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EFD Investment A/S

Jægersborg Alle 4, 5.
2920 Charlottenlund
CVR No. 36978791

Annual report 2021

The Annual General Meeting adopted the annual report on 12.07.2022

Jørgen Jensen
Chairman of the General Meeting

Contents

Entity details

Entity

EFD Investment A/S

Jægersborg Alle 4, 5.

2920 Charlottenlund

Business Registration No.: 36978791

Registered office: Gentofte

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Benny Dalgaard Loft

Thomas Marstrand

Jørgen Jensen

Executive Board

Thomas Marstrand

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

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 01.01.2021 - 31.12.2021.

The annual report is presented 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 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021.

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, 12.07.2022

Executive Board

Thomas Marstrand

Board of Directors

Benny Dalgaard Loft **Thomas Marstrand**

Jørgen Jensen

Independent auditor's report

To the shareholders 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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 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 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 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 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 and 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.

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, 12.07.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Stine Eva Grothen
State Authorised Public Accountant
Identification No (MNE) mne29431

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Gross profit/loss	40,325	37,558	48,330	52,664	57,679
Operating profit/loss	778	(937)	7,927	11,948	16,974
Net financials	(2,129)	(2,637)	(1,655)	(977)	(746)
Profit/loss for the year	(1,103)	(3,108)	4,679	8,583	11,842
Balance sheet total	118,221	109,838	114,323	118,615	118,800
Investments in property, plant and equipment	2,213	1,440	10,649	6,023	8,041
Equity	27,158	26,418	30,958	25,013	86,060
Cash flows from operating activities	1,638	5,429	14,406	17,984	18,115
Cash flows from investing activities	(2,847)	(1,641)	(11,037)	(5,933)	(9,064)
Cash flows from financing activities	3,782	(3,850)	(3,521)	(11,706)	(11,937)
Ratios					
Return on equity (%)	(4.12)	(10.83)	16.72	15.45	14.72
Equity ratio (%)	22.97	24.05	27.08	21.09	72.44

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

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Balance sheet total

Primary activities

The group deals primarily with the manufacturing and sale of freeze-dried food ingredients and contract manufacturing of food products. Furthermore, the group manufactures and sells its own freeze-dried meals and also private label meals and freeze-dried food ingredients to the retail market.

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

Development in activities and finances

Loss for the year amounts to DKK 1,103 thousand against a loss last year of DKK 3,108 thousand.

Equity amounts to DKK 27,158 thousand on 31.12.2021.

Profit/loss for the year in relation to expected developments

The group's earnings for 2021 were better than 2020 though still lower than expected. Improvement due to higher turnover and margins with a stable cost base.

In the beginning of 2021 COVID-19 and Brexit created uncertainty. New customer developments were slowed down due to precautions and delays with COVID-19. Brexit created more complexity regarding veterinarian documentation, EU - UK logistics and created a need for inventory in Denmark. Denmark hasn't previously held inventory.

Outlook

For 2022 the earnings are expected to be higher than 2021 and the profit for the year is expected to be approximately DKK 0 thousand.

Use of financial instruments

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 works from a sustainability point of view, both with suppliers, customers and in own operations.

Research and development activities

A continuous focus on the development of own new branded products and private label products for customers, as well as for commission drying customers is vital to the group to maintain market leadership.

Events after the balance sheet date

Russia's invasion of Ukraine has resulted in rising energy and raw material costs and longer lead times on many items. European Freeze Dry has consequently raised its customer pricing to compensate for this.

Consolidated income statement for 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss	3	**40,324,662**	**37,558,076**
Staff costs	4	(31,368,633)	(29,553,103)
Depreciation, amortisation and impairment losses	5	(8,177,883)	(8,941,671)
Operating profit/loss		**778,146**	**(936,698)**
Other financial income	6	109,985	242,439
Other financial expenses	7	(2,239,417)	(2,879,272)
Profit/loss before tax		**(1,351,286)**	**(3,573,531)**
Tax on profit/loss for the year	8	247,793	465,315
Profit/loss for the year	9	**(1,103,493)**	**(3,108,216)**

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Acquired intangible assets		155,263	403,989
Goodwill		19,240,513	20,648,356
Intangible assets	10	**19,395,776**	**21,052,345**
Land and buildings		19,478,102	19,809,142
Plant and machinery		30,284,538	33,188,835
Other fixtures and fittings, tools and equipment		1,265,165	1,704,574
Property, plant and equipment	11	**51,027,805**	**54,702,551**
Fixed assets		**70,423,581**	**75,754,896**
Raw materials and consumables		8,919,441	14,655,145
Manufactured goods and goods for resale		13,791,731	100,260
Inventories		**22,711,172**	**14,755,405**
Trade receivables		14,338,207	13,264,270
Deferred tax	12	3,238,969	1,546,000
Other receivables		3,101,191	2,061,636
Prepayments	13	528,685	1,149,481
Receivables		**21,207,052**	**18,021,387**
Cash		**3,879,369**	**1,306,469**
Current assets		**47,797,593**	**34,083,261**
Assets		**118,221,174**	**109,838,157**

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		1,006,873	1,006,873
Retained earnings		26,151,142	25,410,662
Equity		**27,158,015**	**26,417,535**
Deferred tax	12	1,052,722	1,216,987
Provisions		**1,052,722**	**1,216,987**
Bank loans		0	54,000,000
Other payables		1,415,265	1,433,845
Non-current liabilities other than provisions	14	**1,415,265**	**55,433,845**
Current portion of non-current liabilities other than provisions	14	0	12,075,934
Bank loans		68,041,456	27,987
Prepayments received from customers		352,878	0
Trade payables		13,926,364	9,346,303
Tax payable		1,176,607	517,988
Other payables		5,097,867	4,801,578
Current liabilities other than provisions		**88,595,172**	**26,769,790**
Liabilities other than provisions		**90,010,437**	**82,203,635**
Equity and liabilities		**118,221,174**	**109,838,157**
Going concern	1		
Events after the balance sheet date	2		
Assets charged and collateral	16		
Transactions with related parties	17		
Group relations	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2021

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,006,873	25,410,661	26,417,534
Exchange rate adjustments	0	1,843,974	1,843,974
Profit/loss for the year	0	(1,103,493)	(1,103,493)
Equity end of year	**1,006,873**	**26,151,142**	**27,158,015**

Consolidated cash flow statement for 2021

	Notes	2021 DKK	2020 DKK
Operating profit/loss		778,146	(936,698)
Amortisation, depreciation and impairment losses		8,177,883	8,941,671
Other provisions		220,997	0
Working capital changes	15	(4,237,820)	2,126,187
Cash flow from ordinary operating activities		**4,939,206**	**10,131,160**
Financial income received		109,985	242,439
Financial expenses paid		(2,239,417)	(2,839,178)
Taxes refunded/(paid)		(1,171,819)	(2,105,498)
Cash flows from operating activities		**1,637,955**	**5,428,923**
Acquisition etc. of intangible assets		0	(200,316)
Acquisition etc. of property, plant and equipment		(2,212,994)	(1,440,395)
Exhange rate adjustments of fixed assets		(633,574)	0
Cash flows from investing activities		**(2,846,568)**	**(1,640,711)**
Free cash flows generated from operations and investments before financing		**(1,208,613)**	**3,788,212**
Loans raised		2,630,951	0
Repayments of loans etc.		(693,416)	(3,849,889)
Exhange rate adjustments on equity		1,843,978	0
Cash flows from financing activities		**3,781,513**	**(3,849,889)**

Increase/decrease in cash and cash equivalents	**2,572,900**	**(61,677)**
Cash and cash equivalents beginning of year	1,306,469	1,272,581
Currency translation adjustments of cash and cash equivalents	0	95,565
Cash and cash equivalents end of year	**3,879,369**	**1,306,469**
Cash and cash equivalents at year-end are composed of:		
Cash	3,879,369	1,306,469
Cash and cash equivalents end of year	**3,879,369**	**1,306,469**

Notes to consolidated financial statements

1 Going concern

The group and its bankers have agreed on a total credit limit on existing bank loans in the Danish subsidiary. The group has used the current bankers for several years. The framework agreement is applicable for the time being and will be renegotiated once a year, next time as of 31 December 2022, for which reason the bank loans have been recognised as short-term debt.

The group is dependent on a continuous credit limit. Management expects the credit limit to be renewed by a minimum of one year as previously.

2 Events after the balance sheet date

Russia’s invasion of Ukraine has resulted in rising energy and raw material costs and longer lead times on many items. European Freeze Dry has consequently raised its customer pricing to compensate for this.

3 Gross profit/loss

The groups gross profit for 2020 is extraordinarily affected by the recognition of other operating income from compensation schemes as a result of COVID-19. The group has in 2020 included compensation for fixed costs for DKK 649 thousand. There hasn't been recognised income from compensation schemes in 2021.

4 Staff costs

	2021 DKK	**2020 DKK**
Wages and salaries	27,441,108	25,407,328
Pension costs	2,643,886	1,925,643
Other social security costs	766,251	1,727,518
Other staff costs	517,388	492,614
	31,368,633	**29,553,103**
Average number of full-time employees	**62**	**60**

	Remuneration of management 2020 DKK
Board of Directors	250,000
	250,000

The Board of Directors is not receiving any remuneration for 2021.

5 Depreciation, amortisation and impairment losses

	2021 DKK	2020 DKK
Amortisation of intangible assets	1,670,988	2,141,583
Depreciation on property, plant and equipment	6,506,895	6,800,088
	8,177,883	**8,941,671**

6 Other financial income

	2021 DKK	2020 DKK
Other interest income	109,985	242,439
	109,985	**242,439**

7 Other financial expenses

	2021 DKK	2020 DKK
Other interest expenses	1,580,820	2,211,380
Exchange rate adjustments	627,390	656,116
Other financial expenses	31,207	11,776
	2,239,417	**2,879,272**

8 Tax on profit/loss for the year

	2021 DKK	2020 DKK
Current tax	1,830,438	2,103,412
Change in deferred tax	(2,078,231)	(2,576,768)
Adjustment concerning previous years	0	8,041
	(247,793)	**(465,315)**

9 Proposed distribution of profit/loss

	2021 DKK	2020 DKK
Retained earnings	(1,103,493)	(3,108,216)
	(1,103,493)	**(3,108,216)**

10 Intangible assets

	Acquired intangible assets DKK	Goodwill DKK
Cost beginning of year	2,317,185	28,156,851
Cost end of year	**2,317,185**	**28,156,851**
Amortisation and impairment losses beginning of year	(1,913,196)	(7,508,495)
Exchange rate adjustments	14,419	0
Amortisation for the year	(263,145)	(1,407,843)
Amortisation and impairment losses end of year	**(2,161,922)**	**(8,916,338)**
Carrying amount end of year	**155,263**	**19,240,513**

11 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	30,931,933	51,195,622	3,180,624
Exchange rate adjustments	(58,391)	963,864	0
Additions	906,448	1,306,546	0
Cost end of year	**31,779,990**	**53,466,032**	**3,180,624**
Depreciation and impairment losses beginning of year	(11,122,791)	(18,006,787)	(1,476,050)
Exchange rate adjustments	20,977	(307,295)	0
Depreciation for the year	(1,200,074)	(4,867,412)	(439,409)
Depreciation and impairment losses end of year	**(12,301,888)**	**(23,181,494)**	**(1,915,459)**
Carrying amount end of year	**19,478,102**	**30,284,538**	**1,265,165**

12 Deferred tax

Changes during the year	**2021 DKK**
Beginning of year	329,013
Recognised in the income statement	2,078,231
Recognised in the balance sheet	(220,997)
End of year	**2,186,247**

Deferred tax has been recognised in the balance sheet as follows	**2021 DKK**	**2020 DKK**
Deferred tax assets	3,238,969	1,546,000
Deferred tax liabilities	(1,052,722)	(1,216,987)
	2,186,247	**329,013**

Deferred tax assets

As part of the group deferred tax asset, the value of tax loss carryforwards from the Danish subsidiary is included by DKK 2,068 thousand. Management has decided to recognise the value of the tax loss based on the expectations of future results. Management expects that the tax asset relating to the tax loss carryforwards will be utilised within three to five years.

13 Prepayments

Prepayments mainly consist of prepaid insurance.

14 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK	Due after more than 12 months 2021 DKK
Mortgage debt	693,416	0
Bank loans	11,382,518	0
Other payables	0	1,415,265
	12,075,934	**1,415,265**

15 Changes in working capital

	2021 DKK	2020 DKK
Increase/decrease in inventories	(7,955,767)	726,585
Increase/decrease in receivables	(1,492,696)	(2,624,376)
Increase/decrease in trade payables etc.	5,210,643	4,023,978
	(4,237,820)	**2,126,187**

16 Assets charged and collateral

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 36,515 thousand. The mortgage deeds registered to the mortgagor are kept by the Company

The carrying amount of mortgaged properties amounts to DKK 19,809 thousand.

17 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

18 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
EFD Investments A/S, Gentofte.

19 Subsidiaries

	Registered in	Corporate form	Ownership %
European Freeze Dry ApS	Lejre	ApS	100
European Freeze Dry Limited	United Kingdom	Ltd.	100

Parent income statement for 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss		**825,938**	**834,885**
Income from investments in group enterprises		(1,391,678)	(3,296,303)
Other financial income from group enterprises		0	18,126
Other financial expenses	2	(455,473)	(611,873)
Profit/loss before tax		**(1,021,213)**	**(3,055,165)**
Tax on profit/loss for the year	3	(82,280)	(53,051)
Profit/loss for the year	4	**(1,103,493)**	**(3,108,216)**

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Investments in group enterprises		49,537,806	49,085,511
Financial assets	5	**49,537,806**	**49,085,511**
Fixed assets		**49,537,806**	**49,085,511**
Cash		**846**	**68**
Current assets		**846**	**68**
Assets		**49,538,652**	**49,085,579**

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		1,006,873	1,006,873
Retained earnings		26,151,142	25,410,661
Equity		**27,158,015**	**26,417,534**
Payables to group enterprises		22,263,553	22,568,530
Non-current liabilities other than provisions		**22,263,553**	**22,568,530**
Tax payable		8,000	8,000
Joint taxation contribution payable		85,834	53,051
Other payables		23,250	38,464
Current liabilities other than provisions		**117,084**	**99,515**
Liabilities other than provisions		**22,380,637**	**22,668,045**
Equity and liabilities		**49,538,652**	**49,085,579**
Events after the balance sheet date	1		
Contingent liabilities	6		
Assets charged and collateral	7		
Related parties with controlling interest	8		

Parent statement of changes in equity for 2021

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,006,873	25,410,661	26,417,534
Exchange rate adjustments	0	1,843,974	1,843,974
Profit/loss for the year	0	(1,103,493)	(1,103,493)
Equity end of year	**1,006,873**	**26,151,142**	**27,158,015**

Notes to parent financial statements

1 Events after the balance sheet date

Russia's invasion of Ukraine has resulted in rising energy and raw material costs and longer lead times on many items. European Freeze Dry has consequently raised its customer pricing to compensate for this.

2 Other financial expenses

	2021 DKK	2020 DKK
Financial expenses from group enterprises	451,935	601,911
Other interest expenses	0	9,962
	451,935	**611,873**

3 Tax on profit/loss for the year

	2021 DKK	2020 DKK
Current tax	82,280	53,051
	82,280	**53,051**

4 Proposed distribution of profit and loss

	2021 DKK	2020 DKK
Retained earnings	(1,103,493)	(3,108,216)
	(1,103,493)	**(3,108,216)**

5 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	109,223,696
Cost end of year	**109,223,696**
Impairment losses beginning of year	(60,138,186)
Exchange rate adjustments	1,843,974
Amortisation of goodwill	(1,407,843)
Share of profit/loss for the year	16,165
Impairment losses end of year	**(59,685,890)**
Carrying amount end of year	**49,537,806**
Goodwill or negative goodwill recognised during the financial year	20,648,357

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Goodwill on acquisition of DKK 19,241 thousand is included in the book value.

6 Contingent liabilities

The Entity serves as the 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.

7 Assets charged and collateral

Bank debt is secured by way of mortgaged shares in the subsidiary.

The carrying amount of mortgaged shares amounts to DKK 49,086 thousand.

The Company has guaranteed the bank debt of European Freeze Dry ApS. The subsidiary's bank debt amounts to DKK 53,038 thousand.

8 Related parties with controlling interest

Erhvervsinvest III K/S owns a majority of the shares in the Company, thus exercising control.

Accounting policies

Reporting class
This annual report has been prepared 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 takeover date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the 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.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. 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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of sales 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.

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 wages and salaries, 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 financil year, and gains and losses from the sale of intangible assets and 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 intra-group profits or losses.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc. on receivables from group enterprises.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, as well as net capital or exchange gains on securities, payables and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, as well as amortisation of financial liabilities.

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 all Danish group enterprises. 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 fair value of assets and liabilities arising from acquisitions. 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 has been 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. Useful lives are reassessed annually. 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 etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

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, 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	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
In the parent financiel statement, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rate share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. 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 has been 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. Useful lives are reassessed annually. The amortisation periods used are up to 20 years.

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, 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.

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.

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

Cash
Cash comprises cash in hand and bank deposits.

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.

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.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Tax payable or receivable
Current tax payable or receivable 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 taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and 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, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.