.USD	Parent 2016/17 T.USD
Land and buildings with a carrying amount of	3.694	3.850	0	0
Plant and machinery with a carrying amount of	5.495	3.997	0	0

Rental and lease obligations

	Group 2017/18 T.USD	Group 2016/17 T.USD	Parent 2017/18 T.USD	Parent 2016/17 T.USD
The company has signed lease agreements where the remaining leases commitment amounts to	177	197	0	0
The company has signed rental commitments with 12-month period of irrevocability for a total of	446	466	0	0

Group

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group.The group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and with-holding taxes may increase the Company's liability.

As security for any outstanding balance that Osterberg Ice Cream A/S may have with the Bank, the parent company has given suretyship (facility T.DKK. 1.000).

As security for any outstanding balance that Osterberg Service & Trading A/S may have with the Bank the parent company has given suretyship (facility T.DKK. 3.000)

As security for Orana Vietnam Ltd.'s balance with Vietinbank, the parent company has given suretyship for a facility of VND 45,000 million

	Group		Parent	
	2017/18	2016/17	2017/18	2016/17
	T.USD	T.USD	T.USD	T.USD

16 Contingent assets, liabilities and other financial obligations (continued)

As security for International Fruit Production balance with The Investment Fund for Developing Countries (IFU) the group company has given suretyship for 50% of any outstanding, which may arise in connection with the of IFU provided loans of T.USD 2.570 for International Fruit Productior where the outstanding debt per 30/9 2018 amount to T.USD 1.071

A subsidiary company has issued a guarantee to a Co-Packer of T.USD 94.

17 Fee to auditors appointed at the general meeting

	Group 2017/18	Group 2016/17	Parent 2017/18	Parent 2016/17
PricewaterhouseCoopers				
Audit fee	48	61	3	3
Other assurance engagements	24	24	1	1
	72	**85**	**4**	**4**

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Østerberg Holding ApS for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2017/18 are presented in T.USD.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Østerberg Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company’s investments in the consolidated subsidiaries are set off against the Parent Company’s share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

18 Accounting Policies (continued)

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

18 Accounting Policies (continued)

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Segment information on revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the

Notes to the Financial Statements

18 Accounting Policies (continued)

economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Development expenditure

Development expenditure indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with more than 50 % owned Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

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

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

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	10-20 years
Plant and machinery	5-20 years
Other fixtures and fittings, tools and equipment	3-5 years

Notes to the Financial Statements

18 Accounting Policies (continued)

Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at USD 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and manage-

18 Accounting Policies (continued)

ment.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

18 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Notes to the Financial Statements

18 Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$