

## **Midsona Danmark A/S**

Klostermarken 20

9550 Mariager

Business Registration No

31493994

## **Annual report 2021**

The Annual General Meeting adopted the annual report on 28.06.2022

### **Chairman of the General Meeting**

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Name: Helge Schramm

## Contents

	<b>Page</b>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement 2021	9
Balance sheet at 31.12.2021	10
Statement of changes in equity for 2021	12
Notes	13
Accounting policies	18

## Entity details

### Entity

Midsona Danmark A/S  
Klostermarken 20  
9550 Mariager

Central Business Registration No (CVR): 31493994  
Registered in: Mariagerfjord  
Financial year: 01.01.2021 - 31.12.2021

Phone: 98542288  
Fax: 98542333  
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### Board of Directors

Maria Ulrika Palm  
Tora Maria Molander  
Per Knutsson  
Susanna Romanini  
Rikke Maagaard Esbjerg

### Executive Board

Kim Juhl Sørensen

### 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 01.01.2021 - 31.12.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

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

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

Mariager, 28.06.2022

### Executive Board

Kim Juhl Sørensen

### Board of Directors

Maria Ulrika Palm

Tora Maria Molander

Per Knutsson

Susanna Romanini

Rikke Maagaard Esbjerg

# Independent auditor's report

## To the shareholder of Midsona Danmark A/S

### Opinion

We have audited the financial statements of Midsona Danmark A/S for the financial year 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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, 28.06.2022

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

Henrik Vedel  
State Authorised Public Accountant  
Identification No (MNE) mne10052

Mikael Møller  
State Authorised Public Accountant  
Identification No (MNE) mne47835

## Management commentary

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	649.983	473.688	443.565	447.252	421.741
Gross profit/loss	104.683	98.853	117.068	87.277	79.325
EBITDA	10.493	31.977	48.539	15.297	17.565
Operating profit/loss	(484)	28.715	44.876	10.448	11.549
Net financials	(6.264)	(840)	(577)	(1.634)	(1.533)
Profit/loss for the year	(4.048)	21.706	34.540	6.812	7.676
Total assets	436.847	183.315	208.922	178.785	150.717
Investments in property, plant and equipment	14.695	1.216	844	435	3.608
Equity	66.661	76.609	114.903	80.363	48.827
<b>Ratios</b>					
Return on equity (%)	(5,65)	22,7	35,4	10,5	11,8
Equity ratio (%)	15,3	41,8	55,0	44,9	32,4
Profit ratio (%)	(0,07)	6,1	10,1	2,3	2,7
Return on investment (%)	(0,16)	14,6	23,1	6,0	8,0

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

<b>Ratios</b>	<b>Calculation formula</b>	<b>Calculation formula reflects</b>
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Profit ratio (%)	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$	The share of revenue turning into profit.
Return on investment (%)	$\frac{\text{Operating profit/loss} \times 100}{\text{Average assets}}$	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 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 649.9m. Loss after tax amounted to DKK -4.048m. Loss for the year is not considered acceptable.

On 31.05.2021 Midsona Group decided to join its activities in Denmark in a single company. Therefore, the majority of the net assets of System Frugt A/S has been sold to Midsona Danmark A/S.

For Midsona, 2021 was a year affected by the consequences of Covid-19. As society reopened, the demand for maritime transport rose dramatically, leading to a global shortage of containers. This entailed considerably increased maritime shipping costs. The container shortage also entailed substantial delivery delays. In addition, the business suffered diminished access to certain raw materials as well as higher prices for procured raw materials due to poorer harvests.

### Outlook

The Company's expectation for 2022 is a very competitive market with limited opportunities for improving profitability. We follow the cost development for raw materials, transport and energy carefully and continuously adjusts our prices. Consequently, current outlook for 2022 is a result approximately balancing.

### 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 of 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 several currencies. A large part 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 Danmark 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 other environmentally sustainable electricity.

## Management commentary

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

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### Research and development activities

As a natural part of our business activities, the Company has focus on continuous product development.

### 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.se/investerare/finansuell\\_information/arsrapport/](https://www.midsona.se/investerare/finansuell_information/arsrapport/)

### Data Ethics / GDPR

Midsona have updated all Employee and Data Privacy policies to reflect the GDPR Regulations introduced in 2018. Midsona has appointed one GDPR responsible person per business area, with the responsibility for the business area's registers, and a Group GDPR person, with the tasks to maintain our GDPR system documentation and to perform internal audits. We have given training to our employees on what GDPR means to their day to day work and also on what action to take if there is a personal data breach.

### Statutory report on the underrepresented gender

The Company's Board of Directors currently consist of three permanent members (Two women and one man) and two employee elected members (two women). The Company's goal is to always have a balanced gender distribution in the Board of Directors.

### Events after the balance sheet date

The war in the Ukraine on top a post-Covid-19 market has increased complexity in the market. The Company is taking the needed steps to mitigate this risk.

## Income statement for 2021

	<u>Notes</u>	<u>2021 DKK</u>	<u>2020 DKK</u>
Revenue	1	649.983.307	473.688.147
Other operating income	2	4.175.394	2.460.723
Cost of sales		(431.934.719)	(289.547.405)
Other external expenses		<u>(117.541.402)</u>	<u>(87.748.905)</u>
<b>Gross profit/loss</b>		<b>104.682.581</b>	<b>98.852.560</b>
Staff costs	3	(94.189.666)	(66.875.502)
Depreciation, amortisation and impairment losses	4	<u>(10.976.903)</u>	<u>(3.262.387)</u>
<b>Operating profit/loss</b>		<b>(483.989)</b>	<b>28.714.671</b>
Other financial income	5	2.190.859	1.580.564
Other financial expenses	6	<u>(8.454.937)</u>	<u>(2.420.975)</u>
<b>Profit/loss before tax</b>		<b>(6.748.067)</b>	<b>27.874.260</b>
Tax on profit/loss for the year	7	<u>2.700.000</u>	<u>(6.168.100)</u>
<b>Profit/loss for the year</b>	8	<u><b>(4.048.067)</b></u>	<u><b>21.706.160</b></u>

## Balance sheet at 31.12.2021

	<u>Notes</u>	<u>2021 DKK</u>	<u>2020 DKK</u>
Goodwill		105.682.501	0
Acquired intangible assets		1	11.995
<b>Intangible assets</b>	9	<b><u>105.682.502</u></b>	<b><u>11.995</u></b>
Land and buildings		16.444.356	17.603.691
Plant and machinery		13.234.378	6.170.906
Leasehold improvements		2.417.775	0
<b>Property, plant and equipment</b>	10	<b><u>32.096.509</u></b>	<b><u>23.774.597</u></b>
Other receivables		1.778.100	3.283.028
<b>Fixed asset investments</b>	11	<b><u>1.778.100</u></b>	<b><u>3.283.028</u></b>
<b>Fixed assets</b>		<b><u>139.557.111</u></b>	<b><u>27.069.620</u></b>
Raw materials and consumables		68.864.104	31.512.829
Work in progress		5.217.948	480.754
Manufactured goods and goods for resale		78.951.440	33.575.489
<b>Inventories</b>		<b><u>153.033.492</u></b>	<b><u>65.569.072</u></b>
Trade receivables		73.148.869	39.855.207
Receivables from group enterprises		59.198.579	49.273.964
Other receivables		1.758.933	720.390
Income tax receivable		6.592.000	0
Prepayments	12	3.531.482	814.748
<b>Receivables</b>		<b><u>144.229.863</u></b>	<b><u>90.664.309</u></b>
<b>Cash</b>	13	<b><u>26.461</u></b>	<b><u>11.947</u></b>
<b>Current assets</b>		<b><u>144.256.323</u></b>	<b><u>152.245.328</u></b>
<b>Assets</b>		<b><u>436.846.926</u></b>	<b><u>183.314.948</u></b>

## Balance sheet at 31.12.2021

	<u>Notes</u>	<u>2021 DKK</u>	<u>2020 DKK</u>
Contributed capital	14	5.900.000	5.900.000
Retained earnings		<u>66.661.335</u>	<u>70.709.402</u>
<b>Equity</b>		<b><u>72.561.335</u></b>	<b><u>76.609.402</u></b>
Deferred tax		<u>4.100.050</u>	<u>2.620.050</u>
<b>Provisions</b>		<b><u>4.100.050</u></b>	<b><u>2.620.050</u></b>
Payables to group enterprises		79.100.000	0
Other payables		<u>5.705.960</u>	<u>3.853.807</u>
<b>Non-current liabilities other than provisions</b>		<b><u>84.805.960</u></b>	<b><u>3.853.807</u></b>
Current portion of long-term liabilities other than provisions		1.974.023	15.500.000
Bank loans and overdrafts		3.142.408	0
Trade payables		89.432.623	46.003.418
Payables to group enterprises		139.943.491	6.648.460
Income tax payable		0	4.700.447
Other payables		<u>40.887.036</u>	<u>27.379.364</u>
<b>Current liabilities other than provisions</b>		<b><u>275.379.581</u></b>	<b><u>100.231.689</u></b>
<b>Liabilities other than provisions</b>		<b><u>360.185.541</u></b>	<b><u>104.085.496</u></b>
<b>Equity and liabilities</b>		<b><u>436.846.926</u></b>	<b><u>183.314.948</u></b>
Unrecognised rental and lease commitments	15		
Assets charged and collateral	16		
Transactions with related parties	17		
Group relations	18		

## Statement of changes in equity for 2021

	<b>Contributed capital DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
Equity beginning of year	5.900.000	70.709.402	76.609.402
Divident paid	0	0	0
Profit/loss for the year	0	(4.048.067)	(4.048.067)
<b>Equity end of year</b>	<b>5.900.000</b>	<b>66.661.335</b>	<b>72.561.335</b>

## Notes

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
<b>1. Revenue</b>		
<b>Revenue by geographical market</b>		
Denmark	362.076.009	295.232.156
Other EU countries	263.597.976	157.538.160
Other European countries	23.287.740	19.667.462
Other countries	1.021.582	1.250.369
	<b>649.983.307</b>	<b>473.688.147</b>
<b>Revenue by activity</b>		
Groceries	544.089.133	359.279.555
Health food stores	20.428.044	26.457.869
Other	85.408.584	87.950.723
	<b>649.983.307</b>	<b>473.688.147</b>
<b>2. Other operating income</b>		
Other operating income in 2021 primarily relates to intercompany royalty payments.		
	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Staff costs</b>		
Wages and salaries	86.507.148	61.466.417
Pension costs	6.617.209	4.471.144
pOther social security costs	1.065.309	937.941
	<b>94.189.666</b>	<b>66.875.502</b>
Average number of employees	<b>218</b>	<b>135</b>
	<b>Remunera-</b>	<b>Remunera-</b>
	<b>tion of</b>	<b>tion of</b>
	<b>manage-</b>	<b>manage-</b>
	<b>ment</b>	<b>ment</b>
	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Total amount for management categories	2.054.925	1.802.384
	<b>2.054.925</b>	<b>1.802.384</b>

## Notes

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
<b>4. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	4.603.903	14.393
Depreciation of property, plant and equipment	6.373.000	3.260.494
Profit/loss from sale of intangible assets and property, plant and equipment	0	(12.500)
	<b>10.976.903</b>	<b>3.262.387</b>
	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
<b>5. Other financial income</b>		
Financial income arising from group enterprises	145.371	129.042
Other interest income	87.189	98.630
Exchange rate adjustments	1.958.299	1.352.892
	<b>2.190.859</b>	<b>1.580.564</b>
	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
<b>6. Other financial expenses</b>		
Financial expenses from group enterprises	3.209.762	360.333
Other interest expenses	1.261.666	891.980
Exchange rate adjustments	3.983.510	1.168.662
	<b>8.454.938</b>	<b>2.420.976</b>
	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
<b>7. Tax on profit/loss for the year</b>		
Current tax	(4.180.000)	6.106.447
Change in deferred tax	1.480.000	70.145
Adjustment concerning previous years	0	(8.492)
	<b>(2.700.000)</b>	<b>6.168.100</b>
	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
<b>8. Proposed distribution of profit/loss</b>		
Retained earnings	(4.048.067)	21.706.160
	<b>(4.048.067)</b>	<b>21.706.160</b>



## Notes

	<b>Acquired intangible assets DKK</b>	<b>Goodwill DKK</b>
	<u>DKK</u>	<u>DKK</u>
<b>9. Intangible assets</b>		
Cost beginning of year	43.178	0
Additions	<u>0</u>	<u>110.274.411</u>
<b>Cost end of year</b>	<b><u>43.178</u></b>	<b><u>110.274.411</u></b>
Depreciation and impairment losses beginning of year	(31.183)	0
Depreciation for the year	<u>(11.994)</u>	<u>(4.591.909)</u>
<b>Depreciation and impairment losses end of year</b>	<b><u>(43.177)</u></b>	<b><u>(4.591.909)</u></b>
<b>Carrying amount end of year</b>	<b><u>1</u></b>	<b><u>105.682.501</u></b>

	<b>Land and buildings DKK</b>	<b>Plant and machinery DKK</b>	<b>Leasehold improve- ments DKK</b>
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
<b>10. Property, plant and equipment</b>			
Cost beginning of year	34.213.261	56.410.695	987.453
Additions	0	11.807.122	2.887.792
Disposals	<u>0</u>	<u>(12.562.000)</u>	<u>0</u>
<b>Cost end of year</b>	<b><u>34.213.261</u></b>	<b><u>55.655.817</u></b>	<b><u>3.875.245</u></b>
Depreciation and impairment losses beginning of year	(16.609.570)	(50.239.789)	(987.453)
Depreciation for the year	(1.159.335)	(4.743.648)	(470.017)
Reversal regarding disposals	<u>0</u>	<u>12.562.000</u>	<u>0</u>
<b>Depreciation and impairment losses end of year</b>	<b><u>(17.768.906)</u></b>	<b><u>(42.421.438)</u></b>	<b><u>(1.457.470)</u></b>
<b>Carrying amount end of year</b>	<b><u>16.444.356</u></b>	<b><u>13.234.378</u></b>	<b><u>2.417.775</u></b>

## Notes

	<b>Other receivables DKK</b>
	<u>DKK</u>
<b>11. Fixed asset investments</b>	
Cost beginning of year	3.283.028
Disposals	<u>(1.504.928)</u>
<b>Cost end of year</b>	<b><u>1.778.100</u></b>
<b>Carrying amount end of year</b>	<b><u>1.778.100</u></b>

Fixed asset investments consist of deposits on rent and property as well as a long term asset relating to an ongoing case concerning classification of goods and the corresponding duties placed on these goods.

### 12. Prepayments

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

### 13. Cash

The company is part of a cash-pool arrangement with other group companies, where another company is liable in relation to the bank. The deposit on the cash-pool, a net amount of 25,938k DKK, is classified as "Receivables with group enterprises".

	<b>Number</b>	<b>Par value DKK</b>	<b>Nominal value DKK</b>
	<u>Number</u>	<u>DKK</u>	<u>DKK</u>
<b>14. Contributed capital</b>			
A-shares	<u>5.900.000</u>	1	<u>5.900.000</u>
	<b><u>5.900.000</u></b>		<b><u>5.900.000</u></b>

	<b>2021 DKK</b>	<b>2020 DKK</b>
	<u>DKK</u>	<u>DKK</u>
<b>15. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<b><u>33.888.780</u></b>	<b><u>30.293.584</u></b>

## Notes

### 16. Assets charged and collateral

Mortgage debt is secured on properties. The carrying amount of the mortgaged properties amounts to DKK 16,444k.

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 16,444k.
- 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 118,917K

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 226,182k.

### 17. Transactions with related parties

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

### 18. Group relations

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.

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.

## 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.

### Business combinations

The uniting-of-interests method is applied on mergers where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

### 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.

## Accounting policies

### 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.

#### 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 goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

#### Other external expenses

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

#### Staff costs

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

#### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, 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 or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

#### Other financial expenses

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

## Accounting policies

### 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 amortised straight line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

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 periods used are 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.

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

## Accounting policies

### Property, plant and equipment

Land and buildings, 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-constructed 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.

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

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

Estimated useful lives and residual values are reassessed annually.

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

### 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 of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. 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.

## Accounting policies

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### Deferred tax

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

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

### Cash flow statement

In pursuance of section 86 of the Danish Financial Statements Act, the preparation of cash flow statement is excluded as it contained in the cash flow statement for the ultimate parent company Midsona AB, Dockplatsen 16, 211 19 Malmø, Sweden.