Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
City Tower, Værkmestergade 2
8000 Aarhus C

Telefon 89 41 41 41
Telefax 89 41 42 43
www.deloitte.dk

Nutrimin A/S
Bodalen 11
8643 Ans By
Central Business Registration No
28513518

Annual report 2016

The Annual General Meeting adopted the annual report on 26.04.2017

Chairman of the General Meeting

Name: Jesper Ørskov Nielsen

Contents

Entity details

Entity
Nutrimin A/S
Bodalen 11
8643 Ans By

Central Business Registration No: 28513518
Founded: 22.03.2005
Registered in: Silkeborg
Financial year: 01.01.2016 - 31.12.2016

Board of Directors
Per Lyngaa, chairman
Jesper Ørnskov Nielsen
Lars Bjerre Staunsbæk
Morten Balle
Torben Nielsen

Executive Board
Lars Bjerre Staunsbæk

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Nutrimin A/S for the financial year 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

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.

Ans By, 26.04.2017

Executive Board

Lars Bjerre Staunsbæk

Board of Directors

Per Lyngaa chairman	Jesper Ørnskov Nielsen	Lars Bjerre Staunsbæk
Morten Balle	Torben Nielsen	

Independent auditor's report

To the shareholders of Nutrimin A/S

Opinion

We have audited the financial statements of Nutrimin A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's 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 Entity’s ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

- 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 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.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Aarhus, 26.04.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Michael Bach
State Authorised Public Accountant

Management commentary

	2016	2015	2014	2013	2012
	DKK'000	**DKK'000**	**DKK'000**	**DKK'000**	**DKK'000**
Financial highlights					
Key figures					
Gross profit	28,407	18,201	13,493	5,952	(299)
Operating profit/loss	11,169	6,916	4,978	(821)	(938)
Net financials	(1,191)	(1,393)	(1,546)	(1,292)	47
Profit/loss for the year	7,819	4,360	2,736	(1,376)	(696)
Total assets	77,845	59,281	53,784	48,966	39,394
Investments in property, plant and equipment	1,216	2,142	713	27,845	26,759
Equity	24,493	16,953	12,548	9,969	11,226
Ratios					
Return on equity (%)	37.7	29.6	24.3	(13.0)	(12.3)
Equity ratio (%)	31.5	28.6	23.3	20.4	28.5

The Company’s activity has changed from the financial year 2012 and onwards. 2012 is thus the startup year for the new activity.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities
The Company's activities consist of production and direct sale of mineral mixtures and piglet feed on the Danish market as well as production and sale of vitamin mixtures and premixtures to the Danish market as well as the export market.

Development in activities and finances
In its fourth whole production year, the Company has succeeded in increasing revenue by 20%. Profit for the year after tax of DKK 7,819k is satisfactory in a market where the primary customer group's earnings are considered subject to extensive pressure.

Outlook
Nutrimin is provided with a good starting point at the onset of 2017, and as a result of the continuously increasing level of activity, a profit is expected for 2017.

Particular risks
The Company's raw material risks are minimised, whenever possible, by entering into purchase contracts that minimise open positions on raw materials.

To ensure quality control at Nutrimin A/S, a certification according to the standards FAMI-QS is implemented.

The quality control system describes all steps in the process from approval of suppliers and purchase of raw materials to production and delivery of the finished goods to the customer.

The Company is vulnerable to the market conditions of the primary agriculture. To eliminate this risk, debtors are credit insured to the widest possible extent.

By far the largest part of revenue and purchase is conducted in DKK. The rest is in EUR. Therefore, the Company's currency risks are considered very minimal.

Intellectual capital resources
A Nutrimin guide has been prepared to ensure the following:

- An equal partnership
- The ability to acquire and communicate knowledge as well as a good deal of business practice
- Only bearing this in mind, we can ensure our customers the optimal feed mix.

Environmental performance
Nutrimin A/S has no policy for corporate social responsibility, but we pay much attention to environmental impacts from our factory. Nutrimin A/S meets the requirements of workplace evaluation, appraisals and working environment organisation, the overall task of which is to create the basis for a good, sound and safe working environment at Nutrimin.

Management commentary

HACCP own check and risk analysis deal with feed hygiene, and all steps in the individual processes are assessed. HACCP provides an overview of the risks and errors that are typical in the manufacturing process. Therefore, HACCP contributes to increasing the level of protection of human and animal health.

To ensure as low environmental impact as possible when delivering goods to Danish customers, the Company uses trucks that are approved according to class Euro 6.

Research and development activities

In 2016, Nutrimin A/S has again updated its production plant, in particular in order to meet the demand on the Danish and the export markets.

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 2016

	Notes	2016 DKK	2015 DKK
Gross profit		**28,406,887**	**18,200,714**
Staff costs	1	(13,678,246)	(8,098,578)
Depreciation, amortisation and impairment losses	2	(3,559,170)	(3,186,150)
Operating profit/loss		**11,169,471**	**6,915,986**
Other financial income		1,807	13,408
Other financial expenses		(1,193,092)	(1,406,899)
Profit/loss before tax		**9,978,186**	**5,522,495**
Tax on profit/loss for the year	3	(2,158,838)	(1,162,100)
Profit/loss for the year	4	**7,819,348**	**4,360,395**

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Completed development projects		203,700	407,400
Goodwill		179,317	0
Intangible assets	5	**383,017**	**407,400**
Land and buildings		10,876,996	11,301,301
Plant and machinery		15,332,452	16,931,216
Other fixtures and fittings, tools and equipment		200,619	292,929
Property, plant and equipment	6	**26,410,067**	**28,525,446**
Other investments		20,000	0
Fixed asset investments	7	**20,000**	**0**
Fixed assets		**26,813,084**	**28,932,846**
Raw materials and consumables		29,917,011	13,232,849
Inventories		**29,917,011**	**13,232,849**
Trade receivables		16,213,502	16,002,739
Receivables from group enterprises		24,775	23,075
Other receivables		119,899	224,300
Prepayments	8	38,727	458,131
Receivables		**16,396,903**	**16,708,245**
Cash		**4,718,254**	**407,531**
Current assets		**51,032,168**	**30,348,625**
Assets		**77,845,252**	**59,281,471**

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Contributed capital	9	5,000,000	5,000,000
Retained earnings		19,493,258	11,652,573
Proposed dividend		0	300,000
Equity		**24,493,258**	**16,952,573**
Deferred tax	10	1,393,700	1,155,400
Provisions		**1,393,700**	**1,155,400**
Mortgage debts		4,263,484	4,544,290
Non-current liabilities other than provisions	11	**4,263,484**	**4,544,290**
Current portion of long-term liabilities other than provisions	11	298,452	292,944
Bank loans		19,330,541	16,903,415
Trade payables		19,939,374	15,728,305
Income tax payable		1,920,538	0
Other payables		6,205,905	3,704,544
Current liabilities other than provisions		**47,694,810**	**36,629,208**
Liabilities other than provisions		**51,958,294**	**41,173,498**
Equity and liabilities		**77,845,252**	**59,281,471**
Contingent liabilities	13		
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Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	5,000,000	11,652,573	300,000	16,952,573
Ordinary dividend paid	0	0	(300,000)	(300,000)
Extraordinary dividend paid	0	(10,800)	0	(10,800)
Value adjustments	0	32,137	0	32,137
Profit/loss for the year	0	7,819,348	0	7,819,348
Equity end of year	**5,000,000**	**19,493,258**	**0**	**24,493,258**

Cash flow statement 2016

	Notes	2016 DKK	2015 DKK
Operating profit/loss		11,169,471	6,915,986
Amortisation, depreciation and impairment losses		3,559,170	3,186,150
Working capital changes	12	(9,628,253)	(1,407,380)
Cash flow from ordinary operating activities		**5,100,388**	**8,694,756**
Financial income received		1,807	13,408
Financial income paid		(1,193,092)	(1,406,899)
Cash flows from operating activities		**3,909,103**	**7,301,265**
Acquisition etc of intangible assets		(203,000)	0
Acquisition etc of property, plant and equipment		(1,216,408)	(2,141,661)
Acquisition of fixed asset investments		(20,000)	0
Cash flows from investing activities		**(1,439,408)**	**(2,141,661)**
Instalments on loans etc		(275,298)	(270,018)
Dividend paid		(310,800)	0
Cash flows from financing activities		**(586,098)**	**(270,018)**
Increase/decrease in cash and cash equivalents		**1,883,597**	**4,889,586**
Cash and cash equivalents beginning of year		(16,495,884)	(21,385,470)
Cash and cash equivalents end of year		**(14,612,287)**	**(16,495,884)**
Cash and cash equivalents at year-end are composed of:			
Cash		4,718,254	407,531
Short-term debt to banks		(19,330,541)	(16,903,415)
Cash and cash equivalents end of year		**(14,612,287)**	**(16,495,884)**

Notes

	2016 DKK	2015 DKK
1. Staff costs		
Wages and salaries	12,686,929	7,454,341
Pension costs	773,421	500,061
Other social security costs	217,896	144,176
	13,678,246	**8,098,578**
Average number of employees	**27**	**20**

	Remunera-tion of manage-ment 2016 DKK	Remunera-tion of manage-ment 2015 DKK
Total amount for management categories	885,000	551,066
	885,000	**551,066**

	2016 DKK	2015 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	227,383	203,700
Depreciation of property, plant and equipment	3,331,787	2,982,450
	3,559,170	**3,186,150**

	2016 DKK	2015 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	1,920,538	0
Change in deferred tax for the year	238,300	1,162,100
	2,158,838	**1,162,100**

Notes

	2016 DKK	2015 DKK
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	300,000
Retained earnings	7,819,348	4,060,395
	7,819,348	**4,360,395**

	Completed development projects DKK	Goodwill DKK
5. Intangible assets		
Cost beginning of year	1,018,500	0
Additions	0	203,000
Cost end of year	**1,018,500**	**203,000**
Amortisation and impairment losses beginning of year	(611,100)	0
Amortisation for the year	(203,700)	(23,683)
Amortisation and impairment losses end of year	**(814,800)**	**(23,683)**
Carrying amount end of year	**203,700**	**179,317**

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
6. Property, plant and equipment			
Cost beginning of year	12,537,066	23,722,545	681,580
Additions	0	1,154,311	62,097
Cost end of year	**12,537,066**	**24,876,856**	**743,677**
Depreciation and impairment losses beginning of the year	(1,235,765)	(6,791,329)	(388,651)
Depreciation for the year	(424,305)	(2,753,075)	(154,407)
Depreciation and impairment losses end of the year	**(1,660,070)**	**(9,544,404)**	**(543,058)**
Carrying amount end of year	**10,876,996**	**15,332,452**	**200,619**

Notes

	Other investments DKK
7. Fixed asset investments	
Additions	20,000
Cost end of year	**20,000**
Carrying amount end of year	**20,000**

8. Prepayments

Prepayments comprise costs incurred relating to the next financial year.

	Number	Par value DKK	Nominal value DKK
9. Contributed capital			
Ordinary shares	5,000	1000	5,000,000
	5,000		**5,000,000**

	2016 DKK	2015 DKK
10. Deferred tax		
Intangible assets	45,900	89,600
Property, plant and equipment	1,347,800	1,314,800
Tax losses carried forward	0	(249,000)
	1,393,700	**1,155,400**

Changes during the year	
Beginning of year	1,155,400
Recognised in the income statement	238,300
End of year	**1,393,700**

Notes

	Instalments within 12 months 2016 DKK	Instalments within 12 months 2015 DKK	Instalments beyond 12 months 2016 DKK	Outstanding after 5 years DKK
11. Liabilities other than provisions				
Mortgage debts	298,452	292,944	4,263,484	3,293,045
	298,452	**292,944**	**4,263,484**	**3,293,045**

	2016 DKK	2015 DKK
12. Change in working capital		
Increase/decrease in inventories	(16,684,162)	1,716,893
Increase/decrease in receivables	300,542	(7,943,009)
Increase/decrease in trade payables etc	6,755,367	4,818,736
	(9,628,253)	**(1,407,380)**

13. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Nutrimin Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

14. Mortgages and securities

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

Bank debt is secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 4,000k nominal.

The carrying amount of mortgaged properties amounts to DKK 10,877k.

Bank debt is secured on a floating charge of DKK 22,500k nominal.

15. Related parties with controlling interest

Nutrimin Holding ApS, Bodalen 11, Ans By owns alle shares in the company and thus holds the full control.

Notes

16. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Nutrimin Holding ApS, Bodalen 11, Ans By

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.

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

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.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses.

Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Costs of raw materials and consumables
Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

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
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income
Other financial income comprises dividends and net capital gains on payables and transactions in foreign currencies etc.

Other financial expenses
Other financial expenses compriseinterest expenses and net capital losses on payables and transactions in foreign currencies 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 the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful

Accounting policies

life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation period used is 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation period used is 5 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	30 years
Plant and machinery	10-15 years
Other fixtures and fittings, tools and equipment	5-10 years

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.

Accounting policies

Other investments
Other investments comprise unlisted equity investsments which are measured at purchase prices fair value at the balance sheet date and unlisted equity investments measured at cost. Unlisted equity investments are written down to any lower net realisable value.

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.

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.

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

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at

Accounting policies

amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.