
CM Biomass Partners A/S

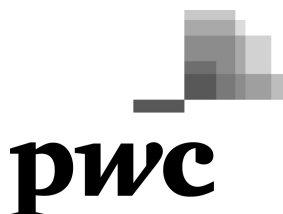
Klubiensvej 22, DK-2150 Nordhavn

Annual Report for 1 May 2022 - 30 April 2023

CVR No 32 28 38 53

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
16/6 2023

Christian Pagaard Junker
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of CM Biomass Partners A/S for the financial year 1 May 2022 - 30 April 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 30 April 2023 of the Company and of the results of the Company operations for 2022/23.

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

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

Nordhavn, 16 June 2023

Executive Board

Simon Christensen
Executive Officer

Board of Directors

Christian Pagaard Junker
Chairman

Jan Flemming Bech Andersen

Simon Christensen

Morten Hultberg Buchgreitz

Nina Østergaard Borris

Independent Auditor's Report

To the Shareholder of CM Biomass Partners A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 April 2023 and of the results of the Company's operations for the financial year 1 May 2022 - 30 April 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of CM Biomass Partners A/S for the financial year 1 May 2022 - 30 April 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Trekantområdet, 16 June 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jens Weiersøe Jakobsen

statsautoriseret revisor

mne30152

Lasse Berg

statsautoriseret revisor

mne35811

Company Information

The Company

CM Biomass Partners A/S
Klubiensvej 22
DK-2150 Nordhavn

CVR No: 32 28 38 53
Financial period: 1 May - 30 April
Incorporated: 1 July 2009
Financial year: 15th financial year
Municipality of reg. office: København

Board of Directors

Christian Pagaard Junker, Chairman
Jan Flemming Bech Andersen
Simon Christensen
Morten Hultberg Buchgreitz
Nina Østergaard Borris

Executive Board

Simon Christensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Financial Highlights

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

	2022/23	2021/22*	2020	2019	2018
	TEUR	TEUR	TEUR	TEUR	TEUR
Key figures					
Profit/loss					
Revenue	798,533	707,251	405,497	362,318	220,271
Gross profit/loss	58,692	50,777	22,614	14,983	7,726
Profit/loss before financial income and expenses	46,487	40,879	18,918	11,967	5,784
Net financials	-11,468	-3,057	-1,730	-1,339	-648
Net profit/loss for the year	26,146	28,618	13,441	8,251	3,994
Balance sheet					
Balance sheet total	216,676	138,618	100,540	80,171	42,395
Equity	82,748	58,159	37,803	21,744	13,152
Investment in property, plant and equipment	-423	-431	-542	-307	-2,242
Number of employees	31	24	16	12	10
Ratios					
Gross margin	7.3%	7.2%	5.6%	4.1%	3.5%
Profit margin	5.8%	5.8%	4.7%	3.3%	2.6%
Return on assets	21.5%	29.5%	18.8%	14.9%	13.6%
Solvency ratio	38.2%	42.0%	37.6%	27.1%	31.0%
Return on equity	37.1%	59.6%	45.1%	47.3%	36.6%

* The Company has changed the financial year and therefore the Financial Statements for 2021/22 include 16 months.

Management's Review

Key activities

The Company supplies utilities and distributors by acting as the main aggregator between manufacturers and customers in the Biomass industry.

Development in the year

The income statement of the Company for 2022/23 shows a profit of TEUR 26,146, and at 30 April 2023 the balance sheet of the Company shows equity of TEUR 82,748.

The Company has as of January 2023 merged with Vildbjerg Pellets ApS with effect from 1 May 2023. The merger has been accounted for under the book-value method and hence comparatives etc. has not been restated.

The management considers the net profit for the year to be satisfactory.

Material misstatements

Reference is made to the accounting policies used in this annual report, for the mention of material misstatements relating to previous years.

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

In 2022/23, the company delivered a result that was higher than the expectations stated in the annual report for 2021-22. The improved result was driven by increase in volumes, higher prices as well as higher price volatility between segments and markets implying good opportunities for arbitrage.

Operating risks and financial risks

Foreign exchange risks

A proportion of the Company's sales and purchases are made in other currencies than EUR. The hedging is primarily through forward foreign exchange contracts to hedge expected sales and purchases. There are no speculative currency arrangements.

Targets and expectations for the year ahead

Considering the geopolitical climate and its potential effect on CM Biomass' supply lines, the forecast for 2023-24 is uncertain. The completion of ongoing projects and optimization of production as well as further development of production capacity constitute key targets for the upcoming year. In addition, we consider further penetration of the Asian market a key target.

Taking these factors into consideration, management expects EBT at the same level.

Management's Review

External environment

The Company's activities are not considered to have an extensive impact on the external environment.

Statement of corporate social responsibility

For a statement on corporate social responsibility, we refer to our Parent Company CM Biomass Holding A/S, which prepares consolidated financial statements.

Statement on gender composition

The Board of Directors aim to follow the recommendations of the Danish Business Authority with respect to the underrepresented gender.

At present, the Board of Directors consists of one woman and four men, making the current gender composition 20% women and 80% men. The Company's target is to achieve a gender-balanced board in 2026/27.

CM Biomass Partners A/S does not account for the proportion of the underrepresented gender in the company's other management levels, since the company has employed fewer than 50 employees in the financial year.

Data Ethics

For a statement on data ethics, we refer to our Parent Company CM Biomass Holding A/S, which prepares consolidated financial statements.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 30 April 2023 of the Company and the results of the activities of the Company for the financial year for 2022/23 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 May 2022 - 30 April 2023

	Note	2022/23 12 months TEUR	2021/22 16 months TEUR
Revenue	1	798,533	707,251
Other operating income		19	390
Expenses for raw materials and consumables		-728,108	-646,265
Other external expenses		-11,752	-10,599
Gross profit/loss		58,692	50,777
Staff expenses	2	-11,189	-9,090
Depreciation and impairment of property, plant and equipment	3	-1,016	-808
Profit/loss before financial income and expenses		46,487	40,879
Income from investments in subsidiaries		-8,143	-3,965
Income from investments in associates		0	-33
Financial income	4	2,874	2,295
Financial expenses	5	-6,199	-1,354
Profit/loss before tax		35,019	37,822
Tax on profit/loss for the year	6	-8,873	-9,204
Net profit/loss for the year		26,146	28,618

Balance Sheet 30 April

Assets

	Note	2023 TEUR	2022 TEUR
Land and buildings		794	0
Other fixtures and fittings, tools and equipment		1,533	1,443
Property, plant and equipment	7	2,327	1,443
Investments in subsidiaries	8	120	140
Receivables from group enterprises	9	73,989	40,187
Deposits	9	45	31
Fixed asset investments		74,154	40,358
Fixed assets		76,481	41,801
Finished goods and goods for resale		74,432	35,816
Prepayments for goods		7,110	6,224
Inventories		81,542	42,040
Trade receivables		48,789	45,997
Receivables from group enterprises		1,482	369
Other receivables		5,970	5,502
Deferred tax asset	11	102	33
Prepayments	10	2,262	2,758
Receivables		58,605	54,659
Cash at bank and in hand		48	118
Currents assets		140,195	96,817
Assets		216,676	138,618

Balance Sheet 30 April

Liabilities and equity

	Note	2023 TEUR	2022 TEUR
Share capital	12	286	286
Reserve for hedging transactions		-1,442	-5,606
Other reserves		290	112
Retained earnings		79,614	61,867
Proposed dividend for the year		4,000	1,500
Equity		82,748	58,159
Other provisions	16	0	1,800
Provisions		0	1,800
Credit institutions		17,868	0
Long-term debt	15	17,868	0
Credit institutions	15	56,373	16,907
Prepayments received from customers		1,734	0
Trade payables		25,712	28,165
Payables to group enterprises		10,705	3,536
Payables to associates		0	2
Corporation tax		10,785	5,003
Other payables	14	10,751	25,046
Short-term debt		116,060	78,659
Debt		133,928	78,659
Liabilities and equity		216,676	138,618
Subsequent events	20		
Distribution of profit	13		
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Statement of Changes in Equity

	Share capital	Reserve for hedging transactions	Other reserves	Retained earnings	Proposed dividend for the year	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Equity at 1 May	286	-5,605	113	63,841	1,500	60,135
Net effect from merger and acquisition under the uniting of interests method	0	0	0	435	0	435
Net effect of correction of material misstatements	0	0	0	-1,974	0	-1,974
Adjusted equity at 1 May	286	-5,605	113	62,302	1,500	58,596
Exchange adjustments	0	0	177	0	0	177
Ordinary dividend paid	0	0	0	0	-1,500	-1,500
Extraordinary dividend paid	0	0	0	-4,000	0	-4,000
Fair value adjustment of hedging instruments, end of year	0	5,337	0	-834	0	4,503
Tax on adjustment of hedging instruments for the year	0	-1,174	0	0	0	-1,174
Net profit/loss for the year	0	0	0	22,146	4,000	26,146
Equity at 30 April	286	-1,442	290	79,614	4,000	82,748

Notes to the Financial Statements

	2022/23 12 months <u>TEUR</u>	2021/22 16 months <u>TEUR</u>
1 Revenue		
The Company is not considered to have different business segments.		
Geographical segments		
Revenue, Denmark	145,358	146,695
Revenue, exports	653,175	560,556
	<u>798,533</u>	<u>707,251</u>
2 Staff expenses		
Wages and salaries	9,927	8,267
Pensions	329	215
Other social security expenses	44	81
Other staff expenses	889	527
	<u>11,189</u>	<u>9,090</u>
Including remuneration to the Executive Board and Board of Directors	<u>1,601</u>	<u>1,652</u>
Average number of employees	<u>31</u>	<u>24</u>
3 Depreciation and impairment of property, plant and equipment		
Depreciation of property, plant and equipment	1,048	810
Gain and loss on disposal	-32	-2
	<u>1,016</u>	<u>808</u>
4 Financial income		
Interest received from group enterprises	2,854	536
Other financial income	20	0
Exchange adjustments	0	1,759
	<u>2,874</u>	<u>2,295</u>

Notes to the Financial Statements

	2022/23 12 months <u>TEUR</u>	2021/22 16 months <u>TEUR</u>
5 Financial expenses		
Interest paid to group enterprises	21	53
Other financial expenses	3,173	1,301
Exchange loss	3,005	0
	<u>6,199</u>	<u>1,354</u>
 6 Tax on profit/loss for the year		
Current tax for the year	10,767	6,850
Deferred tax for the year	-25	-61
Adjustment of tax concerning previous years	-695	0
	<u>10,047</u>	<u>6,789</u>
 which breaks down as follows:		
Tax on profit/loss for the year	8,873	9,204
Tax on changes in equity	1,174	-2,415
	<u>10,047</u>	<u>6,789</u>

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment
	TEUR	TEUR
Cost at 1 May	0	3,961
Net effect from merger and acquisition	847	659
Additions for the year	0	424
Disposals for the year	0	-75
Cost at 30 April	<u>847</u>	<u>4,969</u>
Impairment losses and depreciation at 1 May	0	2,516
Depreciation for the year	53	995
Reversal of impairment and depreciation of sold assets	0	-75
Impairment losses and depreciation at 30 April	<u>53</u>	<u>3,436</u>
Carrying amount at 30 April	<u>794</u>	<u>1,533</u>
Depreciated over	<u>10-20 years</u>	<u>5 years</u>

Notes to the Financial Statements

	2023 <u>TEUR</u>	2022 <u>TEUR</u>
8 Investments in subsidiaries		
Cost at 1 May	2,287	2,272
Additions for the year	<u>0</u>	<u>16</u>
Cost at 30 April	<u>2,287</u>	<u>2,288</u>
Value adjustments at 1 May	-3,895	-233
Exchange adjustment	176	303
Net profit/loss for the year	<u>-8,143</u>	<u>-3,965</u>
Value adjustments at 30 April	<u>-11,862</u>	<u>-3,895</u>
Equity investments with negative net asset value amortised over receivables	<u>9,695</u>	<u>1,747</u>
Carrying amount at 30 April	<u>120</u>	<u>140</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
CM Biomass Ltd. St. Petersburg	St. Petersburg	RUB 10.000	100%
CM Biomass Hamburg GmbH	Hamburg	EUR 25.000	100%
CMB North America Holding LLC	Delaware	USD 1.524.159	100%

9 Other fixed asset investments

	Receivables from group enterprises <u>TEUR</u>	Deposits <u>TEUR</u>
Cost at 1 May	41,755	31
Additions for the year	<u>32,234</u>	<u>14</u>
Cost at 30 April	<u>73,989</u>	<u>45</u>
Carrying amount at 30 April	<u>73,989</u>	<u>45</u>

Notes to the Financial Statements

10 Prepayments

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

	2023 TEUR	2022 TEUR
11 Deferred tax asset		
Deferred tax asset at 1 May	33	-28
Amounts recognised in the income statement for the year	25	61
Effect from merger	44	0
Deferred tax asset at 30 April	102	33

The recognized tax asset consist of temporary differences between tax values and accounting values of the Company's assets. In the coming years, the Company or the Group expect to realize the recognized deferred tax asset, on the basis of which recognition has been made per April 30, 2023.

12 Equity

The share capital consists of 2,133,333 shares of a nominal value of TEUR 1. No shares carry any special rights.

The share capital has developed as follows:

	2022/23 TEUR	2021/22 TEUR	2020/21 TEUR	2019/20 TEUR	2018/19 TEUR
Share capital at 1 May	286	286	286	279	268
Capital increase	0	0	0	7	10
Capital decrease	0	0	0	0	0
Share capital at 30 April	286	286	286	286	278

Notes to the Financial Statements

	2022/23 12 months <u>TEUR</u>	2021/22 16 months <u>TEUR</u>
13 Distribution of profit		
Extraordinary dividend paid	4,000	0
Proposed dividend for the year	4,000	1,500
Retained earnings	<u>18,146</u>	<u>27,118</u>
	<u>26,146</u>	<u>28,618</u>

14 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

Liabilities	1,849	7,182
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Forward exchange contracts have been concluded to hedge future sale of goods in foreign currencies. At the balance sheet date, the fair value of the forward exchange contracts amounts to TEUR -1,849.

15 Long-term debt

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

The debt falls due for payment as specified below:

Credit institutions

Between 1 and 5 years	<u>17,868</u>	<u>0</u>
Long-term part	<u>17,868</u>	<u>0</u>
Within 1 year	21,720	0
Other short-term debt to credit institutions	<u>34,653</u>	<u>16,907</u>
Short-term part	<u>56,373</u>	<u>16,907</u>
	<u>74,241</u>	<u>16,907</u>

Notes to the Financial Statements

	2023 <u>TEUR</u>	2022 <u>TEUR</u>
16 Other provisions		
Provision for loss-making contracts	0	1,800
	<u>0</u>	<u>1,800</u>

Other provisions consist of loss-making contracts that are ongoing at the balance sheet date. All loss-making contracts from last year has been completed at the balance sheet date for 2022/23.

17 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	2,820	2,383
Between 1 and 5 years	959	1,667
	<u>3,779</u>	<u>4,050</u>

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of SelfGenerations T ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Company is jointly and severally liable without restriction for commitment with bank in the subsidiary, CM Biomass Hamburg GmbH.

Notes to the Financial Statements

18 Related parties

	Basis
Controlling interest	
Torben Østergaard-Nielsen	Ultimate principal shareholder
SelfGenerations T ApS	Ultimate parent company
CM Biomass Holding A/S	Parent company

Transactions

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

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
SelfGenerations T ApS	Turbinevej 10, 5500 Middelfart
CM Biomass Holding A/S	Turbinevej 10, 5500 Middelfart

19 Fee to auditors appointed at the general meeting

In accordance with section 96(3) of the Danish Financial Statements Act, fees paid the auditors appointed at the annual generalmeeting has been omitted as it is included in the consolidated financial statements of the USTC group (United Shipping and Trading Company A/S).

20 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of CM Biomass Partners A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022/23 are presented in TEUR.

Correction of material misstatements

Correction has been made of material misstatements concerning previous years. Management has noted that recognition and measurement of investments in subsidiaries have been incorrect in the previous financial year. Correction has been made in the Company's equity in the Annual Report for 2022/23 in this respect, and the Company's comparative figures have been restated accordingly.

In respect of financial year 2021/22, the Company's income from investments in subsidiaries and profit/loss after tax have been affected negatively by DKK 1,974k. Investments in subsidiaries have been reduced by DKK 1,974k and at 1 may 2022, the Company's equity is negatively affected by DKK 1,974k.

Consolidated financial statements

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

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of CM Biomass Holding A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

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

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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

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

Leases

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

Translation policies

Euro is used as the presentation currency. All other currencies are regarded as foreign currencies.

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

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

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

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Notes to the Financial Statements

21 Accounting Policies (continued)

Revenue

Information on geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

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

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

Expenses for raw materials and consumables

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

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as administration, etc.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

Income from investments in subsidiaries and associates

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with the Group's other Danish companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

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

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

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

Buildings	30 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Investments in subsidiaries

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

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

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

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

Other fixed asset investments

Other fixed asset investments consist of long-term receivables and deposits.

Inventories

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

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

The cost of goods for resale equals landed cost.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

21 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

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

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$