



DSV Frø Danmark A/S

Energivej 3
7500 Holstebro
CVR No. 35411399

Annual report 01.07.2021 - 30.06.2022

The Annual General Meeting adopted the
annual report on 08.12.2022

Lasse Skovlund Bech
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2021/22	11
Balance sheet at 30.06.2022	12
Statement of changes in equity for 2021/22	14
Cash flow statement for 2021/22	15
Notes	16
Accounting policies	20

Entity details

Entity

DSV Frø Danmark A/S

Energivej 3

7500 Holstebro

Business Registration No.: 35411399

Registered office: Holstebro

Financial year: 01.07.2021 - 30.06.2022

Board of Directors

Clive Krückemeyer

Edwin Dennes van Sligter

Dr. Eike Hupe

Executive Board

Lasse Skovlund Bech

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of DSV Frø Danmark A/S for the financial year 01.07.2021 - 30.06.2022.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2022 and of the results of its operations and cash flows for the financial year 01.07.2021 - 30.06.2022.

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

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

Holstebro, 08.12.2022

Executive Board

Lasse Skovlund Bech

Board of Directors

Clive Krückemeyer

Edwin Dennes van Sligter

Dr. Eike Hupe

Independent auditor's report

To the shareholder of DSV Frø Danmark A/S

Opinion

We have audited the financial statements of DSV Frø Danmark A/S for the financial year 01.07.2021 - 30.06.2022, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2022 and of the results of its operations and cash flows for the financial year 01.07.2021 - 30.06.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 08.12.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Vedel

State Authorised Public Accountant
Identification No (MNE) mne10052

Mikael Møller

State Authorised Public Accountant
Identification No (MNE) mne47835

Management commentary

Financial highlights

	2021/22 DKK'000	2020/21 DKK'000	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000
Key figures					
Revenue	431,676	383,565	351,022	321,753	249,265
Gross profit/loss	73,532	78,564	83,186	51,743	40,761
Operating profit/loss	30,228	42,367	49,098	21,708	13,423
Net financials	(1,200)	(812)	(551)	(861)	(1,446)
Profit/loss for the year	22,424	32,437	37,875	16,208	9,220
Total assets	280,823	191,288	172,080	138,293	124,348
Investments in property, plant and equipment	4,521	8,592	13,427	7,784	3,504
Equity	112,641	112,567	113,655	88,445	75,962
Ratios					
Gross margin (%)	17.03	20.48	23.70	16.08	16.35
Net margin (%)	5.19	8.46	10.79	5.04	3.70
Return on equity (%)	19.91	28.68	37.48	19.72	12.63
Equity ratio (%)	40.11	58.85	66.05	63.95	61.09

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

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Revenue

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Primary activities

The Company's primary activity is wholesaling and retailing of seed, primarily processed from Danish grown seed as well as minor import. The company is exporting seeds for the international market.

Development in activities and finances

Profit of the year amounts to DKK 22,424k, which is considered satisfactory and above expectations for the result of the year, given the changes in intercompany pricing method.

Profit/loss for the year in relation to expected developments

Profit is better compared to expectations, although lower than last year. Export and home market sales were higher than expected - but the grower prices and prices for energy also increased above expectations.

Uncertainty relating to recognition and measurement

There are no material uncertainties related to recognition and measurement of assets and liabilities.

Unusual circumstances affecting recognition and measurement

There are no unusual circumstances affecting recognition and measurement.

Outlook

For 2022/23, revenues and profits are expected to remain stable.

Knowledge resources

Intellectual capital resources are in the parent company.

Environmental performance

DSV Frø has taken different initiatives, to contribute to positive environmental developments.

Research and development activities

Only minor activities are carried out locally in Danish subsidiary.

Foreign branches

DSV Frø has a Swedish branch.

Statutory report on corporate social responsibility

DSV Frø is a part of the DSV Group, and as such the company is working within the Group's overall strategic framework.

Business model

DSV Frø produces and sells varieties of grasses, clover, rapeseed and other crops, that have been bred by the parent company or sister companies. The varieties are being multiplied by growers in Denmark, cleaned after harvest in our factories, and bagged and exported for the global markets. For the Scandinavian market, DSV Frø is mixing these varieties into mixtures the farmer can seed in the grass fields, for feeding cattle and other livestock. In addition, DSV also do seeds and mixtures for landscaping and gardening.

Seed is the fundament of food value chains, and as such DSV has an impact on making food production more efficient and produce more food with a lower impact.

Impact on climate and environment

DSV Group is active in breeding and producing plant varieties, which creates the basis of future nutrition. The breeding activities in the Group strives towards a more efficient primary production, which at the same time

takes the challenges of the society and the farmer into consideration. In our breeding following traits are being targeted, when selecting the variety candidates for further breeding: Yield, resistance to diseases, drought resistance / water consumption and digestability. The composition of these traits are selected depending on the market needs compared to existing portfolio, within the given variety. The breeding activities, however, is carried out by parent and sister companies, where DSV Frø focus on the production. In order to improve the level of sustainability in the agricultural production chain and thereby the food chain as a whole, it is a focus of DSV Frø to increase the efficiency and maximize the output of the consumed resources in terms of fertilizer and other input material. By increasing the output it makes it possible to decrease the need for cultivated land relatively to the increasing demand for food.

A key driver for the efficiency in our production is the yield per produced area (hectar), which has increased from 1011 kg/ha in 2011 to 1581 kg/ha in 2021/22. Aim is a consistent increase to min. 1500 kg and have a 5-year average above that. Currently (from harvest 21) the 5 year average is 1459 kg/ha (vs 1393 kg/ha prev. year). Higher yields in the field production, minimizes the need for land usage in the production, with which follows less use of water, fertilizer and other inputs in the crop production.

Our breeding of varieties, development of production strategies and seed mixtures, make sure that the future food production reduces impact on climate and environment, through following:

- Higher yields per hectar
- Less dependency on fertilizers
- Resistance towards droughts
- Less consumption of crop protection products
- Improves fertility of soil
- Securing higher digestibility for live stock
- Less water consumption

Risks

The seed value chain in general is connected with relatively low risks. There is however, a negative climate impact in the consumption of energy needed for the cleaning, as well as in the transport of the goods. Although the industry is not an energy intensive industry, DSV Frø takes different initiatives to reduce energy consumption, thus limiting the risk.

Human rights

DSV Frø has zero tolerance for the violation of human rights. The biggest risks related to human rights violations in our organization are related to discrimination and harassment as well as the right to time off. Violation of human rights in our organization could lead to loss of reputation and therefore competitiveness. In order to ensure that no such issues occur, we provide an open and inclusive environment, with a flexible approach to work hours. We have not experienced any violations of human rights for this financial year, and we intend to continue our efforts in the coming year.

Social issues and personnel

Regarding social issues and personnel, we recognize that not having a committed and motivated workforce can put our performance at risk. Therefore, DSV Frø strives to be an attractive company for its employees. The aim is to maintain a flat hierarchy environment, which means managers are urged to be including in their approach to managing the individual departments. There is also a flexible approach to working hours, and possibilities for working from home - in order to ensure the possibility for DSV employees to keep a proper balance between work and social life. DSV Frø also offers health care insurance to its employees. Furthermore, DSV Frø is having an established HSE organization at their locations.

In 21/22 a group wide employee survey processes was implemented, which showed overall, that DSV Frø has a satisfied and motivated workforce. This survey will be conducted on a yearly basis to ensure the motivation of employees.

Anti-corruption

DSV Frø is living up to auditor's recommendations of Control measures, to ensure arms-length and four eyes principles in transactions taking place.

DSV Frø has zero tolerance for corruption in our activities, as we acknowledge that we could risk losing customer trust as well as our reputation in the market. In 2021/22 no corrupt activities were reported, and we will continue to focus on this for the coming year. The risk of corruption in the value chain, is regarded as small – but there are several measures implemented to mitigate that risk, such as 4 eyes principles etc. In addition there is currently being implemented a better system for whistleblowers.

Statutory report on the underrepresented gender

The company is a flat-structured company with one managing director and few layers of management. The managing director is appointed by the shareholders - The mother company DSV AG, Germany, As DSV Frø Danmark A/S is a daughter company, there is no internal influence on the selection of top management. We do not discriminate in our recruitment processes, as the aim is to secure equal access to any position in the company, regardless of gender, age, religion or sexual orientation. Open positions are published in a style of writing, that caters both to men and women. In the management group in the company 2 out of 7 are female. During 22/23 the management group will be extended to 8 of which 3 will be female.

Statutory report on data ethics policy

The Company have updated all Employee and Data Privacy policies to reflect the GDPR Regulations introduced in 2018. We have map each year as a Division what personal data we are holding on employees, customers, suppliers and other DSV Divisions. We have given training to our employees on what GDPR means to their day to day work and also on what action to take if there is a personal data breach. The Company is part of a Group which has a Data Protection Officer and a GDPR Steering Committee which meets quarterly. The Company does not use Data besides the GDPR regulations which means for example no use of AI in the Company. No actual data ethics policy has therefore been drawn up.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of This annual report.

Income statement for 2021/22

	Notes	2021/22 DKK	2020/21 DKK
Revenue	2	431,676,302	383,564,677
Other operating income		1,290,298	1,363,850
Cost of sales		(318,744,063)	(274,237,996)
Other external expenses	3	(40,690,216)	(32,126,325)
Gross profit/loss		73,532,321	78,564,206
Staff costs	4	(38,969,489)	(32,322,733)
Depreciation, amortisation and impairment losses		(4,335,111)	(3,874,595)
Operating profit/loss		30,227,721	42,366,878
Other financial income		83,517	110,860
Other financial expenses		(1,283,253)	(923,083)
Profit/loss before tax		29,027,985	41,554,655
Tax on profit/loss for the year	5	(6,604,106)	(9,117,446)
Profit/loss for the year	6	22,423,879	32,437,209

Balance sheet at 30.06.2022

Assets

	Notes	2021/22 DKK	2020/21 DKK
Land and buildings		56,581,837	58,220,555
Plant and machinery		19,964,945	16,380,734
Property, plant and equipment in progress		1,718,372	3,478,101
Property, plant and equipment	7	78,265,154	78,079,390
Other investments		7,682	7,682
Financial assets	8	7,682	7,682
Fixed assets		78,272,836	78,087,072
Manufactured goods and goods for resale		146,548,751	86,252,680
Inventories		146,548,751	86,252,680
Trade receivables		11,076,783	8,925,924
Receivables from group enterprises		24,642,262	1,505,792
Other receivables		19,548,506	16,103,277
Prepayments	9	385,606	123,598
Receivables		55,653,157	26,658,591
Cash		348,083	289,795
Current assets		202,549,991	113,201,066
Assets		280,822,827	191,288,138

Equity and liabilities

	Notes	2021/22 DKK	2020/21 DKK
Contributed capital		500,000	500,000
Retained earnings		108,420,859	89,716,980
Proposed dividend		3,720,000	22,350,000
Equity		112,640,859	112,566,980
Deferred tax	10	9,350,000	7,581,000
Other provisions	11	0	140,000
Provisions		9,350,000	7,721,000
Mortgage debt		16,174,247	17,845,114
Other payables		0	805,918
Non-current liabilities other than provisions	12	16,174,247	18,651,032
Current portion of non-current liabilities other than provisions	12	1,670,867	1,674,052
Bank loans		121,977,175	27,203,236
Trade payables		4,829,341	6,209,523
Payables to group enterprises		1,918,324	410,681
Tax payable		3,609,223	7,816,630
Other payables		8,652,791	9,035,004
Current liabilities other than provisions		142,657,721	52,349,126
Liabilities other than provisions		158,831,968	71,000,158
Equity and liabilities		280,822,827	191,288,138
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		
Non-arm's length related party transactions	18		
Group relations	19		

Statement of changes in equity for 2021/22

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500,000	89,716,980	22,350,000	112,566,980
Ordinary dividend paid	0	0	(22,350,000)	(22,350,000)
Profit/loss for the year	0	18,703,879	3,720,000	22,423,879
Equity end of year	500,000	108,420,859	3,720,000	112,640,859

Cash flow statement for 2021/22

	Notes	2021/22 DKK	2020/21 DKK
Operating profit/loss		30,227,721	42,366,878
Amortisation, depreciation and impairment losses		4,335,111	3,096,857
Other provisions		(140,000)	(2,810,000)
Working capital changes	13	(89,571,280)	(42,735,793)
Cash flow from ordinary operating activities		(55,148,448)	(82,058)
Financial income received		83,517	110,860
Financial expenses paid		(1,283,253)	(923,083)
Taxes refunded/(paid)		(9,016,630)	(10,047,622)
Cash flows from operating activities		(65,364,814)	(10,941,903)
Acquisition etc of property, plant and equipment		(4,520,867)	(8,592,036)
Sale of property, plant and equipment		0	865,139
Cash flows from investing activities		(4,520,867)	(7,726,897)
Free cash flows generated from operations and investments before financing		(69,885,681)	(18,668,800)
Repayments of loans etc		(2,479,970)	933,858
Dividend paid		(22,350,000)	(33,525,000)
Short-term bank debt obtained		94,773,939	27,203,736
Cash flows from financing activities		69,943,969	(5,387,406)
Increase/decrease in cash and cash equivalents		58,288	(24,056,206)
Cash and cash equivalents beginning of year		297,477	24,353,683
Cash and cash equivalents end of year		355,765	297,477
Cash and cash equivalents at year-end are composed of:			
Cash		348,083	289,795
Securities		7,682	7,682
Cash and cash equivalents end of year		355,765	297,477

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

	2021/22 DKK	2020/21 DKK
Sales Denmark	85,140,424	84,920,220
Sales EU	341,236,691	298,590,747
Sales other countries	5,299,187	53,710
Total revenue by geographical market	431,676,302	383,564,677

3 Fees to the auditor appointed by the Annual General Meeting

	2021/22 DKK	2020/21 DKK
Statutory audit services	230,000	229,400
Other assurance engagements	48,200	27,600
Tax services	308,302	60,150
Other services	71,351	73,442
	657,853	390,592

4 Staff costs

	2021/22 DKK	2020/21 DKK
Wages and salaries	35,074,612	29,084,178
Pension costs	3,123,078	2,662,117
Other social security costs	158,488	139,825
Other staff costs	613,311	436,613
	38,969,489	32,322,733

Average number of full-time employees	70	62
---------------------------------------	-----------	-----------

5 Tax on profit/loss for the year

	2021/22 DKK	2020/21 DKK
Current tax	4,835,106	8,215,446
Change in deferred tax	1,769,000	902,000
	6,604,106	9,117,446

6 Proposed distribution of profit and loss

	2021/22 DKK	2020/21 DKK
Ordinary dividend for the financial year	3,720,000	22,350,000
Retained earnings	18,703,879	10,087,209
	22,423,879	32,437,209

7 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Property, plant and equipment in progress DKK
Cost beginning of year	94,665,805	72,056,593	3,478,101
Transfers	0	3,478,101	(3,478,101)
Additions	0	2,802,495	1,718,372
Disposals	0	(65,000)	0
Cost end of year	94,665,805	78,272,189	1,718,372
Depreciation and impairment losses beginning of year	(36,445,250)	(55,675,859)	0
Depreciation for the year	(1,638,721)	(2,696,385)	0
Reversal regarding disposals	0	65,000	0
Depreciation and impairment losses end of year	(38,083,971)	(58,307,244)	0
Carrying amount end of year	56,581,834	19,964,945	1,718,372

8 Financial assets

	Other investments DKK
Cost beginning of year	7,682
Cost end of year	7,682
Carrying amount end of year	7,682

9 Prepayments

Prepayments comprise prepaid costs relating to subsequent financial year such as insurance.

10 Deferred tax

	2021/22 DKK	2020/21 DKK
Property, plant and equipment	8,684,000	7,983,000
Inventories	678,000	(358,000)
Provisions	0	(31,000)
Liabilities other than provisions	(12,000)	(13,000)
Deferred tax	9,350,000	7,581,000

	2021/22 DKK	2020/21 DKK
Changes during the year		
Beginning of year	7,581,000	6,679,000
Recognised in the income statement	1,769,000	902,000
End of year	9,350,000	7,581,000

11 Other provisions

Other provisions consists of provisions for non-recourse commitments etc.

12 Non-current liabilities other than provisions

	Due within 12 months 2021/22 DKK	Due within 12 months 2020/21 DKK	Due after more than 12 months 2021/22 DKK	Outstanding after 5 years 2021/22 DKK
Mortgage debt	1,670,867	1,674,052	16,174,247	11,179,827
	1,670,867	1,674,052	16,174,247	11,179,827

13 Changes in working capital

	2021/22 DKK	2020/21 DKK
Increase/decrease in inventories	(60,296,071)	(35,523,246)
Increase/decrease in receivables	(28,994,566)	(3,111,576)
Increase/decrease in trade payables etc	(280,643)	(4,100,971)
	(89,571,280)	(42,735,793)

14 Unrecognised rental and lease commitments

	2021/22 DKK	2020/21 DKK
Liabilities under rental or lease agreements until maturity in total	1,014,174	987,609

15 Contingent liabilities

The Parent is a party to a transfer pricing case in Germany, which may have consequences for DSV Frø Danmark A/S in the coming financial years. The transfer pricing case covers the period 2014/15 - 2017/18.

16 Assets charged and collateral

The Company has granted a floating charge in favour of Sydbank A/S for a total amount of DKK 25,000 k. The floating charge comprises unsecured claims and inventories. Carrying amount thereof amounts to DKK 157,625,534 as of 30.06.2022 and DKK 95,178,605 as of 30.06.2021.

Bank debt is secured by a deposited letter of indemnity for property of a nominal value of DKK 30,000 k. Carrying amounts of mortgaged properties and machinery amounts to DKK 44,767,533 as of 30.06.2022 and DKK 45,926,581 as of 30.06.2021.

17 Related parties with controlling interest

Deutsche Saatveredelung AG, Lippstadt, owns all shares in the Entity, thus exercising control.

18 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

19 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Deutsche Saatveredelung AG, Germany

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Deutsche Saatveredelung AG, Germany

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Property, plant and equipment**

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. .

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	5 years

Estimated useful lives and residual values are reassessed annually.

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

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date, and unlisted equity investments measured at the lower of cost and net realisable value.

Inventories

Inventories are measured at the lower of cost using the weighted average price method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Deferred tax

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Tax receivable or payable

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise repayments of interest-bearing debt.

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