

Azelis Denmark A/S

Lyskær 5
2730 Herlev
CVR No. 26991064

Annual report 2021

The Annual General Meeting adopted the
annual report on 29.03.2022

Per Løwe Jacobsen

Chairman of the General Meeting

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Entity details

Entity

Azelis Denmark A/S

Lyskær 5

2730 Herlev

Business Registration No.: 26991064

Registered office: Herlev

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Anna Bertona, chairman

Gert Allan Schnoor

Thijs William Bakker

Per Løwe Jacobsen

Executive Board

Gert Allan Schnoor, adm.dir.

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

2900 Hellerup

CVR No.: 33 77 12 31

Statement by Management

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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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.

Herlev, 29.03.2022

Executive Board

Gert Allan Schnoor
adm.dir.

Board of Directors

Anna Bertona
chairman

Gert Allan Schnoor

Thijs William Bakker

Per Løwe Jacobsen

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 2021, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 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 2021, 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' 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.

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 over-ride of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 29.03.2022,

PricewaterhouseCoopers

CVR No. 33 77 12 31

Leif Ulbæk Jensen

State Authorised Public Accountant

Identification No (MNE) mne23327

Anders Røjleskov

State Authorised Public Accountant

Identification No (MNE) mne28699

Management commentary

Financial highlights

	2021	2020	2019	2018	2017
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	409,475	382,280	377,141	399,689	410,371
Gross profit/loss	61,546	55,372	70,400	49,695	51,708
Operating profit/loss	13,187	10,407	13,408	(5,443)	(4,696)
Net financials	(2,527)	(7,408)	(6,751)	(2,249)	(2,732)
Profit/loss for the year	5,831	2,536	6,657	(4,796)	(6,337)
Total assets	141,838	125,898	144,792	138,335	271,744
Investments in property, plant and equipment	3,172	10,284	21,993	18	447
Equity	39,186	33,270	30,934	24,401	29,525
Average number of employees	55	57	62	60	63
Ratios					
Gross margin (%)	15.03	14.48	18.67	12.43	12.60
Net margin (%)	1.42	0.66	1.77	-1.20	-1.54
Return on equity (%)	16.10	7.90	24.06	-17.79	-115.6
Equity ratio (%)	29.16	26.42	21.36	17.64	10.87
Revenue per employee	7,445	6,707	6,083	6,662	6,514

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

The Company's income statement of the financial year 1. January 2021 to 31. December 2021 shows a result of DKK 5,830,564 and the Balance Sheet at 31. December 2021 a balance sheet total of DKK 134,375,163 and an Equity of DKK 39,186,316.

The Company has evolved our product portfolio during 2021, which will strengthen specially the Food segment in the future. The company has not experienced any significant changes due to the impact of COVID-19 on the performance or the financial position and has not for 2021 applied for any Covid-19 compensation schemes.

The result for the year has improved in most business segments.

Profit/loss for the year in relation to expected developments

The Company's ordinary results are deemed satisfactory and in line with expectations for 2021

Outlook

The Company's outlook for the future will most likely be limited affected by the COVID-19 outbreak and the measures taken by governments in Denmark to mitigate the impacts of the outbreak.

For 2022 the company expects a in revenue in the range of DKK 421,200,000 to DKK 429,000,000 and improved results in the range of DKK 6.250.000 to DKK 6.375.000.

Environmental performance

We continuously contribute to sustainable solutions by taking care of and protecting the environment through both customers and suppliers. We strive to improve our processes in a sustainable manner through our way of working and producing our products in our factory. We work to improve the proportion of environmentally correct materials that emit as little CO₂ as possible during procurement and by following a sustainable waste management process.

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 2021

	Notes	2021 DKK	2020 DKK
Revenue	3	409,475,296	382,280,054
Changes in inventories of finished goods and work in progress		(10,954,450)	(9,596,836)
Other operating income		0	3,087,432
Cost of sales		(303,344,384)	(288,489,175)
Other external expenses		(33,630,359)	(31,083,833)
Gross profit/loss		61,546,103	56,197,642
Staff costs	4	(41,135,621)	(38,765,996)
Depreciation, amortisation and impairment losses	5	(7,223,114)	(7,025,115)
Operating profit/loss		13,187,368	10,406,531
Income from investments in group enterprises		(1,603,187)	(5,425,326)
Other financial income from group enterprises		41,113	408,792
Other financial income		1,187,285	542,348
Financial expenses from group enterprises		(490,541)	(1,911,009)
Other financial expenses		(3,264,883)	(1,486,387)
Profit/loss before tax		9,057,155	2,534,949
Tax on profit/loss for the year	6	(3,226,591)	975
Profit/loss for the year	7	5,830,564	2,535,924

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Acquired intangible assets		13,942,086	13,781,014
Goodwill		7,926,141	11,096,597
Intangible assets	8	21,868,227	24,877,611
Land and buildings		16,306,770	16,293,415
Plant and machinery		15,211,189	16,012,112
Other fixtures and fittings, tools and equipment		86,910	53,260
Property, plant and equipment in progress		141,698	334,406
Property, plant and equipment	9	31,746,567	32,693,193
Investments in group enterprises		7,520,008	4,955,600
Financial assets	10	7,520,008	4,955,600
Fixed assets		61,134,802	62,526,404
Work in progress		0	988
Manufactured goods and goods for resale		48,533,238	36,565,566
Inventories		48,533,238	36,566,554
Trade receivables		11,637,880	12,012,609
Receivables from group enterprises		11,582,430	5,207,564
Deferred tax	11	4,657,000	7,612,131
Other receivables		2,172,306	1,400,115
Prepayments	12	1,894,250	351,067
Receivables		31,943,866	26,583,486
Cash		226,231	221,425
Current assets		80,703,335	63,371,465
Assets		141,838,137	125,897,869

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		3,000,000	3,000,000
Retained earnings		36,186,316	30,270,070
Equity		39,186,316	33,270,070
Other payables		0	3,540,532
Non-current liabilities other than provisions		0	3,540,532
Bank loans		7,021,800	2,520,985
Lease liabilities		55,808	76,679
Trade payables		34,729,481	26,450,105
Payables to group enterprises		46,265,887	45,056,720
Tax payable		271,460	0
Other payables		13,964,609	14,812,696
Deferred income	13	342,776	170,082
Current liabilities other than provisions		102,651,821	89,087,267
Liabilities other than provisions		102,651,821	92,627,799
Equity and liabilities		141,838,137	125,897,869

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Statement of changes in equity for 2021

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	3,000,000	30,270,070	33,270,070
Exchange rate adjustments	0	85,682	85,682
Profit/loss for the year	0	5,830,564	5,830,564
Equity end of year	3,000,000	36,186,316	39,186,316

Notes

1 Going concern

Capital resources and going concern

The Financial Statements have been presented on a going concern basis. In order to ensure this assumption, the Company has received a Letter of Comfort from Azelis Group NV concerning infusion of the necessary liquidity and capital up to 12 months from the approval of the Financial Statements.

On this basis, Management has presented the Financial Statements on a going concern basis

2 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.

3 Revenue

The company has no significant markets, besides the Nordic markets. In consideration of the Company segments, the Company considers distribution of different chemicals of DKK 89.6 million (2020: DKK 84.1 million) and life sciences of DKK 319.9 million (2020: 298.1 million) as two separate segments.

4 Staff costs

	2021	2020
	DKK	DKK
Wages and salaries	37,108,126	35,223,823
Pension costs	3,298,745	3,032,582
Other social security costs	728,750	509,591
	41,135,621	38,765,996
Average number of full-time employees	55	57

No remuneration is paid to the Board of Directors. The Executive Board only consist of one person and therefore remuneration is not disclosed.

5 Depreciation, amortisation and impairment losses

	2021	2020
	DKK	DKK
Amortisation of intangible assets	4,219,907	4,236,094
Depreciation of property, plant and equipment	3,003,207	2,789,021
	7,223,114	7,025,115

6 Tax on profit/loss for the year

	2021	2020
	DKK	DKK
Current tax	271,460	0
Change in deferred tax	2,955,131	(975)
	3,226,591	(975)

Reference is made to note-disclosure 10.

7 Proposed distribution of profit and loss

	2021	2020
	DKK	DKK
Retained earnings	5,830,564	2,535,924
	5,830,564	2,535,924

8 Intangible assets

	Acquired intangible assets DKK	Goodwill DKK
Cost beginning of year	24,002,018	251,392,788
Additions	1,210,523	0
Cost end of year	25,212,541	251,392,788
Amortisation and impairment losses beginning of year	(10,221,004)	(240,296,191)
Amortisation for the year	(1,049,451)	(3,170,456)
Amortisation and impairment losses end of year	(11,270,455)	(243,466,647)
Carrying amount end of year	13,942,086	7,926,141

9 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	17,660,933	28,973,619	3,230,945	334,406
Additions	977,205	1,204,665	79,018	911,070
Disposals	(17,845)	0	(210,000)	(1,103,778)
Cost end of year	18,620,293	30,178,284	3,099,963	141,698
Depreciation and impairment losses beginning of year	(1,367,518)	(12,961,507)	(3,177,685)	0
Depreciation for the year	(952,251)	(2,005,588)	(45,368)	0
Reversal regarding disposals	6,246	0	210,000	0
Depreciation and impairment losses end of year	(2,313,523)	(14,967,095)	(3,013,053)	0
Carrying amount end of year	16,306,770	15,211,189	86,910	141,698
Recognised assets not owned by entity		74,772		

10 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	11,037,424
Additions	3,673,485
Cost end of year	14,710,909
Impairment losses beginning of year	(6,081,824)
Exchange rate adjustments	85,682
Share of profit/loss for the year	(1,603,187)
Reversal of impairment losses	408,428
Impairment losses end of year	(7,190,901)
Carrying amount end of year	7,520,008

Investments in subsidiaries	Registered in	Equity interest %
Azelis Norway AS	Norway	100
Azelis Sweden AB	Sweden	100
Azelis Finland Oy	Finland	100

11 Deferred tax

Changes during the year	2021 DKK
Beginning of year	7,612,131
Recognised in the income statement	(2,955,131)
End of year	4,657,000

The total tax asset amounts to DKK 8,592,000 (DKK 10,679,000 in 2020) whereof DKK 4,657,000 has been recognised in the balance sheet.

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, including the result of the pending tax audit, refer to comments in note 14. It is the managements assessment that the tax assets within a 5 year period, can be used in future positive taxable income.

12 Prepayments

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

13 Deferred income

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

14 Unrecognised rental and lease commitments

	2021 DKK	2020 DKK
Liabilities under rental or lease agreements until maturity in total	23,352,959	11,642,313

Unrecognised rental and lease commitments consists of rent commitments of DKK 20,936,874 (DKK 8,460,846 in 2020) and operational leasing of DKK 2.416.085 (DKK 3,181,467 in 2020).

15 Contingent liabilities

At the balance sheet date, the Company is part of an ongoing tax case regarding the income years 2013-2016. The Tax Authorities has brought forward a claim for an increase of the taxable income of total DKK 9.4 mio. Management does not agree with the Tax Authorities' claim and assessment. No further contingent liabilities exist at the balance sheet date.

16 Related parties with controlling interest

Azelis S.A., 19 Rue Gabriel Lippmann, L-6365 Munsbach Luxembourg, is the 100 % owner of Azelis Denmark A/S. All transactions with related parties have been conducted on market terms.

17 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

18 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest and biggest group: Akita Midco S.A.R.L., 19 Rue Gabriel Lippmann, L-6365 Munsbach Luxembourg.

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to section 112(1) / 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

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

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.

Other operating income

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

Cost of goods sold

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.

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.

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.

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.

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.

Lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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.

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

In accordance with Act S. 86, para (4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement as the cash flow statement is included in the ultimate parent company.

Financial Highlights

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

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