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EFD Investment A/S
Jægersborg Alle 4, 5.
2920 Charlottenlund
Central Business Registration
No 36978791

Annual report 2017

The Annual General Meeting adopted the annual report on 23/4 -2018

Chairman of the General Meeting

Name: Jørgen Jensen

Contents

Entity details

Entity

EFD Investment A/S
Jægersborg Alle 4, 5.
2920 Charlottenlund

Central Business Registration No: 36978791
Registered in: Gentofte
Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Nicholas Andrew Vince, Chairman
Jørgen Jensen
Thomas Marstrand
Per Toft Valstorp

Executive Board

Thomas Marstrand, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O.Box 1600
0900 Copenhagen
Lead Client Service Partner: Jørn Jepsen

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of EFD Investment A/S for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017.

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.

Charlottenlund, 23/3 -2018

Executive Board

Thomas Marstrand
Chief Executive Officer

Board of Directors

Nicholas Andrew Vince
Chairman

Jørgen Jensen

Thomas Marstrand

Per Toft Valstorp

Independent auditor's report

To the shareholder of EFD Investment A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of EFD Investment A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

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

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

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Copenhagen, 23/ 3 -2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Stine Eva Grothen
State Authorised Public Accountant
Identification number (MNE) mne29431

Allan Pedersen
State Authorised Public Accountant
Identification number (MNE) mne14952

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights			
Key figures			
Gross profit	57.679	69.226	38.580
Operating profit/loss	16.794	29.054	5.141
Net financials	(746)	(1.101)	(425)
Profit/loss for the year	11.842	21.902	3.644
Total assets	118.800	119.962	134.696
Investments in property, plant and equipment	8.041	6.272	58.576
Equity	86.060	74.805	58.308
Cash flows from (used in) operating activities	18.115	33.596	11.716
Cash flows from (used in) investing activities	(9.064)	(6.272)	(113.484)
Cash flows from (used in) financing activities	(11.937)	(4.292)	82.651
Ratios			
Return on equity (%)	14,7	32,9	6,3
Equity ratio (%)	72,4	62,4	43,3

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

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Copenhagen, 23/ 3 -2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Stine Eva Grothen
State Authorised Public Accountant
Identification number (MNE) mne29431

Allan Pedersen
State Authorised Public Accountant
Identification number (MNE) mne14952

Management commentary

Primary activities
The Group deals primarily with the production and sale of freeze-dried food ingredients and contract manufacturing of food and non-food products. Furthermore, the Group produces and sells freeze-dried meals and other freeze-dried products to the retail market.

The Group mostly operates on the European market, serving customers from two plants in Denmark and one plant in the UK.

In 2017, the Group successfully launched a new series of retail brands and rebranded existing products.

Development in activities and finances
Profit for the year amounts to DKK 11,842 thousand against a profit last year of DKK 21,902 thousand. Equity amounts to DKK 86,060 thousand at 31.12.2017.

Profit/loss for the year in relation to expected developments
The Group's earnings for 2017 are slightly lower than expected.

Outlook
Expectations for 2018 are positive. Several new projects and customers are in the sales pipeline. The newly launched products are expected to grow further in the coming years.

Particular risks
A large part of the Group's sales take place outside Denmark and are invoiced in foreign currencies. The Group evaluates on an ongoing basis the need to use financial instruments to hedge net positions and future transactions.

Environmental performance
The Group is environmentally conscious and regularly works on improving the environmental impact of own operations.

Research and development activities
It is vital to the Group to maintain market leadership, which is secured by a continuous focus on the development of own new products as well as private label products for customers.

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.

Consolidated income statement for 2017

	Notes	2017 DKK	2016 DKK
Gross profit		**57.679.391**	**69.226.332**
Staff costs	1	(33.461.472)	(33.049.584)
Depreciation, amortisation and impairment losses	2	(7.424.112)	(7.123.202)
Operating profit/loss		**16.793.807**	**29.053.546**
Other financial income		263	1.229
Other financial expenses		(746.166)	(1.101.740)
Profit/loss before tax		**16.047.904**	**27.953.035**
Tax on profit/loss for the year	3	(4.206.248)	(6.051.025)
Profit/loss for the year	4	**11.841.656**	**21.902.010**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Acquired intangible assets		1.726.665	0
Goodwill		24.871.885	26.279.727
Intangible assets	5	**26.598.550**	**26.279.727**
Land and buildings		23.238.272	25.172.059
Plant and machinery		33.346.088	29.856.288
Other fixtures and fittings, tools and equipment		205.950	707.392
Property, plant and equipment	6	**56.790.310**	**55.735.739**
Fixed assets		**83.388.860**	**82.015.466**
Raw materials and consumables		14.789.406	10.078.825
Inventories		**14.789.406**	**10.078.825**
Trade receivables		19.113.336	23.885.763
Other receivables		370.057	66.873
Prepayments		216.895	0
Receivables		**19.700.288**	**23.952.636**
Cash		**921.288**	**3.915.032**
Current assets		**35.410.982**	**37.946.493**
Assets		**118.799.842**	**119.961.959**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Contributed capital		1.000.000	1.000.000
Retained earnings		85.059.615	73.804.570
Equity		**86.059.615**	**74.804.570**
Deferred tax	7	1.688.705	489.985
Provisions		**1.688.705**	**489.985**
Subordinate loan capital		0	3.333.334
Mortgage debts		2.064.714	2.733.754
Bank loans		8.085.375	14.361.179
Non-current liabilities other than provisions	8	**10.150.089**	**20.428.267**
Current portion of long-term liabilities other than provisions	8	6.687.328	8.346.478
Bank loans		1.821	0
Trade payables		8.757.309	7.813.930
Income tax payable		157.068	661.558
Other payables		5.297.907	7.417.171
Current liabilities other than provisions		**20.901.433**	**24.239.137**
Liabilities other than provisions		**31.051.522**	**44.667.404**
Equity and liabilities		**118.799.842**	**119.961.959**
Mortgages and securities	10		
Transactions with related parties	11		
Subsidiaries	12		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.000.000	73.804.570	74.804.570
Exchange rate adjustments	0	(586.612)	(586.612)
Profit/loss for the year	0	11.841.657	11.841.657
Equity end of year	**1.000.000**	**85.059.615**	**86.059.615**

Consolidated cash flow statement for 2017

	Notes	2017 DKK	2016 DKK
Operating profit/loss		16.793.807	29.053.546
Amortisation, depreciation and impairment losses		7.299.103	7.123.202
Working capital changes	9	(2.108.369)	9.402.318
Cash flow from ordinary operating activities		**21.984.541**	**45.579.066**
Financial income received		263	1.229
Financial income paid		(402.711)	(5.241.536)
Income taxes refunded/(paid)		(3.466.722)	(6.742.559)
Cash flows from operating activities		**18.115.371**	**33.596.200**
Acquisition etc of intangible assets		(1.726.665)	0
Acquisition etc of property, plant and equipment		(7.337.343)	(6.271.804)
Cash flows from investing activities		**(9.064.008)**	**(6.271.804)**
Instalments on loans etc		(11.937.328)	(4.292.349)
Cash flows from financing activities		**(11.937.328)**	**(4.292.349)**
Increase/decrease in cash and cash equivalents		**(2.885.965)**	**23.032.047**
Cash and cash equivalents beginning of year		3.915.032	(19.117.015)
Currency translation adjustments of cash and cash equivalents		(109.600)	0
Cash and cash equivalents end of year		**919.467**	**3.915.032**
Cash and cash equivalents at year-end are composed of:			
Cash		921.288	3.915.032
Short-term debt to banks		(1.821)	0
Cash and cash equivalents end of year		**919.467**	**3.915.032**

Notes to consolidated financial statements

	2017 DKK	2016 DKK
1. Staff costs		
Wages and salaries	29.538.185	26.122.800
Pension costs	2.439.593	2.113.937
Other social security costs	1.185.695	1.192.758
Other staff costs	297.999	3.620.089
	33.461.472	**33.049.584**
Average number of employees	**70**	**66**

	Remuneration of management 2017 DKK	Remuneration of management 2016 DKK
Total amount for management categories	1.870.192	1.066.367
	1.870.192	**1.066.367**

	2017 DKK	2016 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.407.842	1.407.843
Depreciation of property, plant and equipment	5.891.261	5.715.359
Profit/loss from sale of intangible assets and property, plant and equipment	125.009	0
	7.424.112	**7.123.202**

	2017 DKK	2016 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	2.895.576	6.014.807
Change in deferred tax for the year	1.244.016	36.218
Adjustment concerning previous years	66.656	0
	4.206.248	**6.051.025**

	2017 DKK	2016 DKK
4. Proposed distribution of profit/loss		
Retained earnings	11.841.656	21.902.010
	11.841.656	**21.902.010**

Notes to consolidated financial statements

	Acquired intangible assets DKK	Goodwill DKK
5. Intangible assets		
Cost beginning of year	0	28.156.851
Transfers	703.283	0
Additions	1.023.382	0
Cost end of year	**1.726.665**	**28.156.851**
Amortisation and impairment losses beginning of year	0	(1.877.124)
Amortisation for the year	0	(1.407.842)
Amortisation and impairment losses end of year	**0**	**(3.284.966)**
Carrying amount end of year	**1.726.665**	**24.871.885**

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
6. Property, plant and equipment			
Cost beginning of year	27.351.323	34.911.526	711.502
Exchange rate adjustments	(28.620)	(849.901)	0
Transfers	7.909.174	2.192.362	(472.076)
Additions	2.066.308	5.749.645	224.673
Disposals	(5.544.762)	(2.868.548)	(1.052.164)
Cost end of year	**31.753.423**	**39.135.084**	**(588.065)**
Depreciation and impairment losses beginning of the year	(2.179.264)	(5.055.238)	(4.110)
Exchange rate adjustments	26.032	585.988	0
Transfers	(10.279.236)	177.699	(231.206)
Depreciation for the year	(1.511.732)	(4.360.806)	(18.723)
Reversal regarding disposals	5.429.049	2.863.361	1.048.054
Depreciation and impairment losses end of the year	**(8.515.151)**	**(5.788.996)**	**794.015**
Carrying amount end of year	**23.238.272**	**33.346.088**	**205.950**

Notes to consolidated financial statements

	2017 DKK
7. Deferred tax	
Changes during the year	
Beginning of year	489.985
Recognised in the income statement	772.016
Recognised directly in equity	(45.296)
End of year	**1.216.705**

	Instalments within 12 months 2017 DKK	Instalments within 12 months 2016 DKK	Instalments beyond 12 months 2017 DKK	Outstanding after 5 years DKK
8. Liabilities other than provisions				
Subordinate loan capital	0	1.666.666	0	0
Mortgage debts	687.328	679.812	2.064.714	722.000
Bank loans	6.000.000	6.000.000	8.085.375	0
	6.687.328	**8.346.478**	**10.150.089**	**722.000**

	2017 DKK	2016 DKK
9. Change in working capital		
Increase/decrease in inventories	(5.049.515)	3.666.673
Increase/decrease in receivables	3.695.836	3.876.827
Increase/decrease in trade payables etc	(879.700)	1.858.818
Other changes	125.010	0
	(2.108.369)	**9.402.318**

10. Mortgages and securities

Mortgage debt is secured by way of mortgage on properties. Also, mortgage deeds registered to the mortgagor on the properties have been entered in the Land Register by DKK 28,000 thousand. The mortgage deeds registered to the mortgagor are kept with the Company.

The carrying amount of mortgaged properties amounts to DKK 23,238 thousand.

11. Transactions with related parties

According to section 98c(7) of the Danish Financial Statements Act, only non-arm's length related party transactions are disclosed. However, all transactions were made on an arm's length basis in the financial year.

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %
12. Subsidiaries			
European Freeze Dry ApS	Lejre	ApS	100,0
European Freeze Dry Ltd.	United Kingdom	Ltd.	100,0

Parent income statement for 2017

	Notes	2017 DKK	2016 DKK
Gross profit		**367.724**	**243.618**
Income from investments in group enterprises		11.605.148	21.912.793
Other financial expenses		(63.220)	(257.401)
Profit/loss before tax		**11.909.652**	**21.899.010**
Tax on profit/loss for the year	1	(68.000)	3.000
Profit/loss for the year	2	**11.841.652**	**21.902.010**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Investments in group enterprises		84.585.854	79.067.318
Fixed asset investments	3	**84.585.854**	**79.067.318**
Fixed assets		**84.585.854**	**79.067.318**
Receivables from group enterprises		1.178.164	410.647
Income tax receivable		0	443.000
Joint taxation contribution receivable		529.264	1.104.558
Receivables		**1.707.428**	**1.958.205**
Cash		**1.522**	**7.911**
Current assets		**1.708.950**	**1.966.116**
Assets		**86.294.804**	**81.033.434**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Contributed capital	4	1.000.000	1.000.000
Retained earnings		85.059.611	73.804.570
Equity		**86.059.611**	**74.804.570**
Subordinate loan capital		0	3.333.334
Non-current liabilities other than provisions		**0**	**3.333.334**
Current portion of long-term liabilities other than provisions		0	1.666.666
Income tax payable		157.068	0
Joint taxation contribution payable		0	1.104.558
Other payables		78.125	124.306
Current liabilities other than provisions		**235.193**	**2.895.530**
Liabilities other than provisions		**235.193**	**6.228.864**
Equity and liabilities		**86.294.804**	**81.033.434**
Contingent liabilities	5		
Mortgages and securities	6		
Related parties with controlling interest	7		

Parent statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.000.000	73.804.570	74.804.570
Exchange rate adjustments	0	(586.612)	(586.612)
Profit/loss for the year	0	11.841.653	11.841.653
Equity end of year	**1.000.000**	**85.059.611**	**86.059.611**

Notes to parent financial statements

	2017 DKK	2016 DKK
1. Tax on profit/loss for the year		
Tax on current year taxable income	68.000	(3.000)
	68.000	**(3.000)**

	2017 DKK	2016 DKK
2. Proposed distribution of profit/loss		
Retained earnings	11.841.652	21.902.010
	11.841.652	**21.902.010**

	Investments in group enterprises DKK
3. Fixed asset investments	
Cost beginning of year	109.223.696
Cost end of year	**109.223.696**
Impairment losses beginning of year	(30.156.378)
Exchange rate adjustments	(586.612)
Amortisation of goodwill	(1.407.843)
Share of profit/loss for the year	13.012.991
Dividend	(5.500.000)
Impairment losses end of year	**(24.637.842)**
Carrying amount end of year	**84.585.854**
Goodwill or negative goodwill recognised during the financial year	**24.871.885**

	Number	Par value DKK	Nominal value DKK
4. Contributed capital			
Ordinary shares	1.000.000	1	1.000.000
	1.000.000		**1.000.000**

Notes to parent financial statements

5. Contingent liabilities

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

6. Mortgages and securities

Bank debt is secured by way of mortgaged shares in group enterprise.

The carrying amount of mortgaged shares amounts to DKK 84,586 thousand.

The Company has guaranteed the bank debt of European Freeze Dry ApS.

The subsidiary's bank debt amounts to DKK 14,085 thousand.

7. Related parties with controlling interest

Erhvervsinvest III K/S wholly owns a majority of the shares in the Company and thereby exercises control.

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 (medium).

The accounting policies applied to these consolidated financial statements and parent 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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Goodwill is amortised straight-line over its estimates useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually ten years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

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

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales, costs of raw materials and consumables and other external expenses.

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.

Cost of sales

Cost of sales comprises expenses incurred to earn revenue for the financial year. Cost of sales comprises direct and indirect costs for raw materials and consumables included in the production process.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Accounting policies

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises interest income.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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.

The Entity is jointly taxed with its Danish subsidiary. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful

Accounting policies

life reliably, it is set at ten years. Useful lives are reassessed on an annual basis. The amortisation periods used are up to 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

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

Property, plant and equipment

Land and buildings, plant and machinery as well as 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	10-33 years
Plant and machinery	3-14 years
Other fixtures and fittings, tools and equipment	3-10 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.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at ten years. Useful lives are reassessed annually. The amortisation periods used are up 20 years.

Accounting policies

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

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

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

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

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

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.

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

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

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.

Accounting policies

Operating leases

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

Other financial liabilities

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

Income tax receivable or payable

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

Cash flow statement

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

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

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

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