
European Freeze Dry ApS

Karlebyvej 81, DK-4070 Kirke Hyllinge

Annual Report for 2022

CVR No. 25 31 22 79

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 19/7 2023

Anne Kristine Jørsboe
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of European Freeze Dry ApS for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Kirke Hyllinge, 19 July 2023

Executive Board

Jette Ramgaard
CEO

Board of Directors

Benny Dalgaard Loft
Chairman

Thomas Marstrand

Kasper Sandø Jensen

Independent Auditor's report

To the shareholder of European Freeze Dry ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of European Freeze Dry ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Management's responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the 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.

Independent Auditor's report

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 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 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.

Odense M, 19 July 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mikael Johansen

State Authorised Public Accountant

mne23318

Claus Damhave

State Authorised Public Accountant

mne34166

Company information

| | |
|---------------------------|---|
| The Company | European Freeze Dry ApS Karlebyvej 81 DK-4070 Kirke Hyllinge CVR No: 25 31 22 79 Financial period: 1 January - 31 December Municipality of reg. office: Kirke Hyllinge |
| Board of Directors | Benny Dalgaard Loft, chairman Thomas Marstrand Kasper Sandø Jensen |
| Executive Board | Jette Ramgaard |
| Auditors | PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Munkebjergvænget 1, 3. og 4. sal 5230 Odense M |

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------|---------|---------|---------|---------|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Key figures | | | | | |
| Profit/loss | | | | | |
| Gross profit/loss | 24,729 | 16,631 | 12,734 | 29,019 | 36,223 |
| Profit/loss before financial income and expenses | 494 | -6,450 | -9,610 | 3,279 | 9,601 |
| Profit/loss of financial income and expenses | -1,405 | 4,639 | 5,201 | 3,408 | 2,155 |
| Net profit/loss | -348 | 16 | 541 | 6,059 | 9,950 |
| Balance sheet | | | | | |
| Balance sheet total | 112,878 | 110,384 | 102,205 | 124,696 | 146,282 |
| Investment in property, plant and equipment | 2,062 | 1,817 | 541 | 9,017 | 4,891 |
| Equity | 28,551 | 30,297 | 28,437 | 46,758 | 59,433 |
| Number of employees | 32 | 29 | 34 | 34 | 38 |
| Ratios | | | | | |
| Return on assets | 0.4% | -5.8% | -9.4% | 2.6% | 6.6% |
| Solvency ratio | 25.3% | 27.4% | 27.8% | 37.5% | 40.6% |
| Return on equity | -1.2% | 0.1% | 1.4% | 11.4% | 16.7% |

The calculation for ratios in % are made in accordance with the description under "Accounting policies".

Management's review

Key activities

The Company deals primarily with the manufacturing and sale of freeze-dried food ingredients and contract manufacturing of food products. Furthermore, the Company manufactures and sells its own freeze-dried meals and also private label meals and freeze-dried food ingredients to the retail market.

The Company mainly operates on the European market, serving customers from two plants in Denmark and one plant in the UK.

Development in the year

The income statement of the Company for 2022 shows a loss of DKK 348,184, and at 31 December 2022 the balance sheet of the Company shows positive equity of DKK 28,551,495.

The past year and follow-up on development expectations from last year

In the Annual Report for 2021 the Company expected a result of DKK 1 million in 2022. In 2022 the Company has improved its earnings before financial items due to higher turnover due to the increased activities and prices. However, the Company's margins have been under pressure due to the high energy costs in 2022.

For 2023 the profit for the year is expected to be in the range of DKK 3 - 7 million.

Capital resources

Please refer to note 1 to the Financial Statements.

Foreign exchange risks

The Company evaluates on an ongoing basis the need to use financial instruments to hedge net positions and future transactions. At 31 December 2022 the Company has not entered into any hedge agreements.

Research and development

A continuous focus on the development of own new branded products and private label products for customers, as well as for commission drying customers is vital to the Company to maintain market leadership.

External environment

The Company is environmentally conscious and works from a sustainability point of view, both with suppliers, customers and in own operations.

Unusual events

The financial position at 31 December 2022 of the Company and the results of the activities and cash flows of the Company for the financial year for 2022 have not been affected by any unusual events.

Subsequent events

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

Income statement 1 January - 31 December

| | Note | 2022 DKK | 2021 DKK |
|---|------|-------------------|-------------------|
| Gross profit | | 24,728,635 | 16,630,714 |
| Staff expenses | 2 | -19,211,125 | -18,309,049 |
| Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment | 3 | -5,023,312 | -4,772,135 |
| Profit/loss before financial income and expenses | | 494,198 | -6,450,470 |
| Income from investments in subsidiaries | | 1,642,246 | 6,497,535 |
| Financial income | 4 | 444,715 | 477,476 |
| Financial expenses | 5 | -3,492,297 | -2,336,379 |
| Profit/loss before tax | | -911,138 | -1,811,838 |
| Tax on profit/loss for the year | 6 | 562,954 | 1,828,000 |
| Net profit/loss for the year | 7 | -348,184 | 16,162 |

Balance sheet 31 December

Assets

| | Note | 2022 DKK | 2021 DKK |
|---|----------|--------------------|--------------------|
| Acquired licenses | | 39,912 | 89,413 |
| Intangible assets | 8 | 39,912 | 89,413 |
| Land and buildings | | 17,873,441 | 19,101,028 |
| Plant and machinery | | 21,313,922 | 22,677,832 |
| Other fixtures and fittings, tools and equipment | | 803,563 | 1,265,165 |
| Property, plant and equipment | 9 | 39,990,926 | 43,044,025 |
| Investments in subsidiaries | 10 | 19,930,274 | 26,099,702 |
| Receivables from group enterprises | 11 | 21,917,989 | 22,263,554 |
| Fixed asset investments | | 41,848,263 | 48,363,256 |
| Fixed assets | | 81,879,101 | 91,496,694 |
| Raw materials and consumables | | 943,607 | 337,993 |
| Finished goods and goods for resale | | 8,582,973 | 6,997,000 |
| Inventories | | 9,526,580 | 7,334,993 |
| Trade receivables | | 10,807,540 | 4,827,551 |
| Receivables from group enterprises | | 4,268,054 | 0 |
| Other receivables | | 1,174,836 | 1,909,899 |
| Deferred tax asset | 12 | 3,801,923 | 3,238,969 |
| Corporation tax receivable from group enterprises | | 0 | 82,000 |
| Prepayments | 13 | 900,166 | 377,615 |
| Receivables | | 20,952,519 | 10,436,034 |
| Cash at bank and in hand | | 519,891 | 1,116,550 |
| Current assets | | 30,998,990 | 18,887,577 |
| Assets | | 112,878,091 | 110,384,271 |

Balance sheet 31 December

Liabilities and equity

| | Note | 2022 DKK | 2021 DKK |
|--|------|--------------------|--------------------|
| Share capital | | 750,000 | 750,000 |
| Reserve for net revaluation under the equity method | | 970,274 | 7,139,702 |
| Retained earnings | | 26,831,221 | 22,407,591 |
| Equity | | 28,551,495 | 30,297,293 |
| Other payables | | 1,461,455 | 1,415,265 |
| Long-term debt | 14 | 1,461,455 | 1,415,265 |
| Credit institutions | | 72,010,063 | 68,041,456 |
| Prepayments received from customers | | 0 | 352,878 |
| Trade payables | | 7,324,983 | 6,317,165 |
| Payables to group enterprises | 14 | 0 | 885,082 |
| Other payables | 14 | 3,530,095 | 3,075,132 |
| Short-term debt | | 82,865,141 | 78,671,713 |
| Debt | | 84,326,596 | 80,086,978 |
| Liabilities and equity | | 112,878,091 | 110,384,271 |
| Going concern | 1 | | |
| Contingent assets, liabilities and other financial obligations | 15 | | |
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Statement of changes in equity

| | Share capital | Reserve for net revaluation under the equity method | Retained earnings | Total |
|------------------------------|----------------|---|----------------------|-------------------|
| | DKK | DKK | DKK | DKK |
| Equity at 1 January | 750,000 | 7,139,702 | 22,407,591 | 30,297,293 |
| Exchange adjustments | 0 | -1,397,614 | 0 | -1,397,614 |
| Net profit/loss for the year | 0 | -4,771,814 | 4,423,630 | -348,184 |
| Equity at 31 December | 750,000 | 970,274 | 26,831,221 | 28,551,495 |

Notes to the Financial Statements

1. Going concern

The Company and its bankers have agreed on a total credit limit on existing bank loans of DKK 74 million. The Company has used the current bankers for several years. The framework agreement is applicable for the time being and will be renegotiated once a year, next time in October 2023, for which reason the bank loans have been recognised as short-term debt.

The Company is dependent on a continuous credit limit. Management expects the credit limit to be renewed by a minimum of one year as previously.

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| | DKK | DKK |
| 2. Staff Expenses | | |
| Wages and salaries | 16,356,588 | 15,537,341 |
| Pensions | 1,867,384 | 1,733,959 |
| Other social security expenses | 410,097 | 380,300 |
| Other staff expenses | 577,056 | 657,449 |
| | <u>19,211,125</u> | <u>18,309,049</u> |
| Including remuneration to the Executive Board and Board of Directors: | | |
| Executive board | 1,561,050 | |
| Board of directors | 375,000 | |
| | <u>1,936,050</u> | |
| Average number of employees | <u>32</u> | <u>29</u> |

Remuneration to the Executive Board has not been disclosed in 2021 in accordance with section 98 B(3) of the Danish Financial Statements Act.

| | <u>2022</u> | <u>2021</u> |
|---|------------------|------------------|
| | DKK | DKK |
| 3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment | | |
| Amortisation of intangible assets | 49,500 | 58,833 |
| Depreciation of property, plant and equipment | 4,973,812 | 4,713,302 |
| | <u>5,023,312</u> | <u>4,772,135</u> |

Notes to the Financial Statements

| | <u>2022</u> | <u>2021</u> |
|--|----------------|----------------|
| | DKK | DKK |
| 4. Financial income | | |
| Interest received from group enterprises | 420,761 | 451,935 |
| Other financial income | 23,954 | 17,394 |
| Exchange adjustments | 0 | 8,147 |
| | <u>444,715</u> | <u>477,476</u> |

| | <u>2022</u> | <u>2021</u> |
|------------------------------------|------------------|------------------|
| | DKK | DKK |
| 5. Financial expenses | | |
| Interest paid to group enterprises | 121,653 | 0 |
| Other financial expenses | 3,247,028 | 2,336,379 |
| Exchange loss | 123,616 | 0 |
| | <u>3,492,297</u> | <u>2,336,379</u> |

| | <u>2022</u> | <u>2021</u> |
|--|-----------------|-------------------|
| | DKK | DKK |
| 6. Income tax expense | | |
| Deferred tax for the year | -561,963 | -1,828,000 |
| Adjustment of deferred tax concerning previous years | -991 | 0 |
| | <u>-562,954</u> | <u>-1,828,000</u> |

| | <u>2022</u> | <u>2021</u> |
|---|-----------------|---------------|
| | DKK | DKK |
| 7. Profit allocation | | |
| Reserve for net revaluation under the equity method | -4,771,814 | 0 |
| Retained earnings | 4,423,630 | 16,162 |
| | <u>-348,184</u> | <u>16,162</u> |

Notes to the Financial Statements

8. Intangible fixed assets

| | Acquired licenses |
|---|----------------------|
| | DKK |
| Cost at 1 January | 1,010,110 |
| Cost at 31 December | <u>1,010,110</u> |
| Impairment losses and amortisation at 1 January | 920,698 |
| Amortisation for the year | 49,500 |
| Impairment losses and amortisation at 31 December | <u>970,198</u> |
| Carrying amount at 31 December | <u>39,912</u> |

9. Property, plant and equipment

| | Land and buildings | Plant and machinery | Other fixtures and fittings, tools and equipment |
|---|--------------------------|--------------------------|---|
| | DKK | DKK | DKK |
| Cost at 1 January | 48,791,242 | 51,985,591 | 3,180,624 |
| Additions for the year | 0 | 2,062,313 | 0 |
| Disposals for the year | 0 | -141,600 | 0 |
| Cost at 31 December | <u>48,791,242</u> | <u>53,906,304</u> | <u>3,180,624</u> |
| Impairment losses and depreciation at 1 January | 29,690,213 | 29,307,760 | 1,915,459 |
| Depreciation for the year | 1,227,588 | 3,284,622 | 461,602 |
| Impairment losses and depreciation at 31 December | <u>30,917,801</u> | <u>32,592,382</u> | <u>2,377,061</u> |
| Carrying amount at 31 December | <u>17,873,441</u> | <u>21,313,922</u> | <u>803,563</u> |

Notes to the Financial Statements

| | 2022 | 2021 |
|--|-------------------|-------------------|
| | DKK | DKK |
| 10. Investments in subsidiaries | | |
| Cost at 1 January | 18,960,000 | 18,960,000 |
| Cost at 31 December | 18,960,000 | 18,960,000 |
| Value adjustments at 1 January | 7,139,702 | 5,297,993 |
| Exchange adjustment | -1,397,614 | 1,843,974 |
| Net profit/loss for the year | 3,104,177 | 6,497,535 |
| Dividend to the Parent Company | -6,414,060 | -6,499,800 |
| Change in intercompany profit on inventories | -1,461,931 | 0 |
| Value adjustments at 31 December | 970,274 | 7,139,702 |
| Carrying amount at 31 December | 19,930,274 | 26,099,702 |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Ownership |
|-----------------------------|----------------------------|-----------|
| European Freeze Dry Limited | United Kingdom | 100% |

11. Other fixed asset investments

| | Receivables from group enterprises |
|---------------------------------------|------------------------------------|
| | DKK |
| Cost at 1 January | 22,263,553 |
| Disposals for the year | -345,564 |
| Cost at 31 December | 21,917,989 |
| Carrying amount at 31 December | 21,917,989 |

Notes to the Financial Statements

| | <u>2022</u> | <u>2021</u> |
|---|-------------------------|-------------------------|
| | DKK | DKK |
| 12. Deferred tax asset | | |
| Deferred tax asset at 1 January | 3,238,969 | 1,492,969 |
| Amounts recognised in the income statement for the year | 562,954 | 1,746,000 |
| Amounts recognised in equity for the year | 991 | 1,410,969 |
| Deferred tax asset at 31 December | <u>3,801,923</u> | <u>3,238,969</u> |

As part of the Company's deferred tax asset, the value of tax loss carryforwards is included by DKK 1,214 thousand. Management has decided to recognise the value of the tax loss based on the expectations of future results. Management expects that the tax asset relating to the tax loss carryforwards will be utilised within three to five years.

13. Prepayments

Prepaid expenses mainly consists of prepaid insurance, subscriptions etc.

14. 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:

| | <u>2022</u> | <u>2021</u> |
|---------------------------|-------------------------|-------------------------|
| | DKK | DKK |
| Other payables | | |
| After 5 years | 1,314,844 | 1,312,039 |
| Between 1 and 5 years | 146,611 | 103,226 |
| Long-term part | 1,461,455 | 1,415,265 |
| Within 1 year | 0 | 0 |
| Other short-term payables | 3,530,095 | 3,075,132 |
| | <u>4,991,550</u> | <u>4,490,397</u> |

Notes to the Financial Statements

| | 2022 | 2021 |
|--|------|------|
| | DKK | DKK |

15. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

| | | |
|--|------------|------------|
| Bank loans are secured by way of receivables from EFD Investment A/S with a carrying amount of | 21,917,989 | 22,263,553 |
| Mortgage deeds registered to the mortgagor totalling kDKK 15,000, providing security on land and buildings as well as other property, plant and equipment at a total carrying amount of: | 17,873,441 | 19,101,028 |

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

| | | |
|---------------|----------|---------------|
| Within 1 year | 0 | 38,076 |
| | <u>0</u> | <u>38,076</u> |

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of EFD Investment A/S, which is the management company of the joint taxation purposes. Moreover, 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 withholding taxes may increase the Company's liability.

16. Related parties and disclosure of consolidated financial statements

| | <u>Basis</u> |
|--|-----------------|
| Controlling interest | |
| Erhvervsinvest III K/S, Charlottenlund | Ultimate parent |
| EFD Investment A/S | Parent Company |

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

| <u>Name</u> | <u>Place of registered office</u> |
|--------------------|-----------------------------------|
| EFD Investment A/S | Charlottenlund |

Notes to the Financial Statements

17. Subsequent events

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

Notes to the Financial Statements

18. Accounting policies

The Annual Report of European Freeze Dry ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2022 of EFD Investment A/S, Charlottenlund, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of EFD Investment A/S, Charlottenlund, the Company has not prepared a cash flow statement.

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.

Leases

All 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

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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

Income statement

Net sales

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 Company.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales as well as office expenses, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, 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.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Notes to the Financial Statements

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 Danish Group companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intangible fixed assets

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 3 year.

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 - 33 years |
| Plant and machinery | 3 - 25 years |
| Other fixtures and fittings, tools and equipment | 3 - 10 years |

The residual values are estimated at the following percentage of the cost:

| | |
|----------------------|-----|
| Production buildings | 6 % |
|----------------------|-----|

The residual value of other fixed assets is determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments 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.

Notes to the Financial Statements

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 DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of

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 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 management.

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company’s experience from previous years.

Prepayments

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

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, including the tax base of tax loss carry-forwards, 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.

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.

Notes to the Financial Statements

Financial debts

Loans, such as 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.

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

Financial Highlights

Explanation of financial ratios

| | |
|------------------|--|
| Return on assets | $\text{Profit before financials} \times 100 / \text{Total assets at year end}$ |
| Solvency ratio | $\text{Equity at year end} \times 100 / \text{Total assets at year end}$ |
| Return on equity | $\text{Net profit for the year} \times 100 / \text{Average equity}$ |