

Midsona Danmark A/S

Klostermarken 20

9550 Mariager

Central Business Registration No

31493994

Annual report 2017

The Annual General Meeting adopted the annual report on 15.05.2018

Chairman of the General Meeting

Name: Peter Sven-Eric Åsberg

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Entity details

Entity

Midsona Danmark A/S
Klostermarken 20
9550 Mariager

Central Business Registration No: 31493994
Registered in: Mariager
Financial year: 01.01.2017 - 31.12.2017

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Board of Directors

Peter Sven-Eric Åsberg, formand
Ove Trygg
Per Olov Lennart Svensson
Susanna Romanini
Rikke Maagaard Esbjerg

Executive Board

Peter Overgaard

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 Midsona Danmark A/S for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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.

Mariager, 15.05.2018

Executive Board

Peter Overgaard

Board of Directors

Peter Sven-Eric Åsberg
chairman

Ove Trygg

Per Olov Lennart Svensson

Susanna Romanini

Rikke Maagaard Esbjerg

Independent Auditor's report

To the shareholders of Midsona Danmark A/S

Opinion

We have audited the financial statements of Midsona Danmark A/S for the financial year 01.01.2017 - 31.12.2017, 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 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 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, den. 15.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR): 33963556

Henrik Vedel

State Authorised Public Accountant

Identification No (MNE) 10052

Management commentary

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	421.741	434.442	437.426	368.469	353.762
Gross profit/loss	79.325	84.827	100.735	80.270	73.970
EBITDA	17.565	26.793	29.103	14.024	18.560
Operating profit/loss	11.549	20.388	21.473	7.533	13.400
Net financials	(1.533)	(2.345)	(2.435)	(1.559)	(1.835)
Profit/loss for the year	7.676	13.999	18.013	4.652	8.745
Total assets	150.716	157.220	156.211	132.528	127.512
Investments in property, plant and equipment	3.608	7.896	4.593	6.789	3.321
Equity	48.827	81.151	67.152	51.715	48.735
Ratios					
Return on equity (%)	11,8	18,9	30,3	9,3	19,0
Equity ratio (%)	32,4	51,6	43,0	39,0	38,2
Profit ratio (%)	2,7	4,7	5,0	2,0	4,0
Return on investment (%)	8,0	13,0	15,0	6,0	11,0

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

Ratios

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 (%)	$\frac{\text{Revenue} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Profit ratio (%)	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$	The share of revenue turning into profit.
Return on investment (%)	$\frac{\text{Operating profit/loss} \times 100}{\text{Average fixed assets}}$	The return generated by the Entity on the investors' funds.

Management commentary

Primary activities

The primary activities of the Company are development, production and sale of organic and vegetable foods as well as environmentally sound body care products with Ecocert certification.

Development in activities and finances

The Company's revenue for the financial year amounts to DKK 421.7m. The sales in other Scandinavian countries shifted during 2016 and 2017 from direct sales to sister companies.

Profit for the year amounted to DKK 7.675k. Profit for the year is considered acceptable.

On average, the company had 127 full-time employees.

Outlook

The company's expectation for 2018 is a very competitive market with little opportunities for improving turnover and profitability.

Particular risks

Business risks

The Company's most significant operating risk is related to the ability to continue being strongly positioned towards key customers in the food market in Scandinavia as well as in the most important export markets for body care products.

Moreover, the Company is dependent on delivery reliability on certified organic raw materials, which is sought hedged through long-term agreements with selected suppliers.

Financial risks

The Company imports a considerable part of its goods and is therefore exposed to exchange rate fluctuations of a number of currencies. Most of the import purchases are settled in euro, which the Company regards as a stable currency relative to Danish kroner, and there is therefore no risk hedging relating to euro. Other more volatile currencies are subjected to risk hedging based on an individual assessment.

Environmental performance

Environmental considerations and environmentally sound products as well as the aim of sustainability are important driving forces for Midsona.

Midsona Denmark A/S buildings are heated by straw-burning from a combined heating and power plant (biofuel), and the power supply comes partly from wind turbines and partly from environmentally sustainable electricity.

Midsona Denmark A/S is environmentally certified according to the ISO 14001 standard and has been so since 2000.

Midsona Denmark A/S gives high priority to the environment, and we continuously work on reducing our impact on the surrounding environment by reducing our consumption of electricity, water, and waste.

Management commentary

Research and development activities

As a natural part of our business activities, the Company has focus on continuous product development and has spent resources thereon in cooperation with national and international cooperative partners over the year.

Statutory report on corporate social responsibility

Reference is made to the CSR statement that is included in the consolidated financial statements of the parent company Midsona AB URL <https://www.midsona.com/investerare/rapporter/arsredovisningar/>

Statutory report on the underrepresented gender

The company's Board of Directors and Executive Board currently consists of 33% women. The company's goal is to increase the share of women on the Board and Directors and other managerial levels to 40% by the time of approval of the annual report of 2018 at the general meeting in 2019.

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 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Revenue		421.740.886	434.441.571
Other operating income	1	3.267.511	3.224.340
Cost of sales		(279.399.153)	(291.133.129)
Other external expenses		<u>(66.284.163)</u>	<u>(61.737.202)</u>
Gross profit/loss		79.325.081	84.826.580
Staff costs	2	(61.759.784)	(58.033.140)
Depreciation, amortisation and impairment losses	3	<u>(6.016.042)</u>	<u>(6.405.068)</u>
Operating profit/loss		11.549.255	20.388.372
Other financial income	4	122.252	319.552
Other financial expenses	5	<u>(1.655.224)</u>	<u>(2.664.607)</u>
Profit/loss before tax		10.016.283	18.043.317
Tax on profit/loss for the year	6	<u>(2.340.319)</u>	<u>(4.044.337)</u>
Profit/loss for the year	4	<u>7.675.964</u>	<u>13.998.980</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK</u>	<u>2016</u> <u>DKK</u>
Completed development projects		80.292	532.906
Goodwill		335.429	503.143
Intangible assets	8	<u>415.721</u>	<u>1.036.049</u>
Land and buildings		20.231.381	20.967.315
Plant and machinery		13.128.499	14.671.107
Leasehold improvements		344.399	248.841
Property, plant and equipment	9	<u>33.704.279</u>	<u>35.887.263</u>
Other receivables		1.868.100	1.199.100
Fixed asset investments	10	<u>1.868.100</u>	<u>1.199.100</u>
Fixed assets		<u>35.988.100</u>	<u>38.122.412</u>
Manufactured goods and goods for resale		67.070.885	61.812.808
Prepayments for goods		85.977	689.340
Inventories		<u>67.156.862</u>	<u>62.502.148</u>
Trade receivables		28.789.673	23.961.398
Receivables from group enterprises		11.823.902	7.097.286
Other receivables		645.314	582.951
Prepayments	11	1.328.053	2.220.861
Receivables		<u>42.586.942</u>	<u>33.862.496</u>
Cash		<u>4.984.373</u>	<u>22.733.357</u>
Current assets		<u>114.728.177</u>	<u>119.098.001</u>
Assets		<u>150.716.277</u>	<u>157.220.413</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital	12	5.881.225	5.881.225
Retained earnings		42.945.792	35.269.828
Proposed Dividends		0	40.000.000
Equity		<u>48.827.017</u>	<u>81.151.053</u>
Deferred tax		2.814.451	2.971.105
Provisions		<u>2.814.451</u>	<u>2.971.105</u>
Finance lease liabilities		811.246	1.328.368
Non-current liabilities other than provisions		<u>811.246</u>	<u>1.328.368</u>
Trade payables		40.189.263	48.428.884
Payables to group enterprises		36.463.690	507.433
Income tax payable		2.063.335	3.770.539
Other payables		19.547.275	19.063.031
Current liabilities other than provisions		<u>98.263.563</u>	<u>71.769.887</u>
Liabilities other than provisions		<u>99.074.809</u>	<u>73.098.255</u>
Equity and liabilities		<u>150.716.277</u>	<u>157.220.413</u>
Unrecognised rental and lease commitments	14		
Assets charged and collateral	15		
Transactions with related parties	16		
Group relations	17		

Statement of changes in equity 2017

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	5.881.225	35.269.828	40.000.000	81.151.053
Ordinary dividend paid	0	0	(40.000.000)	(40.000.000)
Profit/loss for the year	0	7.675.964	0	7.675.964
Equity end of year	5.881.225	42.945.792	0	48.827.017

Cash flow statement 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Operating profit/loss		11.549.255	20.388.372
Amortisation, depreciation and impairment losses		6.016.042	6.405.068
Working capital changes	13	<u>(18.178.280)</u>	<u>7.442.317</u>
Cash flow from ordinary operating activities		(612.983)	34.235.757
Financial income received		122.252	319.552
Financial income paid		(1.655.224)	(2.664.607)
Income taxes refunded/(paid)		<u>(4.272.611)</u>	<u>169.862</u>
Cash flows from operating activities		<u>(6.418.566)</u>	<u>32.060.564</u>
Acquisition etc of property, plant and equipment		(3.607.662)	(7.895.939)
Sale of property, plant and equipment		463.366	350.000
Acquisition of fixed asset investments		(669.000)	0
Sale of fixed asset investments		<u>0</u>	<u>54.710</u>
Cash flows from investing activities		<u>(3.950.162)</u>	<u>(7.491.229)</u>
Loans raised		0	134.800
Instalments on loans etc		(517.122)	(10.505.802)
Dividend paid		<u>(7.000.000)</u>	<u>0</u>
Cash flows from financing activities		<u>(7.517.122)</u>	<u>(10.371.002)</u>
Increase/decrease in cash and cash equivalents		(17.748.984)	14.198.333
Cash and cash equivalents beginning of year		<u>22.733.357</u>	<u>8.535.024</u>
Cash and cash equivalents end of year		<u>4.984.373</u>	<u>22.733.357</u>

Notes

	2017	2016
	DKK	DKK
1. Revenue		
Danmark	262.942.348	273.312.19
Andre EU-lande	110.035.889	125.913.95
Andre Europæiske lande	47.909.920	34.393.583
Øvrige lande	<u>852.729</u>	<u>821.954</u>
	<u>421.740.886</u>	<u>434.441.571</u>
Revenue by activity		
Pharmacies	148.683	124.730
Groceries	320.614.135	340.488.886
Internet/Mailorder	22.127.087	20.166.485
Health food stores	50.844.091	47.369.831
Other specialty retail	2.564.445	3.410.303
Other channels	19.340.992	16.954.087
Other Grocery	<u>6.101.453</u>	<u>5.927.249</u>
	<u>421.740.886</u>	<u>434.441.571</u>
	2017	2016
	DKK	DKK
2. Staff costs		
Wages and salaries	56.896.392	53.100.392
Pension costs	4.013.785	3.750.088
Other social security costs	<u>849.607</u>	<u>1.182.660</u>
	<u>61.759.784</u>	<u>58.033.140</u>
Average number of employees	<u>127</u>	<u>119</u>

Notes

	Remune- ration of manage- ment 2017 DKK	Remune- ration of manage- ment 2016 DKK
Total amount for management categories	<u>1.436.662</u>	<u>2.610.421</u>
	<u>1.436.662</u>	<u>2.610.421</u>
3. Depreciation, amortisation and impairment losses	<u>2017 DKK</u>	<u>2016 DKK</u>
Amortisation of intangible assets	620.328	1.222.637
Depreciation of property, plant and equipment	5.392.890	5.042.237
Profit/loss from sale of intangible assets and property, plant and equipment	2.824	140.194
	<u>6.016.042</u>	<u>6.405.068</u>
4. Other financial income	<u>2017 DKK</u>	<u>2016 DKK</u>
Financial income arising from group enterprises	0	223.285
Other interest income	9.569	96.267
Other financial income	<u>112.683</u>	<u>0</u>
	<u>122.252</u>	<u>319.552</u>
5. Other financial expenses	<u>2017 DKK</u>	<u>2016 DKK</u>
Financial expenses from group enterprises	679.251	0
Other interest expenses	916.482	1.677.018
Exchange rate adjustments	<u>59.491</u>	<u>987.589</u>
	<u>1.655.224</u>	<u>2.664.607</u>

Notes

	2017	2016
	DKK	DKK
6. Tax on profit/loss for the year		
Current tax	2.340.273	3.896.880
Change in deferred tax	(156.654)	47.713
Adjustment concerning previous years	156.700	99.744
	2.340.319	4.044.337

	2017	2016
	DKK	DKK
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	40.000.000
Retained earnings	7.675.964	(26.001.020)
	7.675.964	13.998.980

	Completed development projects	Goodwill
	DKK	DKK
8. Intangible assets		
Cost beginning of year	3.313.574	1.777.144
Cost end of year	3.313.574	1.777.144
Amortisation and impairment losses beginning of year	(2.780.668)	(1.274.001)
Amortisation for the year	(452.614)	(167.714)
Amortisation and impairment losses end of year	(3.233.282)	(1.441.714)
Carrying amount end of year 2017	80.292	335.429

Notes

	Land and buildings DKK	Plant and machinery DKK	Leasehold improve- ments DKK
9. Property, plant and equipment			
Cost beginning of year	33.043.184	58.761.097	722.216
Transfer to and from other items	(68.433)	(68.433)	0
Additions	440.139	3.039.151	265.238
Disposals	0	(2.270.583)	0
Cost end of year	<u>33.414.890</u>	<u>59.461.232</u>	<u>987.454</u>
Depreciation and impairment losses beginning of the year	(12.075.869)	(44.089.990)	(473.375)
Depreciation for the year	(1.107.640)	(4.115.570)	(169.680)
Reversal regarding disposals	0	1.872.827	0
Depreciation and impairment losses end of the year	<u>(13.183.509)</u>	<u>(46.332.733)</u>	<u>(643.055)</u>
Carrying amount end of year 2017	<u>20.231.381</u>	<u>13.128.499</u>	<u>344.399</u>
Recognised assets not owned by entity	<u>0</u>	<u>362.276</u>	<u>0</u>

	Other receivables DKK
10. Fixed asset investments	
Cost beginning of year	1.199.100
Disposals	669.000
Cost end of year	<u>1.868.100</u>
Carrying amount end of year 2017	<u>1.868.100</u>

11. Prepayments

Prepayments comprise insurance, subscriptions, licences, leasing and rent.

Notes

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
12. Contributed capital			
A-shares	5.881.225	1,00	5.881.225
B-shares	<u>0</u>	<u>0</u>	<u>0</u>
	<u>5.881.225</u>		<u>5.881.225</u>

	<u>2017 DKK</u>	<u>2016 DKK</u>
13. Change in working capital		
Increase/decrease in inventories	(4.654.714)	(9.907.274)
Increase/decrease in receivables	(8.724.446)	23.609.969
Increase/decrease in trade payables etc	<u>(4.799.120)</u>	<u>(6.260.378)</u>
	<u>(18.178.280)</u>	<u>7.442.317</u>

	<u>2017 DKK</u>	<u>2016 DKK</u>
14. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>37.150.936</u>	<u>39.851.616</u>

15. Assets charged and collateral

Mortgage debt is secured on properties. The carrying amount of the mortgaged properties amounts to DKK 20,231k.

Payables to credit institutions are secured as follows:

- All monies mortgage of a nominal value of DKK 6,200k secured on properties. The carrying amount of the mortgaged assets amounts of DKK 20,231k.
- Two mortgages on movable property of a nominal value of DKK 5,525k secured on operating equipment and goodwill.

The carrying amount of the mortgaged assets amounts to DKK 13,545K

Other payables to credit institutions are secured as follows:

- All monies mortgage of a nominal value of DKK 40,000K secured on inventories and trade receivables.

The carrying amount of the mortgaged assets amounts to DKK 95,957k.

Notes

- Two mortgages on movable property of a nominal value of DKK 2,849k secured on buildings and alcohol licences.

16. Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. have been conducted on an arm's length basis in addition to the above transactions.

17. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Midsona AB, Reg-no. 556241-5322, Dockplatsen 16, Malmö, Sweden

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Midsona AB, Reg-no. 556241-5322, Dockplatsen 16, Malmö, Sweden

Accounting policies

Reporting class

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

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

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 one 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, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

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 is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Other operating income

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

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

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 etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital 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.

Other financial expenses

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

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.

Goodwill

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. 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 the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 10 years.

Accounting policies

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.

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.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

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 3 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings and plant and machinery 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. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Accounting policies

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	10-40 years
Plant and machinery	2-8 years
Leasehold improvements	3 years

Estimated useful lives and residual values are reassessed annually.

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

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

Receivables

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

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 on and impairment losses relating to machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing 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.

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. The proposed dividend for the financial year is disclosed as a separate item in equity.

Accounting policies

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 or the planned settlement of each liability..

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.

Finance 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.

Income tax receivable og 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.

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, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Accounting policies

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.