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# SCANDINAVIAN PRINT GROUP A/S P. O. PEDERSENS VEJ 26, 8200 AARHUS N ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2017

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 11 June 2018

Esben Mols Kabell

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.



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#### **COMPANY DETAILS**

Company Scandinavian Print Group A/S

P. O. Pedersens Vej 26

8200 Aarhus N

CVR No.: 21 68 64 33 Established: 5 May 1999 Registered Office: Aarhus

Financial Year: 1 January - 31 December

**Board of Directors** Klaus Peter Michael Fries, Chairman

Dirk Anton Josef Müller Esben Mols Kabell

**Board of Executives** Esben Mols Kabell

Anders Grønborg

Auditor BDO Statsautoriseret revisionsaktieselskab

Kystvejen 29 8000 Aarhus C

Bank Danske Bank

Åboulevarden 69 8000 Aarhus C

Law Firm DELACOUR

Åboulevarden 13 8000 Aarhus



#### STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Scandinavian Print Group A/S for the financial year 1 January - 31 December 2017.

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

We recommend the Annual Report be approved at the Annual General Meeting.

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

Aarhus, 11 June 2018

Board of Executives

Fshen Mols Kabell

Anders Grønborg

Esben Mols Kabell	Anders Grønborg	
Board of Directors		
Klaus Peter Michael Fries Chairman	Dirk Anton Josef Müller	Esben Mols Kabell



#### INDEPENDENT AUDITOR'S REPORT

#### To the Shareholders of Scandinavian Print Group A/S

#### Opinion

We have audited the Financial Statements of Scandinavian Print Group A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, notes and 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 assets, liabilities and financial position of the Company at 31 December 2017 and of the results of the Company operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 Responsibility for the Financial Statements

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

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

#### Auditor's Responsibility for 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



#### INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

#### Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Aarhus, 11 June 2018

BDO Statsautoriseret revisionsaktieselskab CVR no. 20 22 26 70

Morten Trap Olesen State Authorised Public Accountant MNE no. mne35625



#### FINANCIAL HIGHLIGHTS

	<b>2017</b> DKK '000	<b>2016</b> DKK '000	<b>2015</b> DKK '000	<b>2014</b> DKK '000	<b>2013</b> DKK '000
Income statement					
Gross profit/loss	133.816	111.038	97.781	71.424	45.313
Operating profit/loss	17.529	24.696	21.853	17.976	15.975
Financial income and expenses, net	-1.540	-1.757	-1.103	-2.146	1.253
Profit/loss for the year before tax	25.842	27.881	17.403	15.830	17.632
Profit/loss for the year	21.950	22.627	12.511	11.408	13.224
Balance sheet					
Balance sheet total	242.498	172.186	157.637	118.048	47.070
Equity	94.612	78.158	60.749	48.059	27.624
Investment in tangible fixed assets	-46.012	-12.712	-33.407	-51.828	-3.136
Ratios					
Solvency ratio	39,0	45,4	38,5	40,7	58,7
Return on equity	25,4	32,6	23,0	26,8	40,9

The ratios stated in the list of key figures and ratios have been calculated as follows:

Solvency ratio:

Equity ex minorities, at year end x 100 Total equity and liabilities, at year end

Return on equity:

Profit/loss after tax x 100
Average equity

The ratios follow in all material respects the recommendations of the Danish Finance Society.



#### MANAGEMENT'S REVIEW

#### Principal activities

The company's principal activities are printing, distribution, marketing and related activities.

#### Development in activities and financial position

The company's results and financial development have been positive. The results for the year have fulfilled the expectations that Management had at the beginning of the year and are therefore considered satisfactory.

The results for 2017 show a profit of DKK ('000) 21,950.

#### Profit/loss for the year compared to future expectations

It was Management's expectation that the results for 2017 were above the above the results realised in 2016. Due to high relocation costs from acquisitions the result for 2017 is lower than expected, however it is still considered satisfying.

The extraordinary direct costs for moving acquired companies and production amount to about 5.000. Direct costs for setting up a new factory, moving and training in Poland is about 10.000.

In 2018 we still expect some extraordinary costs for the ramp up of the new factory. These strategic changes is expected to increase the company's profitability already in 2018.

#### Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

#### Special risks

Business risks

LaserTryk.dk is not subject to any special business risk. The company's sales cover quite many product groups, and the largest customers constitute less than 2% of revenue.

#### Financial risks

LaserTryk.dk exports, among others, to Norway and Sweden, which totals approx. 18% of LaserTryk.dk's revenue. A decrease in these currencies may have a negative impact on earnings and revenue.

The main part of the company's debt is subject to a fixed interest.

#### **Environmental situation**

LaserTryk.dk formulated in 2014 a new CSR strategy and policy, which has been published on the company's website. LaserTryk.dk has cooperated with Deloitte with regard to higher CSR efforts and this has resulted in a large number of positive initiatives which were also described in several national media. This strategy has been followed in 2017.

The LaserTryk.dk Group has an ambition to be among the most environmentally friendly businesses in the sector and it continues to offer eco-labelled printed matters.

LaserTryk.dk has accepted Grafisk CSR code and is a Nordic Swan ecolabelled printing firm and now also has the FSC label.

#### **Knowledge resources**

LaserTryk.dk has today a size where all functions are spread out on several persons, so the company is not at risk of substantial loss of knowledge resources. By far the main part of the company's processes and IT is well-documented.

#### Research and development activities

LaserTryk.dk has today approx. 15 people employed within development of IT, products and production processes. Management considers this necessary to continue to keep the business at the forefront as regards product programme and production efficiency.



#### MANAGEMENT'S REVIEW

#### **Future expectations**

It is Management's expectation that the results for 2018 will be higher than the results realised in 2017.



#### **INCOME STATEMENT 1 JANUARY - 31 DECEMBER**

	Note	<b>2017</b> DKK	<b>2016</b> DKK
GROSS PROFIT		133.815.511	111.038.498
Staff costs  Depreciation, amortisation and impairment  Other operating expenses	1	-94.084.165 -20.774.678 -1.428.098	-71.534.036 -13.364.113 -1.444.523
OPERATING PROFIT		17.528.570	24.695.826
Result of equity investments in group and associates Other financial income Other financial expenses	2 3 4	9.853.599 488.837 -2.029.048	4.941.946 122.869 -1.879.630
PROFIT BEFORE TAX		25.841.958	27.881.011
Tax on profit/loss for the year	5	-3.891.901	-5.254.195
PROFIT FOR THE YEAR	6	21.950.057	22.626.816



#### **BALANCE SHEET AT 31 DECEMBER**

ASSETS	Note	2017	2016
		DKK	DKK
Goodwill		4.032.912	193.170
Intangible fixed assets	7	4.032.912	193.170
Production plant and machinery		86.615.073	58.201.858
Other plant, machinery, tools and equipment		2.232.029	1.531.427
Leasehold improvements		239.876	371.673
Tangible fixed assets in progress and prepayment		0	3.430.128
Tangible fixed assets	8	89.086.978	63.535.086
Equity investments in group enterprises		59.741.085	44.097.909
Equity investments in associated enterprises		3.015.606	2.654.974
Rent deposit and other receivables		649.709	849.562
Fixed asset investments.	9	63.406.400	47.602.445
rixed asset investments	7	03.400.400	47.002.443
FIXED ASSETS		156.526.290	111.330.701
Raw materials and consumables		8.101.999	8.560.830
Work in progress		1.880.000	346.031
Inventories		9.981.999	8.906.861
Trade receivables		20.302.517	10.005.171
Receivables from group enterprises		13.570.279	38.298.675
Receivables from associated enterprises		1.346.617	339.310
Receivables from owners and management		84.250	0
Deferred tax assets	10	1.076.346	860.091
Other receivables		200.493	551.091
Prepayments and accrued income	11	3.187.447	1.753.963
Receivables		39.767.949	51.808.301
Cash and cash equivalents		36.222.032	139.959
CURRENT ASSETS		85.971.980	60.855.121
ASSETS		242.498.270	172.185.822



#### **BALANCE SHEET AT 31 DECEMBER**

EQUITY AND LIABILITIES	Note	<b>2017</b> DKK	<b>2016</b> DKK
Share capital	12	537.634	537.634
Reserve for net revaluation according to equity value method.		13.413.096	0
Retained earnings		30.661.578	72.620.627
Proposed dividend		50.000.000	5.000.000
EQUITY		94.612.308	78.158.261
Other liabilities		6.306.531	7.262.608
Lease liabilities		52.349.649	40.676.911
Long-term liabilities	13	58.656.180	47.939.519
Short-term portion of long-term liabilities	13	13.917.785	9.038.809
Bank debt		7.196.713	208.347
Prepayments received from customers		57.024	140.609
Trade payables		26.514.691	12.362.788
Payables to group enterprises		21.146.464	8.782.305
Corporation tax		5.400.327	5.409.029
Other liabilities		14.996.778	10.146.155
Current liabilities		89.229.782	46.088.042
LIABILITIES		147.885.962	94.027.561
EQUITY AND LIABILITIES		242.498.270	172.185.822
Contingencies etc.	15		
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# **EQUITY**

	Share capital	Reserve for net revaluation according to the equity value method		Proposed dividend	Total
Equity at 1 January 2017  Dividend paid  Value adjustments of equity  Proposed distribution of profit			72.620.624 -496.007 -41.463.039	-5.000.000	-5.000.000 -496.007
Equity at 31 December 2017	537.634	13.413.096	30.661.578	50.000.000	94.612.308



	<b>2017</b> DKK	<b>2016</b> DKK	Note
Staff costs Average number of employees 233 (2016: 182)			1
Wages and salaries Pensions Social security costs Other staff costs	83.638.558 6.706.985 1.769.406 1.969.216	63.629.810 4.930.028 1.447.344 1.526.854	
	94.084.165	71.534.036	
Remuneration of Management	2.880.000	2.927.202	
	2.880.000	2.927.202	
Result of equity investments in group and associates Result of equity investments in group enterprises Result of equity investments in associated enterprises	9.242.967 610.632 9.853.599	4.786.972 154.974 <b>4.941.946</b>	2
Other financial income Group enterprises	257.752 231.085 488.837	37.669 85.200 122.869	3
Other financial expenses Other interest expenses	2.029.048 2.029.048	1.879.630 1.879.630	4
Tax on profit/loss for the year Calculated tax on taxable income of the year Adjustment of deferred tax	3.588.877 303.024 3.891.901	5.409.029 -154.834 <b>5.254.195</b>	5
Proposed distribution of profit Proposed dividend for the year	50.000.000	5.000.000	6
equity value method	13.413.096 -41.463.039	0 17.626.816	
	21.950.057	22.626.816	



			Note
Intangible fixed assets			7
intaligible fixed assets		Goodwill	,
Cost at 1 January 2017		965.846	
Transferred		11.247.034	
Additions at merger		9.011.229	
Disposals		-4.511.229	
Cost at 31 December 2017		16.712.880	
Amortisation at 1 January 2017		772.676	
Transferred		7.852.344	
Reversal of amortisation of assets disposed of		-3.414.306	
Amortisation of the year		3.600.982	
Additions at merger		3.868.272	
Depreciation at 31 December 2017		12.679.968	
Carrying amount at 31 December 2017		4.032.912	
Tangible fixed assets			8
		Other plant,	
	Production plant	machinery, tools	
	and machinery	and equipment	
Cost at 1 January 2017	87.319.284	4.934.973	
Transferred	1.038.006	0	
Additions.	44.326.245	1.685.528	
	-1.352.199	1.005.520	
Disposals  Cost at 31 December 2017	131.331.336	6.620.501	
Depreciation and impairment losses at 1 January 2017	29.117.426	3.321.780	
·	-376.389	3.321.760	
Reversal of depreciation of assets disposed of	15.975.226	1.066.692	
Depreciation for the year  Depreciation and impairment losses at 31 December 2017	44.716.263	4.388.472	
Depreciation and impairment losses at 31 December 2017	44.710.203	4.300.472	
Carrying amount at 31 December 2017	86.615.073	2.232.029	
Finance lease assets	61.887.232	100.737	
		Tangible fixed	
	Leasehold	assets in progress	
		and prepayment	
Cost at 1 January 2017	1.387.275	3.430.128	
Transferred	0	-1.038.006	
Disposals	0	-2.392.122	
Cost at 31 December 2017	1.387.275	0	
Danuariation and immaissment Issues at 4 Issues 2047	4 045 734		
Depreciation and impairment losses at 1 January 2017	1.015.624		
Depreciation for the year	131.775		
Depreciation and impairment losses at 31 December 2017	1.147.399		
Carrying amount at 31 December 2017	239.876	0	



Note

#### Fixed asset investments

		Equity	
	Equity	investments in	
	investments in	associated	Rent deposit and
	group enterprises	enterprises	other receivables
Cost at 1 January 2017	48.267.447	2.500.000	849.562
Transferred		0	0
Additions		0	0
Disposals		0	-199.853
Cost at 31 December 2017		2.500.000	649.709
Revaluation at 1 January 2017	5.994.348	154.974	
Exchange adjustment		0	
Dividend		-250.000	
Profit/loss for the year		612.384	
Other adjustments		-1.752	
Revaluation at 31 December 2017		515.606	
Impairment losses and amortisation of goodwill at 1 January 2017		0	
Transferred		0	
Amortisation of goodwill		0	
Impairment losses and amortisation of goodwill at 31 December 2017	8.252.617	0	
Carrying amount at 31 December 2017	59.741.085	3.015.606	649.709

#### Goodwill

Scandinavian Print Group A/S has acquired equity investments in BB SPG A/S, Frederiksberg Bogtrykkeri A/S and AKA-Print A/S during the year. The cost of the equity investment is DKK ('000) 23,397. Goodwill on the purchases during the year is DKK ('000) 15,235.

#### Investments in subsidiaries (DKK)

Name and registered office	Equity	Profit/loss for the year	Ownership
Toptryk ApS, GråstenLasertrykk.no AS, Oslo	4.682.564 3.970.224	2.795.183 1.770.906	100 % 100 %
Lasertryck.se AB, StockholmLasertryk.de GmbH, Bremen	7.722.328 2.035.766	1.336.767 310.941	100 % 100 %
Lasertryk.co.uk Limited, London	287.967	70.680	100 %
BB SPG ApS, Aarhus NGrafisk Trykcenter - Knudtzon Graphic A/S,	4.643.960	1.312.975	100 %
Vallensbæk	9.738.738	5.378.818	100 %
Eurographic A/S, Vallensbæk	-1.137.947 2.335.442	-2.005.331 -663.166	100 % 100 %
SPG Polska SP Z.O.O. W, Poland	-526.363	-535.302	100 %
Frederiksberg bogtrykkeri A/S, Vallensbæk	4.421.199	3.800.853	100 %



				Note
Investments in associates (DKK)				
Name and registered office	Equity	Profit for the year	Ownership	
Jørn Thomsen Elbo A/S, Kolding	12.062.426	2.449.537	25 %	
Deferred tax assets Provision for deferred tax comprises deferred t fixed assets.	ax on inventory	y and intangible	and tangible	10
		<b>2017</b> DKK	<b>2016</b> DKK	
Deferred tax concerns: Intangible fixed assets	• • • • • • • • • • • • • • • • • • • •	-206.946 -554.756 -314.644	-37.063 922.420 -25.266	
		-1.076.346	860.091	
Deferred tax, beginning of year  Deferred tax for the year in the income statemen		860.091 216.255	705.257 154.834	
Deferred tax assets at 31 December 2017		1.076.346	860.091	
Prepayments and accrued income Costs		3.187.447	1.753.963	11
		3.187.447	1.753.963	
Prepayments and accrued income include prepayments fees relating to the following financial		orimarily lease p	payments and	
Share capital				12
Specification of the share capital: Shares, 537.634 in the denomination of 1 DKK		537.634	537.634	
		537.634	537.634	



					Note
Long-term liabilities					13
	1/1 2017	31/12 2017	Repayment	Debt outstanding	
	total liabilities	total liabilities	next year	after 5 years	
Other liabilities	8.762.608	9.256.531	2.950.000	0	
Lease liabilities	48.215.720	63.317.434	10.967.785	11.684.251	
	56.978.328	72.573.965	13.917.785	11.684.251	
Accruals and deferred income Accruals and deferred income recognised as liabilities include income for recognition in the following financial yaer. Accruals and deferred income are measured at cost.					
Contingencies etc.					15
Contingent liabilities					
			2017	2016	
			DKK	DKK	
Liabilities according to tenancy con Liabilities according to tenancy con				955.800	
until expiry:	_	•		23.373.771	

Liabilities according to external tenancy contracts relate to a non-terminable tenancy period of 12 to 26 months. Liabilities according to intercompany tenancy contract concern non-terminable tenancy periods of 3 months and 8 years.

Moreover, the company has issued a letter of support to the subsidiary Eurographic A/S in which the company states it will, by the necessary contributions, guarantee the company's obligations and ensure the company's continued operations. This letter of support is in force until further notice and may be terminated at a coming annual general meeting giving a notice of at least 12 months.

#### Joint liabilities

The company is jointly and severally liable together with the parent company and the other Group companies in the joint taxable Group for tax on the Group's joint taxable income and for certain possible withholding taxes such as dividend tax.

Tax payable on the Group's joint taxable income is stated in the annual report of Mols & Grønborg Invest ApS, which serves as management company for the joint taxation.

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#### **NOTES**

	Note
Charges and securities  Effective 1 January 2017 the company merged with Zeuner Grafisk A/S, with Scandinavian Print Group A/S as the continuing company. For this purpose the company took over the following charges and securities from Zeuner Grafisk A/S:	16
As security for bank debt to Danske Bank of a carrying amount of DKK ('000) 7,197 at 31 December 2017, a receivables charge of DKK ('000) 6,000 has been issued. The security is also	

Moreover, as security for the above bank debt, an owner's mortgage of a nominal amount of DKK ('000) 2,263 has been issued which is secured on the company's property, which was sold at 31 December 2017.

# Related parties 17 Controlling interest

#### Other related parties having performed transactions with the company

provided with regard to the parent company's accounts with bank.

The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

#### Transactions with related parties

The company did not carry out any substantial transactions that were not concluded on market conditions.

#### Consolidated financial statements

The company is included in the consolidated financial statements of Mols & Grønborg Invest ApS, P.O. Pedersens Vej 26, 8200 Aarhus N, CVR no. 31330645.



The annual report of Scandinavian Print Group A/S for 2017 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

The annual report is prepared consistently with the accounting principles used last year.

#### **Business combination**

The company merged, backdated to 1 January 2017, with the former subsidiary Zeuner Grafisk A/S. The combination method is applied in relation to the merger, including the book value method according to which the combination is made at the date of acquisition which is considered to be 1 January 2017.

Recognition and measurement of the business combination is made at book value, and the comparative figures have not been adjusted.

#### Consolidated financial statements

Consolidated financial statements have not been prepared because the Group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of Mols & Grønborg Invest ApS, P.O. Pedersens Vej 26, 8200 Aarhus N, CVR no. 31330645.

#### **INCOME STATEMENT**

#### Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

#### Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

#### Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

#### Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

#### Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

#### Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.



#### Investments in subsidiaries and associates

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

The income statement of the owner company recognises the proportional share of the results of each associate after proportional elimination of intercompany profits/losses and deduction of amortisation of goodwill.

#### Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

#### Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.



#### **BALANCE SHEET**

#### Intangible fixed assets

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

#### Tangible fixed assets

Production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Production plant and machinery Other plant, fixtures and equipment Leasehold improvements	3-10 years 3-10 years 3-8 years	0-40% 0% 0%

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

#### Lease contracts

Lease contracts relating to tangible fixed assets where the company bears all material risks and benefits attached to the ownership (finance lease) are recognised as assets in the balance sheet. The assets are at the initial recognition measured at calculated cost equal to the lower of fair value and present value of the future lease payments. The internal interest rate of the lease contract is used as discounting factor or an approximate value when calculating the present value. Finance lease assets are depreciated similarly to the company's other tangible fixed assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability and the interest portion of the lease payment is recognised in the income statement over the term of the contract.

#### Fixed asset investments

Investments in subsidiaries and associates are measured in the company's balance sheet under the equity method.

Investments in subsidiaries and associates are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill.



Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, using on an overall assessment of the production equipments.

Consolidated goodwill is amortised over the expected useful life determined on the basis of management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the period of amortisation which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries and associates with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the company has a legal or actual liability to cover the subsidiary's and associates' deficit.

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

#### Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

#### Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

#### Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

#### Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.



#### Cash and cash equivalents

#### Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

#### Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

#### Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

The income statements of foreign subsidiaries and associates fulfilling the criteria for being independent entities are translated at an average exchange rate for the month and balance sheet items are translated at the rate of exchange on the balance sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the balance sheet date and from translation of income statements from average rate to the rates of the balance sheet date are recognised directly in the equity.



#### **CASH FLOW STATEMENT**

With reference to Section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement.