

AZELIS DENMARK A/S
Lundtoftegårdsvej 95
2800 Kongens Lyngby
Business Registration No
26991064

Annual report 2018

The Annual General Meeting adopted the annual report on

Chairman of the General Meeting



Name: Steffen Kristensen

Contents

| | <u>Page</u> |
|--|--------------------|
| Entity details | 1 |
| Statement by Management on the annual report | 2 |
| Independent auditor's report | 3 |
| Management commentary | 6 |
| Income statement for 2018 | 9 |
| Balance sheet at 31.12.2018 | 10 |
| Statement of changes in equity for 2018 | 12 |
| Notes | 13 |
| Accounting policies | 19 |

Entity details

Entity

AZELIS DENMARK A/S
Lundtoftegårdsvej 95
2800 Kongens Lyngby

Central Business Registration No (CVR): 26991064

Registered in: Lyngby-Taarbæk

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Anna Bertona
Steffen Kristensen
Thijs William Bakker
Gert Allan Schnoor

Executive Board

Gert Allan Schnoor

Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of AZELIS DENMARK A/S for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Kgs. Lyngby,

Executive Board



Gert Allan Schnoor

Board of Directors



Anna Bertona



Steffen Kristensen



Thijs William Bakker



Gert Allan Schnoor

Independent auditor's report

To the shareholders of Azelis Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company's operations year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Azelis Denmark A/S for the financial year 1 January - 31 December 201x, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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' 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 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.

Independent auditor's report

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.

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 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.
- 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.

Independent auditor's report

- 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.

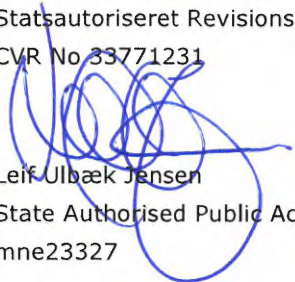
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 16.05.2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

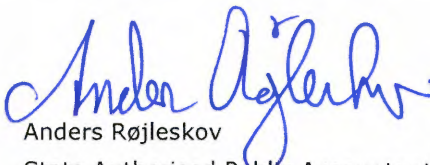
CVR No. 33771231



Leif Ulbæk Jensen

State Authorised Public Accountant

mne23327



Anders Røjleskov

State Authorised Public Accountant

mne28699

Management commentary

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------|---------|----------|----------|----------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Financial highlights | | | | | |
| Key figures | | | | | |
| Revenue | 399.689 | 410.371 | 317.662 | 299.986 | 312.596 |
| Gross profit/loss | 49.695 | 51.708 | 41.353 | 30.301 | 39.012 |
| Operating profit/loss | (5.443) | (4.696) | 2.114 | (26.138) | (17.285) |
| Net financials | (2.249) | (2.732) | (2.487) | (8.251) | (8.131) |
| Profit/loss for the year | (4.796) | (6.337) | (234) | (34.466) | (30.845) |
| Total assets | 138.335 | 271.744 | 223.572 | 211.793 | 265.396 |
| Investments in property, plant and equipment | 18 | 447 | 242 | 849 | 2.654 |
| Equity | 24.401 | 29.525 | (18.557) | (18.300) | 33.771 |
| Average numbers of employees | 60 | 63 | 55 | 54 | 52 |
| Ratios | | | | | |
| Gross margin (%) | 12,4 | 12,6 | 13,0 | 10,1 | 12,5 |
| Net margin (%) | (1,2) | (1,5) | (0,1) | (11,5) | (9,9) |
| Return on equity (%) | (17,8) | (115,6) | (1,3) | (445,6) | (142,5) |
| Equity ratio (%) | 17,6 | 10,9 | (8,3) | (8,6) | 12,7 |
| Revenue per employee | 6.661,5 | 6.513,8 | 5.775,7 | 5.555,3 | 6.011,5 |

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

The comparative figures are adjusted as a result of the business combination between Azelis Denmark Smoke Ingredients A/S, Azelis Nordic Holding ApS and Azelis Denmark A/S.

The comparative figures has not been adjusted as a result of the business combination with LCH A/S as of 1. January 2017 because the company was adjusted in 2017.

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

Management commentary

Primary activities

The Groups most significant business activity is to sell Chemicals and Food Ingredients primarily within the Nordic market area.

Development in activities and finances

In April 2018 the Company's facility for Smoke production in Havnelev, Zealand partly burned down. This incident has had a significant negative impact on the Company's business activities within the Food Ingredients segment (DKK 5 mill.) caused by the missing production. The Company is in the process to restart the production in a new property near St. Heddinge, Zealand. The facility is expected to be operational in the late spring of 2019.

The Company is still in negotiation with the insurance companies regarding the compensation for the damaged building, fixed assets and business interruption. The compensation is expected to be within DKK 15-20 mill.

The Company has gained several significant mandates during 2018, which will strengthen the Food segment in the future.

The Company's income statement of the financial year 01.01.2018 to 31.12.2018 shows a result of DKK - 4.796.138 and the Balance Sheet at 31.12.2018 a balance sheet total of DKK 161.237.219 and an Equity of DKK 24.401.001.

The result for the year has, besides the above mentioned fire incident, improved in most business segments but is still negatively influenced by the mild winter, extraordinary impairment of the inventory and amortization of Good-Will related to the acquired company. The Company's results are not deemed satisfactory.

Outlook

For 2019 the Company expects an increase in revenue and an improved result.

Material assumptions and uncertainties

The financing facility held by the Parent, Azelis Holding S.A., and utilized by the Group, including Azelis Denmark A/S, is subject to financial covenants which the Group forecasts will be met within the next 12-month period. Full details of the Group's facility and going concern status are included within the consolidated financial statements of Azelis Holding S.A., 19 rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg.

Statutory report on corporate social responsibility

The Azelis Group has developed a global strategy for Corporate Social Responsibility (CSR). The Azelis Group has issued a CSR Statement, which can be requested from the company.

The CSR policy has been developed and based on the globally recognized standards of "Global Compact", the UN's 17 "Sustainable Development Goals", ISO 2600 and GRI4.

The Azelis Group priorities and policies includes all 7 core subjects of Corporate Social Responsibility: Organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues and community involvement and development.

Management commentary

Report on Corporate Social Responsibility, cf. Section 99 a of the Danish Financial Statements Act

For information about CSR, please refer to EQT's Principles for Responsible Investment report that can be found here: <https://www.eqtpartners.com/globalassets/sustainability/eqt-ri-transparency-report-2019-1.pdf>.

Statutory report on the underrepresented gender

Azelis Denmark A/S does not have a specific policy regarding the Gender distribution in the Board, however the Company board of 4 persons does have the required split of Gender of 25/75.

The Company will work for increasing the number of females within the Management so that it will be at least 40% of the general assembly elected members of the Board of Directors and that the number of females also will be increased in the underlying management levels.

The staff policy is taken care off centrally and is supervised by the Board of Directors. The goal shall be achieved by equal career possibilities for both genders.

By the end of 2018 the number of females amongst the general assembly elected members of the Board of Directors was 25%. By the end of 2018 there was no females representation in the Management level.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

| | <u>Notes</u> | <u>2018 DKK</u> | <u>2017 DKK</u> |
|---|--------------|---------------------------|---------------------------|
| Revenue | 1 | 399.689.208 | 410.370.564 |
| Changes in inventories of finished goods and work in progress | | (12.723.581) | (7.308.770) |
| Cost of sales | | (299.629.026) | (314.106.766) |
| Other external expenses | 2 | <u>(37.641.988)</u> | <u>(37.247.367)</u> |
| Gross profit/loss | | 49.694.613 | 51.707.661 |
| Staff costs | 3 | (41.311.024) | (44.596.666) |
| Depreciation, amortisation and impairment losses | 4 | (5.165.949) | (4.151.690) |
| Other operating expenses | | (8.660.414) | (7.655.077) |
| Operating profit/loss | | (5.442.774) | (4.695.772) |
| Income from investments in group enterprises | | 1.489.601 | 1.176.133 |
| Other financial income from group enterprises | | 3.203.428 | 6.642.435 |
| Other financial income | | 1.978.663 | 929.766 |
| Financial expenses from group enterprises | | (5.365.279) | (10.044.117) |
| Other financial expenses | | <u>(3.555.392)</u> | <u>(1.436.321)</u> |
| Profit/loss before tax | | (7.691.753) | (7.427.876) |
| Tax on profit/loss for the year | 5 | <u>2.895.615</u> | <u>1.090.713</u> |
| Profit/loss for the year | 6 | <u>(4.796.138)</u> | <u>(6.337.163)</u> |

Balance sheet at 31.12.2018

| | <u>Notes</u> | <u>2018 DKK</u> | <u>2017 DKK</u> |
|--|--------------|---------------------------|---------------------------|
| Acquired intangible assets | | 15.960.851 | 15.891.944 |
| Goodwill | | 17.437.525 | 20.660.462 |
| Intangible assets | 7 | <u>33.398.376</u> | <u>36.552.406</u> |
| Land and buildings | | 6.338.594 | 254.022 |
| Plant and machinery | | 671.658 | 2.187.528 |
| Other fixtures and fittings, tools and equipment | | 246.634 | 412.264 |
| Property, plant and equipment in progress | | 2.464.275 | 0 |
| Property, plant and equipment | 8 | <u>9.721.161</u> | <u>2.853.814</u> |
| Investments in group enterprises | | 12.051.045 | 11.950.126 |
| Fixed asset investments | 9 | <u>12.051.045</u> | <u>11.950.126</u> |
| Fixed assets | | <u>55.170.582</u> | <u>51.356.346</u> |
| Work in progress | | 392.201 | 86.249 |
| Manufactured goods and goods for resale | | 39.077.442 | 36.164.883 |
| Inventories | | <u>39.469.643</u> | <u>36.251.132</u> |
| Trade receivables | | 11.402.897 | 39.401.999 |
| Receivables from group enterprises | | 4.801.317 | 127.985.993 |
| Deferred tax | 10 | 7.611.156 | 5.680.131 |
| Other receivables | | 11.215.001 | 2.116.294 |
| Prepayments | 11 | 1.229.198 | 342.481 |
| Receivables | | <u>36.259.569</u> | <u>175.526.898</u> |
| Cash | | <u>7.435.118</u> | <u>8.609.437</u> |
| Current assets | | <u>83.164.330</u> | <u>220.387.467</u> |
| Assets | | <u>138.334.912</u> | <u>271.743.813</u> |

Balance sheet at 31.12.2018

| | <u>Notes</u> | <u>2018 DKK</u> | <u>2017 DKK</u> |
|--|--------------|---------------------------|---------------------------|
| Contributed capital | | 3.000.000 | 3.000.000 |
| Retained earnings | | <u>21.401.001</u> | <u>26.525.281</u> |
| Equity | | <u>24.401.001</u> | <u>29.525.281</u> |
| Payables to group enterprises | | <u>11.503.086</u> | <u>146.973.204</u> |
| Non-current liabilities other than provisions | 12 | <u>11.503.086</u> | <u>146.973.204</u> |
| Trade payables | | 47.587.605 | 43.425.874 |
| Payables to group enterprises | | 33.136.693 | 23.806.366 |
| Income tax payable | | 0 | 6.581.467 |
| Other payables | | 17.733.397 | 18.629.825 |
| Deferred income | 13 | <u>3.973.130</u> | <u>2.801.796</u> |
| Current liabilities other than provisions | | <u>102.430.825</u> | <u>95.245.328</u> |
| Liabilities other than provisions | | <u>113.933.911</u> | <u>242.218.532</u> |
| Equity and liabilities | | <u>138.334.912</u> | <u>271.743.813</u> |
| Unrecognised rental and lease commitments | 14 | | |
| Contingent liabilities | 15 | | |
| Assets charged and collateral | 16 | | |
| Related parties with controlling interest | 17 | | |
| Group relations | 18 | | |

Statement of changes in equity for 2018

| | Contributed capital DKK | Retained earnings DKK | Total DKK |
|---------------------------|--|--------------------------------------|----------------------|
| Equity beginning of year | 3.000.000 | 26.525.281 | 29.525.281 |
| Exchange rate adjustments | 0 | (328.142) | (328.142) |
| Profit/loss for the year | 0 | (4.796.138) | (4.796.138) |
| Equity end of year | 3.000.000 | 21.401.001 | 24.401.001 |

Notes

1. Revenue

Revenue is recognized exclusive of VAT and net of discounts relating to sales. The Company has no significant markets besides the Danish market. In consideration of the Company's chemical segments, the Company considers distribution of different chemicals as one business segment.

2. Fees to the auditor appointed by the Annual General Meeting

| | 2018 | 2017 |
|-------------------------|----------------|----------------|
| | DKK | DKK |
| Mandatory audit | 260.000 | 324.336 |
| Other assurance reports | 20.000 | 20.000 |
| | 280.000 | 344.336 |

3. Staff costs

| | 2018 | 2017 |
|-----------------------------|-------------------|-------------------|
| | DKK | DKK |
| Wages and salaries | 37.463.366 | 40.031.825 |
| Pension costs | 2.945.586 | 3.697.074 |
| Other social security costs | 902.072 | 867.767 |
| | 41.311.024 | 44.596.666 |

| | | |
|-----------------------------|-----------|-----------|
| Average number of employees | 60 | 63 |
|-----------------------------|-----------|-----------|

| | Remunera- tion of manage- ment 2018 DKK | Remunera- tion of manage- ment 2017 DKK |
|--------------------|--|--|
| Executive Board | 1.373.283 | 1.958.666 |
| Board of Directors | 1.912.969 | 1.721.884 |
| | 3.286.252 | 3.680.550 |

Notes

| | 2018 | 2017 |
|--|--------------------|----------------------|
| | DKK | DKK |
| 4. Depreciation, amortisation and impairment losses | | |
| Amortisation of intangible assets | 4.315.413 | 2.718.265 |
| Depreciation of property, plant and equipment | 850.536 | 1.433.425 |
| | 5.165.949 | 4.151.690 |
| | | |
| | 2018 | 2017 |
| | DKK | DKK |
| 5. Tax on profit/loss for the year | | |
| Current tax | (964.590) | 7.072.655 |
| Change in deferred tax | (1.931.025) | (8.163.368) |
| | (2.895.615) | (1.090.713) |
| | | |
| | 2018 | 2017 |
| | DKK | DKK |
| 6. Proposed distribution of profit/loss | | |
| Retained earnings | (4.796.138) | (6.337.163) |
| | (4.796.138) | (6.337.163) |
| | | |
| | Acquired | Goodwill |
| | intangible | DKK |
| | assets | DKK |
| | DKK | DKK |
| 7. Intangible assets | | |
| Cost beginning of year | 23.686.384 | 253.758.641 |
| Additions | 1.161.383 | 0 |
| Cost end of year | 24.847.767 | 253.758.641 |
| | | |
| Amortisation and impairment losses beginning of year | (7.794.440) | (233.098.179) |
| Amortisation for the year | (1.092.476) | (3.222.937) |
| Amortisation and impairment losses end of year | (8.886.916) | (236.321.116) |
| | | |
| Carrying amount end of year | 15.960.851 | 17.437.525 |

Notes

| | Land and buildings DKK | Plant and machinery DKK | Other fixtures and fittings, tools and equipment DKK | Property, plant and equipment in progress DKK |
|---|---------------------------------------|--|---|--|
| 8. Property, plant and equipment | | | | |
| Cost beginning of year | 1.695.982 | 25.040.920 | 4.451.941 | 0 |
| Additions | 6.137.447 | 508.570 | 51.336 | 2.464.275 |
| Disposals | 0 | (5.767.783) | (998.768) | 0 |
| Cost end of year | 7.833.429 | 19.781.707 | 3.504.509 | 2.464.275 |
| Depreciation and impairment losses | | | | |
| beginning of year | (1.441.960) | (22.853.391) | (4.039.677) | 0 |
| Depreciation for the year | (52.875) | (701.985) | (95.676) | 0 |
| Reversal regarding disposals | 0 | 4.445.327 | 877.478 | 0 |
| Depreciation and impairment losses end of year | (1.494.835) | (19.110.049) | (3.257.875) | 0 |
| Carrying amount end of year | 6.338.594 | 671.658 | 246.634 | 2.464.275 |

Notes

| | Invest- ments in group enterprises DKK |
|---|---|
| 9. Fixed asset investments | |
| Cost beginning of year | 11.037.424 |
| Cost end of year | 11.037.424 |
| Share of profit/loss for the year | 1.310.896 |
| Revaluations end of year | 1.310.896 |
| Impairment losses beginning of year | 912.702 |
| Exchange rate adjustments | (328.143) |
| Reversal of impairment losses | (881.834) |
| Impairment losses end of year | (297.275) |
| Carrying amount end of year | 12.051.045 |
| | Equity inte- rest % |
| | Registered in |
| Investments in joint ventures companies | |
| Azelis Norway | Norway 100,0 |
| Azelis Sweden | Sweden 100,0 |
| Azelis Finland | Finland 100,0 |
| | 2018 DKK |
| 10. Deferred tax | |
| Changes during the year | |
| Beginning of year | 5.680.131 |
| Recognised in the income statement | 1.931.025 |
| End of year | 7.611.156 |

The deferred tax asset has been included in the balance per Dec 31st 2018 with t.kr. 7,611. The company's deductible tax asset amount to t.kr. 13,498. It is the management's assessment that the tax asset within a 5 year period, can be used in future positive taxable income. The total tax asset amounts to t.kr. 15,484.

Notes

The tax asset is included in the balance sheet based on the managements expectations to the result of the future operations of the company, and therefore naturally is subject to uncertainty.

11. Prepayments

Prepayments consist of prepaid expenses concerning rent and lease agreements for offices and cars as well as prepaid insurance premiums.

| | Outstanding after 5 years DKK |
|--|--|
| 12. Liabilities other than provisions | |
| Payables to group enterprises | <u>11.503.086</u> |
| | <u>11.503.086</u> |

13. Deferred income

Deferred income consist of income received for recognition in subsequent financial years.

| | 2018 DKK | 2017 DKK |
|--|--------------------------|-------------------------|
| 14. Unrecognised rental and lease commitments | | |
| Liabilities under rental or lease agreements until maturity in total | <u>13.710.705</u> | <u>9.945.520</u> |
| Unrecognised rental and lease commitments consists of rent commitments of DKK 10.549.000 (DKK 6.055.590 in 2017) and operational leasing of DKK 3.161.705 (DKK 3.889.930 in 2017). | | |

15. Contingent liabilities

No contingent liabilities exist at the balance sheet date.

16. Assets charged and collateral

Estimated insurance compensation related to the fire incident in 2018 has been estimated to a level of DKK 20 million. Due to uncertainty relating to the negotiations with the insurance companies regarding the different damaged parts (Building, fixed assets, Inventories and Business interruption), no estimated insurance compensation has been recognized in the annual report for 2018.

17. Related parties with controlling interest

Azelis S. A. is the 100 % owner of Azelis Denmark A/S, all transactions with related parties have been conducted on market terms.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Akita Midco S.A.R.L.

Notes

19 Rue Gabriel Lippmann, L-6365 Munsbach Luxembourg.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

Income statement

Revenue

Income from the sale of goods is recognised in the Income Statement from the date of delivery and when the risk has passed to the buyer if it is possible to calculate the income reliably. The revenue is calculated exclusive of VAT, charges and discounts.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Cost of sales

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

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other operating expenses

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

Income from investments in group enterprises

Income from equity investments comprises the proportionate share of profit/loss after tax and any adjustment of internal profit/loss and less amortisation of consolidated goodwill.

Accounting policies

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Estimated useful lives and residual values are reassessed annually.

Intellectual property rights etc

Intangible assets, including licences and acquired rights etc., are measured at cost less accumulated amortisation and impairment losses.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|---|------------|
| Concessions, patents, licens, trademarks and other similar rights | 7-10 years |
| Goodwill | 7 years |
| Supplier list | 20 years |

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|--|-------------|
| Buildings | 20-50 years |
| Plant and machinery | 5-10 years |
| Other fixtures and fittings, tools and equipment | 3-10 years |
| Leasehold improvements | 5 years |

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Estimated useful lives and residual values are reassessed annually.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

Accounting policies

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

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

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

According to the section 86 (4) of the the Danish Financial Statement Act, no cash flow statement has been prepared as it is included in the consolidated financial statement of Azelis Holding S.A.