

2019

Annual report for 2019

NGF Nature Energy Biogas A/S
Ørbækvej 260, 5220 Odense SØ
CVR no. 34 61 40 91

Adopted at the annual
general meeting on
29 April 2020

Ole Hvelplund
chairman

nature
energy

Table of contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
 Management's review	
Company details	5
Management's review	6
 Financial statements	
Income statement 1 January - 31 December	9
Balance sheet 31 December	10
Statement of changes in equity	12
Notes to the annual report	13
Accounting policies	24

Statement by management on the annual report

The Board of Directors and Executive board have today discussed and approved the annual report of NGF Nature Energy Biogas A/S for the financial year 1 January - 31 December 2019.

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 company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Odense, 29 April 2020

Executive board

Ole Hvelplund
CEO

Board of Directors

Peter Gæmelke
chairman

Steen Parsholt
deputy chairman

Sam Abboud

Terrence Tehranian

Martin Dan Jeppesen
employee representative

Jesper Skovgaard Valsted
employee representative

Independent auditor's report

To the shareholder of NGF Nature Energy Biogas A/S

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of NGF Nature Energy Biogas A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

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' 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 the 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 judgment and maintain professional skepticism 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 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 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.

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 Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that 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 of management's review.

Odense, 29 April 2020

PricewaterhouseCoopers
statsautoriseret revisionspartnerselskab
CVR no. 33 77 12 31

Mads Meldgaard
State Authorised Accountant
MNE no. mne24826

Line Hedam
statsautoriseret revisor
MNE no. mne27768

Company details

The company

NGF Nature Energy Biogas A/S
Ørbækvej 260
5220 Odense SØ

CVR no.: 34 61 40 91

Reporting period: 1 January - 31 December 2019

Domicile: Odense

Board of Directors

Peter Gæmelke, chairman
Steen Parsholt, deputy chairman
Sam Abboud
Terrence Tehranian
Martin Dan Jeppesen, employee representative
Jesper Skovgaard Valsted, employee representative

Executive board

Ole Hvelplund

Auditors

PricewaterhouseCoopers
statsautoriseret revisionspartnerselskab
Rytterkasernen 21
5000 Odense C

Consolidated financial statements

The company is reflected in the group report for NGF Partnership K/S

Management's review

Business activities

NGF Nature Energy Biogas A/S fulfils the interests of the Nature Energy Group within the circular business, among others project development and the construction of projects relating to the production and upgrading of green gas to grid and biogas in transports.

NGF Nature Energy Biogas A/S is 100 % owned by NGF Denmark Holding ApS.

The company is the parent company to a number of biogas subsidiaries, project companies, Nature Energy Green Gas Sales A/S, Nature Energy Green Transport A/S and Nature Energy Støvring A/S.

NGF Nature Energy Biogas A/S is moreover responsible for the service functions of the other group companies.

In 2019, an average of 47 employees were employed by NGF Nature Energy Biogas A/S.

Business review

The company's income statement for the year ended 31 December 2019 shows a loss of TDKK 39,998, and the balance sheet at 31 December 2019 shows equity of TDKK 918,234.

In July 2019, NGF Nature Energy Biogas A/S acquired Nature Energy Bånlev A/S and Nature Energy Bånlev Transport A/S.

Further, in September 2019 the subsidiary of NGF Nature Energy Biogas A/S, Nature Energy Green Transport A/S acquired Nature Energy Gastankstationer ApS which included 9 CNG stations.

Management's review

Financing

The result reflects the allocation of resources necessary to select and mature the biogas pipeline projects.

A design and construction phase of about 1 2 years is estimated, before revenue from the biogas production are expected.

A significant part of the further development of the biogas business was initiated in 2018. The construction of the biogas plant at Glansager was started in 2019 as well as the expansions of Månsø, Midtfyn, Nordfyn and Bånslev. All five plants are completed in 2020.

The expansion of the plant in Holsted was completed in the middle of 2019.

Thus, eleven biogas plants are fully commissioned at the beginning of 2021 with a combined production of upgraded biogas with a magnitude of 166 million m³ per year.

During 2019 further shared competences for analysis, monitoring, and optimisation of the biogas production has been added to the Nature Energy Group. The main laboratory has been extended in order to enable the Group to develop and improve the biogas business further.

Progress is still made in order to secure the long term foundation of the Danish biogas business, focusing on developing biogas projects in all of Denmark and abroad. During 2019, significant progress has been made in the maturation of projects in Southern Jutland and on Zealand.

Financial review

The Nature Energy companies continuously expect to offer green gas and green certificates to a much larger extent and to be able to offer new products derived hereof.

With green gas to grid a continuously stabile heat is secured to thousands of customers, directly from the natural gas grid and indirectly from the gas heated district heating plants to an efficient production of process energy, e.g. to Danish companies depending on the highly efficient heat that can almost only be supplied through gas.

Strategy and objectives

The Nature Energy companies continuously expect to offer green gas and green certificates to a much larger extent and to be able to offer new products derived hereof.

With green gas to grid a continuously stabile heat is secured to thousands of customers, directly from the natural gas grid and indirectly from the gas heated district heating plants to an efficient production of process energy, e.g. to Danish companies depending on the highly efficient heat that can almost only be supplied through gas.

Management's review

Construction

Nature Energy Støvring is a leading supplier of advanced turnkey biogas plants. Støvring designs and builds award winning biogas plants. Based upon more than 30 years' experience, the company has developed plant concepts, which are flexible, robust in their construction, reliable in operations, and easy to operate.

Nature Energy Støvring A/S has changed its focus during 2019, in the future the company will serve as the Group's EPC business and primarily serve the companies of the Group.

Significant events occurring after the end of the financial year

The company's expectations for the future are not expected to be significantly affected as a result of Covid-19 and the actions by the governments in most of the world taken to mitigate the effects of the outbreak. See also the discussion of subsequent events described in note 16.

Recognition and measurement uncertainties

The recognition and measurement of items in the financial statements is not subject to any uncertainty.

Unusual matters

Any unusual matters do not affect the company's financial position at 31 December 2019 and the results of its operations for the financial year ended 31 December 2019.

Income statement 1 January - 31 December

	Note	2019 TDKK	2018 TDKK
Gross profit		-13,214	-23,108
Staff costs	1	-34,522	-39,079
Profit/loss before amortisation/depreciation and impairment losses		-47,736	-62,187
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-9,945	-6,199
Other operating costs		-878	-482
Profit/loss before net financials		-58,559	-68,868
Income from investments in subsidiaries	3	-10,591	264,494
Income from investments in associates	4	-1,670	1,773
Financial income	5	26,884	10,898
Financial costs	6	-3,469	-7,626
Profit/loss before tax		-47,405	200,671
Tax on profit/loss for the year	7	7,407	12,367
Profit/loss for the year		-39,998	213,038
Recommended appropriation of profit/loss			
Retained earnings		-39,998	213,038
		-39,998	213,038

Balance sheet 31 December

	Note	2019 TDKK	2018 TDKK
Assets			
Acquired patents, licenses and other rights		10,446	11,285
Development projects in progress		818	0
Intangible assets	8	11,264	11,285
Land and buildings		35,109	38,295
Other fixtures and fittings, tools and equipment		3,720	3,487
Property, plant and equipment in progress		0	0
Tangible assets	9	38,829	41,782
Investments in subsidiaries	10	659,980	400,287
Investments in associates	11	28,857	10,976
Receivables from subsidiaries	12	8,000	8,000
Receivables from associates	12	0	8,000
Other fixed asset investments	12	1,900	1,900
Fixed asset investments		698,737	429,163
Total non-current assets		748,830	482,230
Raw materials and consumables		9,047	3,147
Stocks		9,047	3,147
Trade receivables		336	788
Receivables from subsidiaries		184,404	184,946
Receivables from associates		32,050	11,550
Other receivables		6,653	857
Deferred tax asset	14	21,334	21,064
Receivables		244,777	219,205
Cash at bank and in hand		61,217	88,224
Total current assets		315,041	310,576
Total assets		1,063,871	792,806

Balance sheet 31 December

	Note	2019 TDKK	2018 TDKK
Equity and liabilities			
Share capital		12,918	6,329
Retained earnings		905,316	668,850
Equity	13	918,234	675,179
Provisions relating to investments in group entities		2,029	0
Total provisions		2,029	0
Other credit institutions	15	35,425	37,000
Other payables		1,047	0
Total non-current liabilities	15	36,472	37,000
Other credit institutions	15	900	4
Trade payables		6,497	8,522
Payables to group enterprises		74,296	54,453
Other payables		25,443	17,648
Total current liabilities		107,136	80,627
Total liabilities		143,608	117,627
Total equity and liabilities		1,063,871	792,806
Significant events occurring after the end of the financial year	16		
Rent and lease liabilities	17		
Contingent liabilities	18		
Mortgages and collateral	19		
Related parties and ownership structure	20		

Statement of changes in equity

	Share capital	Share premium account	Retained earnings	Total
Equity at 1 January 2019	6,329	0	668,850	675,179
Cash capital increase	6,589	291,011	0	297,600
Purchase of minority shares	0	0	-13,770	-13,770
Other equity movements	0	0	-777	-777
Net profit/loss for the year	0	0	-39,998	-39,998
Transfer from share premium account	0	-291,011	291,011	0
Equity at 31 December 2019	12,918	0	905,316	918,234

Notes

	2019 TDKK	2018 TDKK
1 Staff costs		
Wages and salaries	30,236	34,869
Pensions	2,672	2,954
Other social security costs	446	292
Other staff costs	1,168	964
	34,522	39,079
Average number of employees	47	51
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	5,207	3,156
Depreciation tangible assets	4,738	3,037
Gain/loss on disposal	0	6
	9,945	6,199
3 Income from investments in subsidiaries		
Share of profits of subsidiaries	-10,591	264,494
	-10,591	264,494
4 Income from investments in associates		
Share of profits of associates	-1,670	1,773
	-1,670	1,773

Notes

	2019 TDKK	2018 TDKK
5 Financial income		
Interest received from group entities	25,484	10,020
Interest received from associates	1,068	870
Other financial income	332	8
	26,884	10,898
6 Financial costs		
Financial expenses, group entities	1,557	0
Other financial costs	1,912	7,626
	3,469	7,626
7 Tax on profit/loss for the year		
Deferred tax for the year	-7,407	-12,367
Adjustment of tax concerning previous years	-7,137	0
Adjustment of deferred tax concerning previous years	7,137	0
	-7,407	-12,367

Notes

8 Intangible assets

	Acquired patents, licenses and other rights	Development projects in progress	Total
Cost at 1 January 2019	15,226	0	15,226
Additions for the year	0	5,221	5,221
Disposals for the year	0	-35	-35
Transfers for the year	4,368	-4,368	0
Cost at 31 December 2019	19,594	818	20,412
Impairment losses and amortisation at 1 January 2019	3,941	0	3,941
Amortisation for the year	5,207	0	5,207
Impairment losses and amortisation at 31 December 2019	9,148	0	9,148
Carrying amount at 31 December 2019	10,446	818	11,264

Notes

9 Tangible assets

	Land and buildings	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2019	40,773	4,187	0	44,960
Additions for the year	0	1,155	630	1,785
Transfers for the year	208	422	-630	0
Cost at 31 December 2019	40,981	5,764	0	46,745
Impairment losses and depreciation at 1 January 2019	2,478	700	0	3,178
Depreciation for the year	3,394	1,344	0	4,738
Impairment losses and depreciation at 31 December 2019	5,872	2,044	0	7,916
Carrying amount at 31 December 2019	35,109	3,720	0	38,829

Notes

	2019	2018
	TDKK	TDKK
10 Investments in subsidiaries		
Cost at 1 January 2019	431,349	481,242
Additions for the year	288,485	138,046
Disposals for the year	-5,683	-187,939
Cost at 31 December 2019	714,151	431,349
Revaluations at 1 January 2019	-31,062	-24,394
Disposals for the year	0	-135,191
Net profit/loss for the year	31,312	269,606
Received dividend	0	-150,000
Other equity movements, net	-14,547	14,029
Amortisation of goodwill	-6,044	-879
Change in intercompany profit on tangible assets	-35,859	-4,233
Equity investments with negative net asset value transferred to provisions	2,029	0
Revaluations at 31 December 2019	-54,171	-31,062
Carrying amount at 31 December 2019	659,980	400,287
Remaining positive difference included in the above carrying amount at 31 December 2019	72,187	

Notes

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest
Nature Energy Nørager A/S	Odense	100%
Nature Energy Ørbæk A/S	Odense	100%
Nature Energy Korskrø A/S	Odense	95%
Nature Energy Vaarst A/S	Odense	83%
Nature Energy Holsted A/S	Odense	71%
Nature Energy Midtfyn A/S	Odense	92%
Nature Energy Nordfyn A/S	Odense	88%
Nature Energy Sønderborg A/S	Odense	100%
Nature Energy Trekanten A/S	Odense	51%
Nature Energy Holbæk ApS	Odense	100%
Bionaturgas 9 ApS	Odense	100%
Nature Energy Køng ApS	Odense	100%
Nature Energy Videbæk A/S	Odense	100%
Nature Energy Green Gas Sales A/S	Odense	100%
Nature Energy Green Transport A/S	Odense	100%
Hemmet Bioenergi ApS	Odense	100%
Sdr. Vium Bioenergi ApS	Odense	100%
Nature Energy Støvring A/S	Støvring	100%
Nature Energy Kværs ApS	Odense	100%
Nature Energy 1 ApS	Odense	100%
Nature Energy 2 ApS	Odense	100%
Nature Energy 3 ApS	Odense	100%
Nature Energy 4 ApS	Odense	100%
Nature Energy Bånlev Transport A/S	Odense	90%
Nature Energy Bånlev A/S	Odense	90%
Nature Energy Gastankstationer ApS	Odense	100%

Notes

	2019 TDKK	2018 TDKK
11 Investments in associates		
Cost at 1 January 2019	11,949	11,949
Additions for the year	19,551	0
Cost at 31 December 2019	31,500	11,949
Revaluations at 1 January 2019	-973	-2,919
Net profit/loss for the year	-1,670	1,773
Other equity movements, net	0	173
Revaluations at 31 December 2019	-2,643	-973
Carrying amount at 31 December 2019	28,857	10,976

Investments in associates are specified as follows:

Name	Registered office	Ownership interest
Nature Energy Månsson A/S	Odense	49%

12 Fixed asset investments

	Receivables from subsidiaries	Receivables from associates	Other fixed asset investments
Cost at 1 January 2019	8,000	8,000	1,900
Disposals for the year	0	-8,000	0
Cost at 31 December 2019	8,000	0	1,900
Carrying amount at 31 December 2019	8,000	0	1,900

Receivables from subsidiaries and associated companies consist of the subordinated loan. The loan is remunerated, repayable and can be converted in the event of default.

Notes

13 Equity

The share capital has developed as follows:

	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January 2019	6,329	3,000	2,500	2,500	1,000
Additions for the year	6,589	3,329	500	0	1,500
Share capital	12,918	6,329	3,000	2,500	2,500

14 Provision for deferred tax

	2019	2018
	TDKK	TDKK
Provision for deferred tax	-21,334	-21,064
Transferred to deferred tax asset	21,334	21,064
	0	0
Deferred tax asset		
Calculated tax asset	21,334	21,064
Carrying amount	21,334	21,064

The recognized tax asset consists primarily of tax loss carryforwards, which are expected to be utilized within the next 3-5 years.

Notes

15 Long term debt

	2019 TDKK	2018 TDKK
Other credit institutions		
After 5 years	29,023	32,316
Between 1 and 5 years	6,402	4,684
Non-current portion	35,425	37,000
Other short-term debt to credit institutions	900	4
Current portion	900	4
	36,325	37,004
Other payables		
After 5 years	1,047	0
Non-current portion	1,047	0
Other short-term other debt	25,443	17,648
Current portion	25,443	17,648
	26,490	17,648

16 Significant events occurring after the end of the financial year

The consequences of Covid-19, in which many governments around the world have decided to "shut down the countries", are of great importance to the world economy. Management considers the consequences of Covid-19 as an event that occurred after the balance sheet date (December 31, 2019) and therefore constitutes a non-regulatory event for the company.

In general, Nature Energy is not significantly affected by the limitations that COVID-19 has brought.

All sales are unaffected. This applies to selling gas at market prices, receiving subsidies, and selling certificates.

Nature Energy continuously buys industrial biomass in different markets, and continuously optimizes the composition of the industrial biomass depending on price development, availability and specific opportunities.

Purchasing of gas and certificates is not affected by the situation.

Some components of the construction projects are delayed (primarily from China and Germany), but so far this does not give rise to overall delays in the construction projects.

Nature Energy follows the development closely - both in society and internally within the company - and acts accordingly, but has an expectation that operations can continue unaffected throughout the course.

Notes

	2019 TDKK	2018 TDKK
17 Rent and lease liabilities		
Operating lease liabilities. Total future lease payments:		
Within 1 year	240	657
Between 1 and 5 years	28	727
After 5 years	0	0
	268	1,384

18 Contingent liabilities

The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income, etc. The total amount of due corporation tax payable is stated in the annual report of NGF Partnership K/S, which is the company that administers co-taxation. Furthermore, the Group's Danish companies are jointly and severally liable for Danish taxes in the form of dividend tax and interest tax. Any subsequent corrections to corporate taxes may increase the the Company's commitment.

The Company has signed contracts for 1,900 TDKK for a 2 year period.

The Company has pledged bank account, TDKK 14,762, for collateral for bank balances in subsidiaries; Nature Energy Midtfyn A/S, Nature Energy Holsted A/S, Nature Energy Vaarst A/S, Nature Energy Korsbro A/S, Nature Energy Videbæk A/S, Nature Energy Nordfyn A/S og Nature Energy Green Gas Sales A/S.

The Company has pledged bank account, TDKK 5,734, for payment guarantee in subsidiary Nature Energy Videbæk A/S.

The Company is unlimited jointly and severally liable to banks for the subsidiaries Nature Energy Midtfyn A/S, Nature Energy Holsted A/S, Nature Energy Vaarst A/S, Nature Energy Korsbro A/S, Nature Energy Nordfyn A/S, Nature Energy Green Gas Sales A/S, Nature Energy Videbæk A/S, Sdr. Vium Bioenergi ApS and Hemmet Bioenergi ApS.

The Company guarantees obligations in the subsidiaries Bionaturgas 9 ApS, Nature Energy 1 ApS, Nature Energy 2 ApS, Nature Energy 3 ApS and Nature Energy 4 ApS until the companies have submitted annual reports for a subsequent financial year in accordance with section 6 of the Danish Financial Statements Act §6.

The Company has provided a guarantee of TDKK 2,930 to third parties as collateral of subsidiaries' payments.

The Company is jointly and severally liable to third parties for the subsidiaries' leasing agreements with residual value of TDKK 26,641.

The Company has provided a guarantee of TDKK 20 to third-parties.

Cash pool

The Company is included in a cash pool agreement with subsidiaries and guarantees for these companies' obligations in relation to credit in the cash pool facility account.

Pledged shares

Notes

18 Contingent liabilities (continued)

The Company has provided shares in a subsidiary as collateral for debt to other credit institutions. The book value of the shares per December 31, 2019, TDKK 71,274.

	2019	2018
	TDKK	TDKK
19 Mortgages and collateral		
The following assets have been put up as security for debt to mortgage credit institutions:		
Land and buildings	35,108	38,295
	35,108	38,295

20 Related parties and ownership structure

Controlling interest

NGF Partnership K/S
NGF Denmark Holding ApS

Consolidated financial statements

The company is reflected in the group report for NGF Partnership K/S

Accounting policies

The annual report of NGF Nature Energy Biogas A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied are consistent with those of last year.

The annual report for 2019 is presented in TDKK

Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of 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.

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.

Foreign currency translation

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.

Accounting policies

Leases

All leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'.

Income statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

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 operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Other external expenses

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

Staff costs

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Accounting policies

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.

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 Danish group enterprises. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intangible assets

Acquired patents, licenses and other rights

Acquired patents, licences and other rights are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences and other rights are amortised over the term of the licence or the other right, however not more than 5 years.

Tangible assets

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Accounting policies

Land and buildings	20	years
Other fixtures and fittings, tools and equipment	3-10	years

Depreciation period and residual value are reassessed annually.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in subsidiaries and associates

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

The items “Investments in subsidiaries” and “Investments in associates” 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 with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates 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 and the associates.

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

Other securities and investments, fixed assets

Investments are measured at fair value.

Impairment of fixed assets

The carrying amounts of intangible assets and 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.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

Accounting policies

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, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

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

Equity

Dividends

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

Income tax and deferred tax

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.

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, including the tax base of tax loss carry-forwards, 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.

Accounting policies

Liabilities

Mortgage debt is thus measured at amortised cost, which for cash loans corresponds to the outstanding debt. For bond loans, amortised cost corresponds to an outstanding debt calculated as the underlying cash value of the loan at the time of borrowing, adjusted by amortisation of the value adjustment of the loan at the time of borrowing.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash flow statement

Pursuant to sections §86, of the Danish Financial Statements Act, no cash flow statement has been prepared for the company, as the company's cash flows are included in the consolidated cash flow statement.