Midsona Danmark A/S
Klostermarken 20
9550 Mariager
Business Registration No
31493994

Annual report 2019

The Annual General Meeting adopted the annual report on 30.04.2020

Chairman of the General Meeting

Name: Peter Sven-Eric Åsberg

Contents

Entity details

Entity
Midsona Danmark A/S
Klostermarken 20
9550 Mariager

Central Business Registration No (CVR): 31493994
Registered in: Mariagerfjord
Financial year: 01.01.2019 - 31.12.2019

Phone: 98542288
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Board of Directors
Peter Sven-Eric Åsberg
Susanna Romanini
Rikke Maagaard Esbjerg
Per Olov Lennart Svensson
Ove Trygg

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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 30.04.2020

Executive Board

Peter Overgaard

Board of Directors

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

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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 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, 30.04.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Henrik Vedel	Tommy Schormand Johansen
State Authorised Public Accountant	State Authorised Public Accountant
Identification No (MNE) mne10052	Identification No (MNE) mne44080

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Revenue	443.565	447.252	421.741	434.442	437.426
Gross profit/loss	117.068	87.277	79.325	84.827	100.735
EBITDA	48.539	15.297	17.565	26.793	29.103
Operating profit/loss	44.876	10.448	11.549	20.388	21.472
Net financials	(577)	(1.634)	(1.533)	(2.345)	(2.435)
Profit/loss for the year	34.540	6.812	7.676	13.999	18.013
Total assets	208.922	178.785	150.717	157.220	156.211
Investments in property, plant and equipment	844	435	3.608	7.896	4.593
Equity	114.903	80.363	48.827	81.151	67.152
Ratios					
Return on equity (%)	35,4	10,5	11,8	18,9	30,3
Equity ratio (%)	55,0	44,9	32,4	51,6	43,0
Profit ratio (%)	10,1	2,3	2,7	4,7	5,0
Return on investment (%)	23,1	6,0	8,0	13,0	15,0

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

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.
Profit ratio (%)	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$	The share of revenue turning into profit.
Return on investment (%)	$\frac{\text{Operating profit/loss x 100}}{\text{Average assets}}$	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 443.6m. Profit before tax amounted to DKK 44.3m. Adjusted for one-off profit originating from internal sale of personal hygiene export activities in central Europe - in order to optimize synergies from recent acquisitions - profit before tax amounted to DKK 24.6m. Profit for the year is not considered acceptable.

On average, the Company had 136 full-time employees.

Outlook
The Company's expectation for 2020 is a very competitive market with limited opportunities for improving turnover and profitability.

Particular risk
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 currently consist of three permanent members (all men) and two employee elected members (two women). The Company's goal is to have the permanent members of the Board of Directors consist of two men and one woman (33%) by the time of approval of the 2019 annual report at the general meeting in 2020.

Events after the balance sheet date

COVID-19

During February 2020 COVID-19 or the Corona virus started spreading from China to the rest of the world. Midsona Denmark follow the overall recommendations of the Danish Health Authorities and constantly monitor any developments. In addition several safeguards have been implemented in an attempt to mitigate any possible negative effects of this highly volatile situation. Currently the outbreak has had no negative effects on neither deliveries, production nor sales. For further details please see Midsona AB 2019 annual report and/or the Midsona Q1 2020 report. https://www.midsona.com/investerare/rapporter/

Dividend

At an extraordinary general meeting of Midsona Danmark A/S 25 March 2020 a proposal for payment of extraordinary dividend to the shareholder Midsona AB of DKK 60,000,000 was approved.

To this date no further events have occurred since the balance sheet date, which would influence the evaluation of this annual report.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Revenue	1	443.565.089	447.251.707
Other operating income	2	22.826.170	3.022.118
Cost of sales		(274.922.719)	(279.416.725)
Other external expenses		(74.400.797)	(83.580.363)
Gross profit/loss		**117.067.743**	**87.276.737**
Staff costs	3	(68.529.010)	(71.979.399)
Depreciation, amortisation and impairment losses	4	(3.662.778)	(4.849.612)
Operating profit/loss		**44.875.955**	**10.447.726**
Other financial income	5	1.180.886	543.255
Other financial expenses	6	(1.757.464)	(2.176.819)
Profit/loss before tax		**44.299.377**	**8.814.162**
Tax on profit/loss for the year	7	(9.759.605)	(2.002.288)
Profit/loss for the year	8	**34.539.772**	**6.811.874**

Balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Completed development projects		0	0
Acquired intangible assets		26.386	40.778
Goodwill		0	167.714
Intangible assets	9	**26.386**	**208.492**
Land and buildings		17.974.040	19.102.711
Plant and machinery		7.837.744	9.404.915
Leasehold improvements		6.691	168.024
Property, plant and equipment	10	**25.818.475**	**28.675.650**
Other receivables		3.373.028	3.373.028
Fixed asset investments	11	**3.373.028**	**3.373.028**
Fixed assets		**29.217.889**	**32.257.170**
Raw materials and consumables		27.068.624	34.812.767
Work in progress		1.259.209	1.004.743
Manufactured goods and goods for resale		29.847.302	30.024.052
Inventories		**58.175.135**	**65.841.562**
Trade receivables		35.502.200	36.757.768
Receivables from group enterprises		83.414.663	40.451.749
Other receivables		554.608	1.104.137
Prepayments	12	2.040.963	2.352.398
Receivables		**121.512.434**	**80.666.052**
Cash	13	**16.334**	**19.903**
Current assets		**179.703.903**	**146.527.517**
Assets		**208.921.792**	**178.784.687**

Balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital	14	5.900.000	5.900.000
Retained earnings		109.003.242	74.463.470
Equity		**114.903.242**	**80.363.470**
Deferred tax		2.549.905	2.484.257
Provisions		**2.549.905**	**2.484.257**
Payables to group enterprises		15.500.000	15.500.000
Other payables		1.473.544	0
Non-current liabilities other than provisions		**16.973.544**	**15.500.000**
Current portion of long-term liabilities other than provisions		0	21.484
Trade payables		41.348.632	39.110.880
Payables to group enterprises		5.602.700	22.418.806
Income tax payable		8.726.512	1.092.217
Other payables		18.817.257	17.793.573
Current liabilities other than provisions		**74.495.101**	**80.436.960**
Liabilities other than provisions		**91.468.645**	**95.936.960**
Equity and liabilities		**208.921.792**	**178.784.687**
Unrecognised rental and lease commitments	16		
Assets charged and collateral	17		
Transactions with related parties	18		
Group relations	19		

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	5.900.000	74.463.470	80.363.470
Profit/loss for the year	0	34.539.772	34.539.772
Equity end of year	**5.900.000**	**109.003.242**	**114.903.242**

Cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		44.875.955	10.447.726
Amortisation, depreciation and impairment losses		3.662.778	4.849.612
Working capital changes	15	(45.261.081)	(18.283.124)
Cash flow from ordinary operating activities		**3.277.652**	**(2.985.786)**
Financial income received		1.180.886	543.255
Financial expenses paid		(1.757.464)	(2.176.819)
Income taxes refunded/(paid)		(2.059.663)	(2.994.074)
Cash flows from operating activities		**641.411**	**(7.613.424)**
Acquisition etc of intangible assets		0	(43.180)
Acquisition etc of property, plant and equipment		(844.496)	(435.403)
Sale of property, plant and equipment		221.000	617.301
Acquisition of fixed asset investments		0	(1.344.561)
Cash flows from investing activities		**(623.496)**	**(1.205.843)**
Repayments of loans etc		(21.484)	(789.762)
Cash flows from financing activities		**(21.484)**	**(789.762)**
Increase/decrease in cash and cash equivalents		**(3.569)**	**(9.609.029)**
Cash and cash equivalents beginning of year		19.903	9.628.932
Cash and cash equivalents end of year		**16.334**	**19.903**

Notes

	2019 DKK	2018 DKK
1. Revenue		
Revenue by geographical market		
Denmark	283.572.623	284.207.029
Other EU countries	153.067.398	150.055.514
Other European countries	5.864.013	11.594.919
Other countries	1.061.055	1.394.245
	443.565.089	**447.251.707**
Revenue by activity		
Groceries	337.218.847	304.915.215
Health food stores	29.822.248	64.148.615
Other	76.523.994	78.187.877
	443.565.089	**447.251.707**

2. Other operating income

Other operating income primarily relates to the sale of export activities in Germany and Austria to other Group companies.

	2019 DKK	2018 DKK
3. Staff costs		
Wages and salaries	62.982.547	65.912.276
Pension costs	4.469.034	4.987.821
Other social security costs	1.077.429	1.079.302
	68.529.010	**71.979.399**
Average number of employees	**136**	**137**

	Remunera-tion of manage-ment 2019 DKK	Remunera-tion of manage-ment 2018 DKK
Total amount for management categories	1.906.625	2.369.277
	1.906.625	**2.369.277**

Notes

	2019 DKK	2018 DKK
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	181.253	250.407
Depreciation of property, plant and equipment	3.519.309	4.456.436
Profit/loss from sale of intangible assets and property, plant and equipment	(37.784)	142.769
	3.662.778	**4.849.612**

	2019 DKK	2018 DKK
5. Other financial income		
Financial income arising from group enterprises	538.194	420.365
Other interest income	88.820	50.614
Exchange rate adjustments	553.872	72.276
	1.180.886	**543.255**

	2019 DKK	2018 DKK
6. Other financial expenses		
Financial expenses from group enterprises	423.516	806.934
Other interest expenses	1.076.637	1.022.940
Exchange rate adjustments	257.311	346.945
	1.757.464	**2.176.819**

	2019 DKK	2018 DKK
7. Tax on profit/loss for the year		
Current tax	9.914.674	2.338.217
Change in deferred tax	(155.069)	(324.543)
Adjustment concerning previous years	0	(11.386)
	9.759.605	**2.002.288**

	2019 DKK	2018 DKK
8. Proposed distribution of profit/loss		
Retained earnings	34.539.772	6.811.874
	34.539.772	**6.811.874**

Notes

	Completed development projects DKK	Acquired intangible assets DKK	Goodwill DKK
9. Intangible assets			
Cost beginning of year	3.100.997	43.178	1.777.144
Disposals	(3.100.997)	0	0
Cost end of year	**0**	**43.178**	**1.777.144**
Amortisation and impairment losses beginning of year	(3.100.997)	(2.402)	(1.609.430)
Amortisation for the year	0	(14.390)	(167.714)
Reversal regarding disposals	3.100.997	0	0
Amortisation and impairment losses end of year	**0**	**(16.792)**	**(1.777.144)**
Carrying amount end of year	**0**	**26.386**	**0**

	Land and buildings DKK	Plant and machinery DKK	Leasehold improvements DKK
10. Property, plant and equipment			
Cost beginning of year	33.414.890	57.529.944	987.453
Additions	0	844.496	0
Disposals	0	(2.108.034)	0
Cost end of year	**33.414.890**	**56.266.406**	**987.453**
Depreciation and impairment losses beginning of year	(14.312.179)	(48.125.028)	(819.429)
Depreciation for the year	(1.128.671)	(2.229.305)	(161.333)
Reversal regarding disposals	0	1.925.671	0
Depreciation and impairment losses end of year	**(15.440.850)**	**(48.428.662)**	**(980.762)**
Carrying amount end of year	**17.974.040**	**7.837.744**	**6.691**

Notes

	Other receivables DKK
11. Fixed asset investments	
Cost beginning of year	3.373.028
Cost end of year	**3.373.028**
Carrying amount end of year	**3.373.028**

Fixed asset investments consists 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 42,689k DKK, is classified as "Receivables with group ernterprises".

	Number	Par value DKK	Nominal value DKK
14. Contributed capital			
A-shares	5.900.000	1	5.900.000
	5.900.000		**5.900.000**

	2019 DKK	2018 DKK
15. Change in working capital		
Increase/decrease in inventories	7.666.427	2.583.758
Increase/decrease in receivables	(40.846.382)	(33.252.912)
Increase/decrease in trade payables etc	(12.081.126)	12.386.030
	(45.261.081)	**(18.283.124)**

	2019 DKK	2018 DKK
16. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**34.464.356**	**37.250.064**

Notes

17. Assets charged and collateral

Mortgage debt is secured on properties. The carrying amount of the mortgaged properties amounts to DKK 17,974k.

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 17,974k.
- Two mortgages on movable property of a nominal value of DKK 5,525k secured on operating equipment and godwill.

The carrying amount of the mortgaged assets amounts to DKK 7,864K

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 97,800k.

18. Transactions with related parties

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

19. 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, Malmø, Sweden.
Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Midsona AB, Reg-no. 556241-5322, Dockplatsen 16, Malmø, 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 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.

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.

Accounting policies

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

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
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.

Accounting policies

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, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

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