Aller Aqua A/S

Allervej 130, DK-6070 Christiansfeld

Annual Report for 1 January - 31 December 2019

CVR No 30 71 17 26

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 20/5 2020

Hans Erik Bylling
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Aller Aqua A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations and cash flows for 2019.

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

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aller, 20 May 2020

Executive Board

Hans Erik Bylling CEO	Carsten Jørgensen

Board of Directors

Anders Carøe Bylling	Henrik Thygesen Halken	Rolf Manfred Ebbesen
Carsten Jørgensen	Hans Erik Bylling	

Independent Auditor’s Report

To the Shareholder of Aller Aqua 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 2019 and of the results of the Company’s operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Aller Aqua A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies (”the Financial Statements”).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ”Auditor’s responsibilities for the audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ 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 Financials 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 misstate-

ment, 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor's Report

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.

Trekantområdet, 20 May 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen	Henrik Forthoft Lind
statsautoriseret revisor	statsautoriseret revisor
mne30224	mne34169

Company Information

The Company	Aller Aqua A/S Allervej 130 DK-6070 Christiansfeld Telephone: + 45 70 22 19 10 CVR No: 30 71 17 26 Financial period: 1 January - 31 December Municipality of reg. office: Kolding
Board of Directors	Anders Carøe Bylling Henrik Thygesen Halken Rolf Manfred Ebbesen Carsten Jørgensen Hans Erik Bylling
Executive Board	Hans Erik Bylling Carsten Jørgensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Financial Highlights

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

	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	444.387	630.824	601.628	521.665	554.073
Profit/loss before financial income and expenses	-17.054	-14.881	-12.454	17.649	16.437
Net financials	18.659	12.064	12.179	6.872	3.331
Net profit/loss for the year	3.355	72	2.869	17.350	15.267
Balance sheet					
Balance sheet total	374.174	382.789	374.664	277.508	231.501
Equity	57.587	54.232	54.160	67.292	61.941
Cash flows					
Cash flows from:					
- operating activities	11.631	-13.233	-66.265	-10.772	26.371
- investing activities	11.554	6.798	-45.520	-729	-1.302
including investment in property, plant and equipment	-1.078	-3.692	-4.417	-760	-1.916
Number of employees	52	52	48	44	39
Ratios					
Gross margin	4,9%	3,7%	3,4%	-9,0%	10,9%
Profit margin	-3,8%	-2,4%	-2,1%	3,4%	3,0%
Return on assets	-4,6%	-3,9%	-3,3%	6,4%	7,1%
Solvency ratio	15,4%	14,2%	14,5%	24,2%	26,8%
Return on equity	6,0%	0,1%	4,7%	26,9%	25,3%

For definitions, see under accounting policies.

Management's Review

Key activities

The company's activities primarily include manufacturing, production and sale of fish feed as well as trading with raw materials related to production.

Development in the year

The income statement of the Company for 2019 shows a profit of TDKK 3.355, and at 31 December 2019 the balance sheet of the Company shows equity of TDKK 57.587.

In 2019 Aller Aqua A/S focused on the increase of its sales and efficiency, and in this context a number of organizational changes and initiatives were launched, incl. new recruitments. The new colleagues will support and contribute to the continued development of the company.

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

In 2019 the company realized a result of TDKK 3.355 against TDKK 72 in 2018. The 2019 result does not live up to expectations.

The revenue in Aller Aqua A/S descreased with DKK 187 mio. or 30 % due to changed market conditions, customer composition etc. in some countries. At group level, total revenue increased by 3 %.

Special risks - operating risks and financial risks

Operating risks

The companys most significant operating risk is attached to the ability to be strongly positioned in the markets where the products are sold and to ensure that production prices are always competitive.

Foreign exchange risks

The existing price and currency risk are within the standard for the business. The company is continuously entering into contracts and forward foreign exchange contracts to cover the risks.

Targets and expectations for the year ahead

Profit expectations for the coming years are positive and the expectations is minimum a result as in 2019.

Research and development

Research is ongoing to develop and improve the products of the company.

Management's Review

External environment

The company is continuously working on securing a safe and healthy work environment in a way where environmental and climate conditions are included in the processes.

Statement on corporate social responsibility in accordance with Danish financial statement act section 99 a

For our statement on corporate social responsibility, we refer to our parent company, Aller Aqua Group A/S, annual report for 2019.

Statement on underrepresented gender in accordance with the Danish financial statement act section 99 b

Target for the Board of Directors

Among the five members of our Board of Directors all are males. Thereby, Aller Aqua A/S did not reach their goal to have one woman on the Board by 2019. The goal was not met as the general assembly did not find any need for replacement of the board member. The company have chosen to set a new target, of one woman on the Board by 2023.

Policy for other management levels

It is the company's policy to increase the number of women in our management team, but under the primary condition always to hire the most competent candidate for the job.

In 2019 we have continued to ensure that both genders are offered the same opportunities to further educate themselves as well as we have continued to nudge female talent within our organization to seek out career opportunities when relevant. When using external recruiters we require receiving a shortlist with both male and female candidates, and we generally strive for more women to enter into management. However, in 2019 too few management positions were vacant to show significant change in the overall gender split in our management team. We will continue our efforts in the years to come.

Subsequent events

The COVID-19 pandemic will not directly affect the company and it's operations. However indirectly some of our clients will be challenged in their supply to the HORECA markets. Moreover some of the physical markets where fish is typically sold has been closed down for a period. Hence we must expect some slowdown in sales as well as payments from the affected clients.

The turmoil on the financial markets has also led to turmoil on the currency rates which will also affect our business in selected markets.

However, it is too early to conclude the full impact of Covid-19.

Income Statement 1 January - 31 December

	Note	2019	2018
		TDKK	TDKK
Revenue		**444.387**	**630.824**
Change in inventories of finished goods, work in progress and goods for resale		-1.683	10.179
Other operating income		15.885	14.576
Expenses for raw materials and consumables		-380.542	-558.787
Other external expenses		-56.221	-73.298
Gross profit/loss		**21.826**	**23.494**
Staff expenses	2	-36.165	-35.416
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2.715	-2.762
Other operating expenses		0	-197
Profit/loss before financial income and expenses	3	**-17.054**	**-14.881**
Income from investments in subsidiaries		501	-501
Income from investments in associates		9.850	11.975
Financial income	4	11.697	7.845
Financial expenses	5	-3.389	-7.255
Profit/loss before tax		**1.605**	**-2.817**
Tax on profit/loss for the year	6	1.750	2.889
Net profit/loss for the year		**3.355**	**72**

Balance Sheet 31 December

Assets

	Note	2019	2018
		TDKK	TDKK
Acquired other similar rights		179	229
Intangible assets	7	**179**	**229**
Plant and machinery		6.456	8.106
Other fixtures and fittings, tools and equipment		3.102	3.098
Property, plant and equipment	8	**9.558**	**11.204**
Investments in associates	9	56.562	58.112
Other investments	10	1.545	439
Fixed asset investments		**58.107**	**58.551**
Fixed assets		**67.844**	**69.984**
Raw materials and consumables		21.360	24.019
Finished goods and goods for resale		35.868	34.184
Inventories		**57.228**	**58.203**
Trade receivables		94.885	96.682
Receivables from group enterprises		129.452	139.670
Receivables from associates		1.200	900
Other receivables		6.587	5.907
Deferred tax asset	13	7.720	5.667
Corporation tax		4.186	3.319
Prepayments	11	125	227
Receivables		**244.155**	**252.372**
Cash at bank and in hand		**4.947**	**2.230**
Currents assets		**306.330**	**312.805**
Assets		**374.174**	**382.789**

Balance Sheet 31 December

Liabilities and equity

	Note	2019	2018
		TDKK	TDKK
Share capital		10.000	10.000
Reserve for net revaluation under the equity method		12.338	14.301
Retained earnings		35.249	29.931
Equity		**57.587**	**54.232**
Provisions relating to investments in group enterprises		0	501
Provisions relating to investments in associates		1.978	0
Provisions		**1.978**	**501**
Other payables		809	0
Long-term debt	14	**809**	**0**
Credit institutions		74.327	83.562
Prepayments received from customers		727	0
Trade payables		50.476	45.325
Payables to group enterprises		184.807	196.039
Other payables	14	3.463	3.130
Short-term debt		**313.800**	**328.056**
Debt		**314.609**	**328.056**
Liabilities and equity		**374.174**	**382.789**
Subsequent events	1		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	10.000	14.301	29.931	54.232
Net profit/loss for the year	0	-1.963	5.318	3.355
Equity at 31 December	**10.000**	**12.338**	**35.249**	**57.587**

Cash Flow Statement 1 January - 31 December

	Note	2019	2018
		TDKK	TDKK
Net profit/loss for the year		3.355	72
Adjustments	16	-17.694	-11.994
Change in working capital	17	19.130	1.300
Cash flows from operating activities before financial income and expenses		**4.791**	**-10.622**
Financial income		11.697	7.846
Financial expenses		-3.609	-7.256
Cash flows from ordinary activities		**12.879**	**-10.032**
Corporation tax paid		-1.248	-3.201
Cash flows from operating activities		**11.631**	**-13.233**
Purchase of intangible assets		0	-250
Purchase of property, plant and equipment		-1.078	-3.692
Purchase of fixed asset investments etc		-1.106	-301
Sale of property, plant and equipment		60	984
Dividends received from associates		13.678	10.057
Cash flows from investing activities		**11.554**	**6.798**
Change of loans from credit institutions		-9.236	23.489
Change of loans from group entreprises		-11.232	-17.478
Cash flows from financing activities		**-20.468**	**6.011**
Change in cash and cash equivalents		**2.717**	**-424**
Cash and cash equivalents at 1 January		2.230	2.654
Cash and cash equivalents at 31 December		**4.947**	**2.230**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4.947	2.230
Cash and cash equivalents at 31 December		**4.947**	**2.230**

Notes to the Financial Statements

1 Subsequent events

The COVID-19 pandemic will not directly affect the company and it's operations. However indirectly some of our clients will be challenged in their supply to the HORECA markets. Moreover some of the physical markets where fish is typically sold has been closed down for a period. Hence we must expect some slowdown in sales as well as payments from the affected clients.

The turmoil on the financial markets has also led to turmoil on the currency rates which will also affect our business in selected markets.

However, it is too early to conclude the full impact of Covid-19.

	2019	2018
	TDKK	TDKK

2 Staff expenses

	2019	2018
Wages and salaries	32.190	31.736
Pensions	1.893	1.987
Other social security expenses	467	454
Other staff expenses	1.615	1.239
	36.165	**35.416**
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	1.195	1.426
Supervisory Board	352	378
	1.547	**1.804**
Average number of employees	**52**	**52**

3 Special items

	2019	2018
Write-downs of current assets, that exceed normal write-downs	0	13.047
	0	**13.047**

Notes to the Financial Statements

		2019	2018
		TDKK	TDKK
4	**Financial income**		
	Interest received from group enterprises	57	23
	Other financial income	11.640	7.822
		11.697	**7.845**

5	**Financial expenses**		
	Interest paid to group enterprises	2.116	2.058
	Other financial expenses	1.273	5.197
		3.389	**7.255**

6	**Tax on profit/loss for the year**		
	Current tax for the year	0	0
	Deferred tax for the year	-2.053	-3.114
	Adjustment of tax concerning previous years	132	225
	Adjustment of deferred tax concerning previous years	171	0
		-1.750	**-2.889**

7 Intangible assets

	Acquired other similar rights
	TDKK
Cost at 1 January	250
Cost at 31 December	250
Impairment losses and amortisation at 1 January	21
Amortisation for the year	50
Impairment losses and amortisation at 31 December	71
Carrying amount at 31 December	**179**

Notes to the Financial Statements

8 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	28.962	6.674
Additions for the year	61	1.017
Disposals for the year	-1.229	-425
Cost at 31 December	27.794	7.266
Impairment losses and depreciation at 1 January	20.855	3.576
Depreciation for the year	1.712	961
Reversal of impairment and depreciation of sold assets	-1.229	-373
Impairment losses and depreciation at 31 December	21.338	4.164
Carrying amount at 31 December	**6.456**	**3.102**

Notes to the Financial Statements

	2019	2018
	TDKK	TDKK
9 Investments in associates		
Cost at 1 January	41.946	41.946
Additions for the year	300	0
Cost at 31 December	42.246	41.946
Value adjustments at 1 January	16.166	14.248
Net profit/loss for the year	9.850	11.975
Dividends received	-13.678	-10.057
Value adjustments at 31 December	12.338	16.166
Equity investments with negative net asset value transferred to provisions	1.978	0
Carrying amount at 31 December	**56.562**	**58.112**

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Binderup Mølle Damburg A/S	Aalborg, Danmark	tDKK 509	33%
Emsland Aller Aqua GmbH	Golßen, Tyskland	tEUR 363	45%

10 Other fixed asset investments

	Other investments
	TDKK
Cost at 1 January	439
Additions for the year	1.106
Cost at 31 December	1.545
Carrying amount at 31 December	**1.545**

Notes to the Financial Statements

11 Prepayments

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

12 Distribution of profit

	2019	2018
	TDKK	TDKK
Reserve for net revaluation under the equity method	-1.963	0
Retained earnings	5.318	72
	3.355	**72**

13 Deferred tax asset

Provision for deferred tax relates to difference between the carrying amount andt the tax value of tangible fixed assets, prepayments, inventories and tax loss carried forward.

	2019	2018
Deferred tax asset at 1 January	5.667	2.553
Amounts recognised in the income statement for the year	2.053	3.114
Deferred tax asset at 31 December	**7.720**	**5.667**

The deferred tax asset is recognised as it is expected that the company can utilise the tax loss within a few years. The prepared budgets, including the expectations for the future show, that the tax loss is expected to be utilised within a period of 3-5 years.

Notes to the Financial Statements

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2019	2018
	TDKK	TDKK
Other payables		
Between 1 and 5 years	809	0
Long-term part	809	0
Other short-term payables	3.463	3.130
	4.272	**3.130**

15 Derivative financial instruments

The company has entered into exchange contracts of mDKK 155 and forward foreign exchange contracts of mDKK 59 primarily to cover future payments.

16 Cash flow statement - adjustments

Financial income	-11.697	-7.845
Financial expenses	3.389	7.255
Depreciation, amortisation and impairment losses, including losses and gains on sales	2.715	2.959
Income from investments in subsidiaries	-501	501
Income from investments in associates	-9.850	-11.975
Tax on profit/loss for the year	-1.750	-2.889
	-17.694	**-11.994**

17 Cash flow statement - change in working capital

Change in inventories	975	15.295
Change in receivables	11.136	8.134
Change in trade payables, etc	7.019	-22.129
	19.130	**1.300**

Notes to the Financial Statements

	2019	2018
	TDKK	TDKK

18 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

	2019	2018
A floating charge of DKK 100.000t has been provided for debts to banks with intangible rights, machinery, inventories and receivables with a booked value of	166.743	173.159

The company has issued a guarantee of payment for an associated enterprise's balance with banks.

Rental and lease obligations

	2019	2018
Lease obligations, period of non-terminability until the 1 January 2030	24.480	26.928

The company has also entered into operational lease contracts in a limited scale. The lease contracts amounts to DKK 327t.

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Hans Erik Bylling Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

The company has signed contracts for future deliveries (purchase/sales) in a scale which is within the regular limits of the trade.

The parent company has issued a guarantee of payment for subsidiary's debt to a bank. The debt was mEUR 500 as at 31. december 2019.

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
Hans Erik Bylling	CEO and ultimative owner
Hans Erik Bylling Holding ApS	Parent company

Other related parties

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

Transactions

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

Consolidated Financial Statements

The company is included in the consolidated report for the parent companies

Name	Place of registered office
Hans Erik Bylling Holding ApS	Kolding
Aller Aqua Group A/S	Kolding

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Aller Aqua A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Aller Aqua Group A/S, the Company has not prepared consolidated financial statements.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Notes to the Financial Statements

20 Accounting Policies (continued)

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Revenue

Net revenue has not been split into activities and geographic markets due to competitive considerations, since there are only a few operators in the market.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with danish group companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

20 Accounting Policies (continued)

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	8 years
Other fixtures and fittings, tools and equipment	5-8 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items"Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

Notes to the Financial Statements

20 Accounting Policies (continued)

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Equity

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

20 Accounting Policies (continued)

Cash Flow Statement

The cash flow statement shows the Company´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$

Notes to the Financial Statements

20 Accounting Policies (continued)

Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$