BEIERHOLM
VI SKABER BALANCE

Bräuner A/S

Birkmosevej 20 F, 6950 Ringkøbing

CVR no. 31 89 19 30

Annual report
for the financial year 01.06.16 - 31.05.17

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 24.11.17

Jørgen Peter Bæk-Mikkelsen
Dirigent

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Group information etc.

The company

Bräuner A/S
Birkmosevej 20 F
6950 Ringkøbing

Tel.: 96 74 05 25
Website: www.brauner-as.dk
E-mail: info@brauner-as.dk

Registered office: Ringkøbing
CVR no.: 31 89 19 30
Founded: 1. december 2008
Financial year: 01.06 - 31.05
8. financial year

Executive Board

Jens Hebroe
Jan Pilgaard

Board Of Directors

Jørgen Peter Bæk-Mikkelsen, chairman
Karsten Lorentsen
Susanne Snogdal Thyregod
Allan Kvist

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Bank

Vestjysk Bank

Group information etc.

Parent company

Bräuner Holding Ringkøbing A/S, Ringkøbing

Subsidiaries

Bräuner Sverige AB, Malmö, Sverige
Bräuner Norge AS, Oslo, Norway

Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.06.16 - 31.05.17 for Bräuner A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.05.17 and of the results of the group's and parent's activities for the financial year 01.06.16 - 31.05.17.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Ringkøbing, November 24, 2017

Executive Board

Jens Hebroe

Jan Pilgaard

Board Of Directors

Jørgen Peter Bæk-Mikkelsen
Chairman

Karsten Lorentsen

Susanne Snogdal Thyregod

Allan Kvist

Independent auditor's report

To the Shareholder of Bräuner A/S

Opinion

We have audited the consolidated financial statements and parent company financial statements of Bräuner A/S for the financial year 01.06.16 - 31.05.17, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.05.17 and of the results of the group's and the parent company's operations for the financial year 01.06.16 - 31.05.17 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and parent company financial statements

The Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and parent company financial statements, management is responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and parent company financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and per-formance of the group audit. We remain solely responsible for our audit opinion.

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 regarding the management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Holstebro, November 24, 2017

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Claus Bredvig
State Authorized Public Accountant

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2016/17	2015/16	2014/15	2013/14	2012/13
Profit/loss					
Gross profit	15.915	17.977	19.630	10.707	11.153
Profit/loss before depreciation, amortisation, write-downs and impairment losses	-1.960	1.599	6.556	1.187	1.191
Profit/loss before net financials	-3.239	407	5.588	309	335
Total net financials	-3.129	-1.683	-1.232	-1.011	-1.214
Profit/loss for the year	-4.693	-1.281	3.342	-486	-658
Balance					
Total assets	46.332	38.328	35.786	34.318	27.218
Equity	4.523	9.291	12.576	9.257	3.743

Ratios

	2016/17	2015/16	2014/15	2013/14	2012/13
Profitability					
Return on equity	-68%	-12%	31%	-7%	-15%
Equity ratio					
Equity interest	10%	24%	35%	27%	14%

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Equity interest: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

The company offers outsourcing services to FMCG principals with the objective to enable our partners to build their presence in all 4 Nordic markets. The HQ is in Denmark. Sales and distribution in Sweden and Norway is handled via own branches and in Finland via sub distributors.

Development in activities and financial affairs

The Group Income statement for the year ending 31st May 2017 delivered after tax loss of DKK million -4.693 and the Group balance sheet showed an equity of DKK million 4.523.

The result was a disappointment and in any case very unsatisfactory. Although the revenue for the 3rd consecutive year showed double digit growth and expansion via new principal contracts, it could not offset the loss in the Swedish market, delivering nearly the total part of it.

We kept all our customers across our markets and distribution as well increased gross sales. But a one-time portfolio changes on one of our largest brand portfolios became far too expensive, combined with unexpected large investments in sell-out of current stocks at reduced prices. Included in this transition it was agreed that our principal is investing heavily in intensive TV advertising in the coming winter season, with the aim to further build the brand equity and strong positioning in the market. Therefore, it is our expectations that the investment going will increase our sales and profits. Reference is made to the description of the matter in note 2.

The income result is also negatively worsened by the development in the SEK, nearly DKK 1,5 million vs. last year.

The Danish market was as the previous years under pressure due to the general fierce market conditions, but the market showed positive topline trend. Through the fiscal year also finalized a large new global portfolio contract for Sweden and Denmark that long-term will strengthened our go to market position.

Information on going concern

Despite the major loss of the year, the company's budgets show that the company has sufficient liquidity for the next year's operations. The company's banking association has indicated that they will support the management plans and continue to provide unchanged credit facilities to the Group.

Based on this, we present the financial statements subject to continued operations.

Outlook

The budget for the coming year is a result based on positive topline growth in especially Denmark and Sweden, as well as more efficient level in Norway. This is supported by old and new agencies and keeping our ingoing customer distribution listings. This also means that our bottom line budget is positive. We are still following our long-term strategy of building scale in all 4 markets.

Income statement

Note		Group 2016/17 DKK	Group 2015/16 DKK	Parent 2016/17 DKK	Parent 2015/16 DKK
	Gross profit	**15.914.923**	**17.976.720**	**9.100.234**	**12.849.267**
3	Staff costs	-17.874.820	-16.377.858	-9.916.647	-10.013.290
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**-1.959.897**	**1.598.862**	**-816.413**	**2.835.977**
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-1.278.893	-1.191.426	-1.262.088	-1.174.920
	Profit/loss before net financials	**-3.238.790**	**407.436**	**-2.078.501**	**1.661.057**
4	Income from equity investments in group enterprises	0	0	-782.983	-1.410.573
5	Financial income	216.001	65.309	390.345	224.222
6	Financial expenses	-3.344.813	-1.747.927	-3.310.977	-1.741.707
	Profit/loss before tax	**-6.367.602**	**-1.275.182**	**-5.782.116**	**-1.267.001**
	Tax on profit or loss for the year	1.675.094	-5.962	1.089.608	-14.143
	Profit/loss for the year	**-4.692.508**	**-1.281.144**	**-4.692.508**	**-1.281.144**

Proposed appropriation account

	Group 2016/17 DKK	Group 2015/16 DKK	Parent 2016/17 DKK	Parent 2015/16 DKK
Reserve for net revaluation according to the equity method	0	0	-8.716	-1.410.573
Retained earnings	-4.692.508	-1.281.144	-4.683.792	129.429
Total	**-4.692.508**	**-1.281.144**	**-4.692.508**	**-1.281.144**

Balance sheet

ASSETS

Note		Group 31.05.17 DKK	Group 31.05.16 DKK	Parent 31.05.17 DKK	Parent 31.05.16 DKK
	Completed development projects	356.358	534.539	356.358	534.539
	Goodwill	5.212.500	5.662.500	5.212.500	5.662.500
7	**Total intangible assets**	**5.568.858**	**6.197.039**	**5.568.858**	**6.197.039**
	Leasehold improvements	87.104	126.810	77.231	118.862
	Other fixtures and fittings, tools and equipment	574.523	1.108.296	518.532	1.087.337
8	**Total property, plant and equipment**	**661.627**	**1.235.106**	**595.763**	**1.206.199**
9	Equity investments in group enterprises	0	0	1.263.713	1.681.462
	Deposits	162.463	282.483	124.983	282.483
	Other receivables	0	38.450	0	0
	Total investments	**162.463**	**320.933**	**1.388.696**	**1.963.945**
	Total non-current assets	**6.392.948**	**7.753.078**	**7.553.317**	**9.367.183**
	Manufactured goods and goods for resale	23.635.838	14.704.415	23.634.586	14.703.094
	Total inventories	**23.635.838**	**14.704.415**	**23.634.586**	**14.703.094**
	Trade receivables	8.226.326	9.887.639	5.473.137	7.743.337
	Receivables from group enterprises	2.364.711	0	3.812.702	3.762.384
	Deferred tax asset	1.017.496	0	378.816	0
	Other receivables	1.628.269	2.040.275	1.316.958	2.031.809
	Prepayments	2.275.946	366.328	1.931.694	129.257
	Total receivables	**15.512.748**	**12.294.242**	**12.913.307**	**13.666.787**
	Cash	**790.573**	**3.575.943**	**45.774**	**38.847**
	Total current assets	**39.939.159**	**30.574.600**	**36.593.667**	**28.408.728**
	Total assets	**46.332.107**	**38.327.678**	**44.146.984**	**37.775.911**

Balance sheet

EQUITY AND LIABILITIES

Note		Group 31.05.17 DKK	Group 31.05.16 DKK	Parent 31.05.17 DKK	Parent 31.05.16 DKK
	Share capital	7.000.000	7.000.000	7.000.000	7.000.000
	Reserve for net revaluation according to the equity method	0	0	0	8.716
	Retained earnings	-2.477.268	2.291.342	-2.477.268	2.282.626
	Total equity	**4.522.732**	**9.291.342**	**4.522.732**	**9.291.342**
	Provisions for deferred tax	0	700.144	0	700.144
10	Other provisions	0	0	0	856.433
	Total provisions	**0**	**700.144**	**0**	**1.556.577**
	Payables to other credit institutions	22.131.626	13.031.206	22.131.626	13.031.206
	Trade payables	8.016.609	7.519.312	7.465.832	7.277.678
	Payables to group enterprises	0	593.189	0	589.823
	Income taxes	0	375.753	0	0
	Other payables	11.397.158	6.611.482	9.762.812	5.824.035
	Deferred income	263.982	205.250	263.982	205.250
	Total short-term payables	**41.809.375**	**28.336.192**	**39.624.252**	**26.927.992**
	Total payables	**41.809.375**	**28.336.192**	**39.624.252**	**26.927.992**
	Total equity and liabilities	**46.332.107**	**38.327.678**	**44.146.984**	**37.775.911**

11 Contingent liabilities
12 Charges and security

Statement of changes in equity

Figures in DKK	Share capital	Reserve for net revaluation according to the equity method	Retained earnings
Group:			
Statement of changes in equity for 01.06.16 - 31.05.17			
Balance pr. 01.06.16	7.000.000	0	2.291.342
Foreign currency translation adjustment of foreign enterprises	0	0	-76.102
Net profit/loss for the year	0	0	-4.692.508
Balance as at 31.05.17	7.000.000	0	-2.477.268
Parent:			
Statement of changes in equity for 01.06.16 - 31.05.17			
Balance pr. 01.06.16	7.000.000	8.716	2.282.626
Foreign currency translation adjustment of foreign enterprises	0	0	-76.102
Net profit/loss for the year	0	-8.716	-4.683.792
Balance as at 31.05.17	7.000.000	0	-2.477.268

1. Information as regards going concern

Despite the major loss of the year, the company's budgets show that the company has sufficient liquidity for the next year's operations. The company's banking association has indicated that they will support the management plans and continue to provide unchanged credit facilities to the Group.

Based on this, we present the financial statements subject to continued operations.

2. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

		2016/17	2015/16
Loss relatet to hard change of products	Revenue and cost of sales	-6.208.302	0
Total		-6.208.302	0

As a result of a strategic decision to change design on one of the company's main products (Hard Change). Bräuner A/S has been investing signifikantly in marketing and sell out of eksisting inventories, at reduced prices.

In connection with hard change, It is agreed with the company's principal that they will invest significantly in television commercials to ensure continued growth in revenue and earnings.

It is therefor the management's expectation that the investment will increase both the revenue and the earnings in the coming years.

	Group		Parent	
	2016/17 DKK	2015/16 DKK	2016/17 DKK	2015/16 DKK
3. Staff costs				
Wages and salaries	13.485.089	12.981.191	8.266.494	8.528.454
Pensions	1.622.225	958.376	699.914	527.101
Other social security costs	1.486.907	1.185.709	128.874	121.934
Other staff costs	1.280.599	1.252.582	821.365	835.801
Total	17.874.820	16.377.858	9.916.647	10.013.290
Average number of employees during the year	31	28	20	19

	Group		Parent	
	2016/17 DKK	2015/16 DKK	2016/17 DKK	2015/16 DKK

4. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	-782.983	-1.410.573
Total	0	0	-782.983	-1.410.573

5. Financial income

Interest, group enterprises	11.733	0	339.679	158.438
Other interest income	50.666	65.309	50.666	65.784
Foreign exchange gains	153.602	0	0	0
Other financial income	204.268	65.309	50.666	65.784
Total	216.001	65.309	390.345	224.222

6. Financial expenses

Interest, group enterprises	15.064	51.480	15.064	51.480
Other interest expenses	3.174.171	1.491.111	3.140.335	1.484.891
Other financial expenses	155.578	211.433	155.578	205.336
Other financial expenses total	3.329.749	1.702.544	3.295.913	1.690.227
Total	3.344.813	1.754.024	3.310.977	1.741.707

7. Intangible assets

Figures in DKK	Completed development projects	Goodwill
Group:		
Cost pr. 01.06.16	534.534	9.000.000
Cost as at 31.05.17	534.534	9.000.000
Amortisation and impairment losses pr. 01.06.16	0	-3.337.500
Amortisation during the year	-178.176	-450.000
Amortisation and impairment losses as at 31.05.17	-178.176	-3.787.500
Carrying amount as at 31.05.17	356.358	5.212.500
Parent		
Cost pr. 01.06.16	534.534	9.000.000
Cost as at 31.05.17	534.534	9.000.000
Amortisation and impairment losses pr. 01.06.16	0	-3.337.500
Amortisation during the year	-178.176	-450.000
Amortisation and impairment losses as at 31.05.17	-178.176	-3.787.500
Carrying amount as at 31.05.17	356.358	5.212.500

8. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Group:		
Cost pr. 01.06.16	718.192	3.392.749
Foreign currency translation adjustment of foreign enterprises	-642	-2.221
Additions during the year	320	78.422
Cost as at 31.05.17	717.870	3.468.950
Depreciation and impairment losses pr. 01.06.16	-591.382	-2.284.453
Foreign currency translation adjustment of foreign enterprises	261	1.313
Depreciation during the year	-39.645	-611.287
Depreciation and impairment losses as at 31.05.17	-630.766	-2.894.427
Carrying amount as at 31.05.17	87.104	574.523
Parent:		
Cost pr. 01.06.16	705.854	3.350.076
Additions during the year	320	23.155
Cost as at 31.05.17	706.174	3.373.231
Depreciation and impairment losses pr. 01.06.16	-586.992	-2.262.738
Depreciation during the year	-41.951	-591.961
Depreciation and impairment losses as at 31.05.17	-628.943	-2.854.699
Carrying amount as at 31.05.17	77.231	518.532

9. Equity investments in group enterprises

Figures in DKK	Equity investments in group enterprises
Parent:	
Cost pr. 01.06.16	843.335
Cost as at 31.05.17	843.335
Depreciation and impairment losses pr. 01.06.16	838.127
Foreign currency translation adjustment of foreign enterprises	-76.102
Net profit/loss from equity investments	-782.986
Negative equity value impaired in receivables	1.297.772
Negative equity value transferred to provisions	-856.433
Depreciation and impairment losses as at 31.05.17	420.378
Carrying amount as at 31.05.17	1.263.713

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year	Recognised value
Group enterprises:				
Bräuner Sverige AB, Malmö, Sverige	100%	1.162.100	-468.390	1.263.713
Bräuner Norge AS, Oslo, Norway	100%	-1.834.839	-994.964	-1.297.772

Swedish and Norwegian accounting policies do not allow for the deferred tax asset to be calculated on basis of tax loss carryforwards. The Group's accounting policies are that deferred tax assets are calculated on all temporary differences between financial and tax values of assets and liabilities.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Based on this, calculated deferred tax assets of t.DKK 639 are recognized in the above-mentioned equity investments in group enterprises.

	Group		Parent	
	31.05.17 DKK	31.05.16 DKK	31.05.17 DKK	31.05.16 DKK

10. Other provisions

Other provisions are expected to be distributed as follows:

Non-current liabilities	0	0	0	856.433
Total	0	0	0	856.433

11. Contingent liabilities

Group:

Lease commitments

The company has concluded lease agreements with terms to maturity of 3-22 months and average lease payments of t.DKK 64, a total of t.DKK 768.

Other contingent liabilities

Rental contract with a maturity of 8 months and with an indexed annual rent of total t.DKK 532.

Parent:

Lease commitments

The company has concluded lease agreements with terms to maturity of 9-10 months and average lease payments of t.DKK 79, a total of t.DKK 490.

Recourse guarantee commitments

The company has provided a guarantee for group enterprises' debt to credit institutions. The guarantee is maximised at t.DKK 279. The group enterprises' debt to the credit institutions concerned amounts to t.DKK 0 at the balance sheet date.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The maximum liability totals t.DKK 0 at the balance sheet date, The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

Rental contract with a maturity of 8 months and with an indexed annual rent of t.DKK 323.

12. Charges and security

Parent:

As company for debt to credit institutions of t.DKK 22.132, a company charge at t.DKK 25.000 has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories trade receivables as well as fuels and other ancillary materials. The total carrying amount of the comprised assets is t.DKK 35.272.

13. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for groups and enterprises in reporting class B with application of provisions for a higher reporting class .

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

13. Accounting policies - continued -

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue and cost of sales and other external expenses.

13. Accounting policies - continued -

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	3	0
Goodwill	20	0
Leasehold improvements	7	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Goodwill is amortised over 20 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

13. Accounting policies - continued -

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group entreprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

13. Accounting policies - continued -

BALANCE SHEET

Intangible assets

Completed development projects

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

13. Accounting policies - continued -

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that the parent company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

13. Accounting policies - continued -

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

13. Accounting policies - continued -

Equity

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Jørgen Peter Bæk-Mikkelsen
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