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

Annual report 2019

The Annual General Meeting adopted the annual report on 03.06.2020

Chairman of the General Meeting

Jørgen Jensen

Name: Jørgen Jensen

Contents

Entity details

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

Central Business Registration No (CVR): 36978791
Registered in: Gentofte
Financial year: 01.01.2019 - 31.12.2019

Board of Directors
Benny Dalgaard Loft, Chairman
Thomas Marstrand
Per Toft Valstorp
Jørgen Jensen

Executive Board
Thomas Marstrand, Chief Executive Officer

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C
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 01.01.2019 - 31.12.2019.

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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 03.06.2020

Executive Board

Thomas Marstrand
Chief Executive Officer

Board of Directors

Benny Dalgaard Loft
Chairman

Thomas Marstrand

Per Toft Valstorp

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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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 Parent'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 these 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 Parent'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 Parent'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, 03.06.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

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

Anne Elmelund Sørensen
State-Authorised Public Accountant
Identification No (MNE) mne34115

Management commentary

Financial highlights	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Gross profit	48.330	52.664	57.679	69.226	38.580
Operating profit/loss	7.927	11.948	16.794	29.054	5.141
Net financials	(1.655)	(977)	(746)	(1.101)	(425)
Profit/loss for the year	4.679	8.583	11.842	21.902	3.644
Total assets	114.323	118.615	118.800	119.962	134.696
Investments in property, plant and equipment	10.649	6.023	8.041	6.272	58.576
Equity	30.958	25.013	86.060	74.805	58.308
Cash flows from (used in) operating activities	14.406	17.984	18.115	33.596	11.716
Cash flows from (used in) investing activities	(11.037)	(5.933)	(9.064)	(6.272)	(113.484)
Cash flows from (used in) financing activities	(3.521)	(11.706)	(11.937)	(4.292)	82.651
Ratios					
Return on equity (%)	16,7	15,5	14,7	32,9	6,3
Equity ratio (%)	27,1	21,1	72,4	62,4	43,3

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

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

Management commentary

Primary activities

The Group deals primarily with the manufacturing and sale of freeze-dried food ingredients and contract manufacturing of food and non-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.

In 2019, the Company finished the expansion of the Danish site to increase capacity.

Development in activities and finances

Profit for the year amounts to DKK 4,679 thousand against a profit last year of DKK 8,583 thousand. Equity amounts to DKK 30,958 thousand on 31.12.2019.

Profit/loss for the year in relation to expected developments

Group earnings for 2019 are lower than expected. The cost base was reduced in late 2019.

Outlook

Earnings for 2020 are expected to be lower than in 2019.

Environmental performance

The Group is environmentally conscious and regularly works on improving the environmental impact from its own operations.

Research and development activities

A continuous focus on the development of its own new products and private label products for customers is vital to the Group to maintain market leadership.

Events after the balance sheet date

The outbreak of the coronavirus disease (COVID-19) has created high uncertainty and sent the world into recession. The restrictions applied across the globe will also affect the business of European Freeze Dry. Short-term demand for ready meals and some dried food products has increased whereas new customer developments have slowed down due to precautions and delays.

Also, the Group's vendors and customers may be affected as well by COVID-19. The financial impact cannot be determined at this point.

Consolidated income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit		**48.330.344**	**52.664.052**
Staff costs	2	(31.559.821)	(32.480.919)
Depreciation, amortisation and impairment losses	3	(8.843.813)	(8.234.953)
Operating profit/loss		**7.926.710**	**11.948.180**
Other financial income	4	608.013	886
Other financial expenses	5	(2.262.535)	(977.767)
Profit/loss before tax		**6.272.188**	**10.971.299**
Tax on profit/loss for the year	6	(1.593.525)	(2.388.152)
Profit/loss for the year	7	**4.678.663**	**8.583.147**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Acquired intangible assets		978.537	1.215.473
Goodwill		22.056.199	23.464.042
Intangible assets	8	**23.034.736**	**24.679.515**
Land and buildings		21.044.674	22.130.241
Plant and machinery		37.947.069	30.554.631
Other fixtures and fittings, tools and equipment		1.690.716	131.059
Property, plant and equipment in progress		0	3.463.552
Property, plant and equipment	9	**60.682.459**	**56.279.483**
Fixed assets		**83.717.195**	**80.958.998**
Raw materials and consumables		15.481.989	16.913.165
Work in progress		0	80.346
Inventories		**15.481.989**	**16.993.511**
Trade receivables		12.184.781	17.485.782
Other receivables		1.316.339	1.046.802
Prepayments		349.890	876.227
Receivables		**13.851.010**	**19.408.811**
Cash		**1.272.581**	**1.253.915**
Current assets		**30.605.580**	**37.656.237**
Assets		**114.322.775**	**118.615.235**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital		1.006.873	1.006.873
Retained earnings		29.950.837	24.006.583
Equity		**30.957.710**	**25.013.456**
Deferred tax		2.247.755	1.713.860
Provisions		**2.247.755**	**1.713.860**
Mortgage debt		696.246	1.388.723
Bank loans		64.012.878	72.451.402
Other payables		527.564	0
Non-current liabilities other than provisions	10	**65.236.688**	**73.840.125**
Current portion of long-term liabilities other than provisions	10	5.244.686	689.396
Trade payables		5.943.855	10.374.919
Income tax payable		512.033	1.504.000
Other payables		4.180.048	5.479.479
Current liabilities other than provisions		**15.880.622**	**18.047.794**
Liabilities other than provisions		**81.117.310**	**91.887.919**
Equity and liabilities		**114.322.775**	**118.615.235**
Events after the balance sheet date	1		
Assets charged and collateral	12		
Transactions with related parties	13		
Subsidiaries	14		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.006.873	24.006.654	25.013.527
Exchange rate adjustments	0	1.265.521	1.265.521
Profit/loss for the year	0	4.678.662	4.678.662
Equity end of year	**1.006.873**	**29.950.837**	**30.957.710**

Consolidated cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		7.926.710	11.948.180
Amortisation, depreciation and impairment losses		8.843.813	8.199.653
Working capital changes	11	1.338.828	(376.844)
Cash flow from ordinary operating activities		**18.109.351**	**19.770.989**
Financial income received		608.013	887
Financial expenses paid		(2.262.535)	(787.099)
Income taxes refunded/(paid)		(2.049.045)	(1.000.633)
Cash flows from operating activities		**14.405.784**	**17.984.144**
Acquisition etc of intangible assets		(388.194)	(42.000)
Acquisition etc of property, plant and equipment		(10.649.149)	(6.023.138)
Sale of property, plant and equipment		0	132.501
Cash flows from investing activities		**(11.037.343)**	**(5.932.637)**
Loans raised		0	58.379.432
Repayments of loans etc		(3.520.583)	(687.328)
Dividend paid		0	(70.000.000)
Cash increase of capital		0	601.937
Cash flows from financing activities		**(3.520.583)**	**(11.705.959)**
Increase/decrease in cash and cash equivalents		**(152.142)**	**345.548**
Cash and cash equivalents beginning of year		1.253.915	919.467
Currency translation adjustments of cash and cash equivalents		170.808	(11.100)
Cash and cash equivalents end of year		**1.272.581**	**1.253.915**

Notes to consolidated financial statements

1. Events after the balance sheet date

The outbreak of the coronavirus disease (COVID-19) has created high uncertainty and sent the world into recession. The restrictions applied across the globe will also affect the business of European Freeze Dry. Short-term demand for ready meals and some dried food products has increased whereas new customer developments have slowed down due to precautions and delays.

Also, the Group's vendors and customers may be affected as well by COVID-19. The financial impact cannot be determined at this point.

	2019 DKK	2018 DKK
2. Staff costs		
Wages and salaries	27.170.737	28.366.003
Pension costs	2.441.899	2.419.917
Other social security costs	1.576.103	1.054.510
Other staff costs	371.082	640.489
	31.559.821	**32.480.919**
Average number of employees	**66**	**66**

	Remuneration of management 2019 DKK	Remuneration of management 2018 DKK
Total amount for management categories	1.615.000	1.615.000
	1.615.000	**1.615.000**

	2019 DKK	2018 DKK
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.059.722	1.952.977
Depreciation of property, plant and equipment	6.784.091	6.246.676
Profit/loss from sale of intangible assets and property, plant and equipment	0	35.300
	8.843.813	**8.234.953**

Notes to consolidated financial statements

4. Other financial income	2019 DKK	2018 DKK
Other interest income	44.637	886
Exchange rate adjustments	563.376	0
	608.013	**886**

5. Other financial expenses	2019 DKK	2018 DKK
Other interest expenses	2.254.761	640.896
Exchange rate adjustments	0	296.997
Other financial expenses	7.774	39.874
	2.262.535	**977.767**

6. Tax on profit/loss for the year	2019 DKK	2018 DKK
Current tax	1.087.911	2.388.966
Change in deferred tax	464.060	40.587
Adjustment concerning previous years	41.554	(41.401)
	1.593.525	**2.388.152**

7. Proposed distribution of profit/loss	2019 DKK	2018 DKK
Ordinary dividend for the financial year	15.000.000	0
Retained earnings	(10.321.337)	8.583.147
	4.678.663	**8.583.147**

Notes to consolidated financial statements

8. Intangible assets	Acquired intangible assets DKK	Goodwill DKK
Cost beginning of year	1.755.769	28.156.851
Exchange rate adjustments	53.454	0
Additions	388.194	0
Cost end of year	**2.197.417**	**28.156.851**
Amortisation and impairment losses beginning of year	(540.296)	(4.692.809)
Exchange rate adjustments	(26.705)	0
Amortisation for the year	(651.879)	(1.407.843)
Amortisation and impairment losses end of year	**(1.218.880)**	**(6.100.652)**
Carrying amount end of year	**978.537**	**22.056.199**

9. Property, plant and equipment	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	30.556.572	39.189.125	282.225	3.463.552
Exchange rate adjustments	75.578	1.715.194	0	0
Transfers	0	1.858.563	1.604.989	(3.463.552)
Additions	443.909	9.393.625	811.615	0
Disposals	(50.908)	0	0	0
Cost end of year	**31.025.151**	**52.156.507**	**2.698.829**	**0**
Depreciation and impairment losses beginning of year	(8.426.331)	(8.634.494)	(151.166)	0
Exchange rate adjustments	(48.967)	(1.203.886)	0	0
Transfers	0	512.200	(512.200)	0
Depreciation for the year	(1.556.086)	(4.883.258)	(344.747)	0
Reversal regarding disposals	50.908	0	0	0
Depreciation and impairment losses end of year	**(9.980.476)**	**(14.209.438)**	**(1.008.113)**	**0**
Carrying amount end of year	**21.044.675**	**37.947.069**	**1.690.716**	**0**

Notes to consolidated financial statements

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK
10. Liabilities other than provisions			
Mortgage debt	692.927	689.396	696.246
Bank loans	4.551.759	0	64.012.878
Other payables	0	0	527.564
	5.244.686	**689.396**	**65.236.688**

	2019 DKK	2018 DKK
11. Change in working capital		
Increase/decrease in inventories	1.511.523	(2.414.371)
Increase/decrease in receivables	5.557.801	110.652
Increase/decrease in trade payables etc	(5.730.496)	1.891.575
Other changes	0	35.300
	1.338.828	**(376.844)**

12. 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 enterered in the Land Register by DKK 28,000 thousand. The mortgage deeds registered to the mortgagor are kept by the Company.

The carrying amount of mortgaged properties amounts to DKK 21,685 thousand.

13. 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.

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

Parent income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit		**958.781**	**289.037**
Income from investments in group enterprises		4.651.184	8.542.471
Other financial income from group enterprises		0	113.149
Other financial expenses	2	(923.303)	(404.423)
Profit/loss before tax		**4.686.662**	**8.540.234**
Tax on profit/loss for the year	3	(8.000)	43.002
Profit/loss for the year	4	**4.678.662**	**8.583.236**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Investments in group enterprises		68.813.775	82.897.068
Fixed asset investments	5	**68.813.775**	**82.897.068**
Fixed assets		**68.813.775**	**82.897.068**
Receivables from group enterprises		2.188.983	2.154.479
Joint taxation contribution receivable		176.100	1.504.000
Receivables		**2.365.083**	**3.658.479**
Cash		**454**	**105**
Current assets		**2.365.537**	**3.658.584**
Assets		**71.179.312**	**86.555.652**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital		1.006.873	1.006.873
Retained earnings		29.950.839	24.006.654
Equity		**30.957.712**	**25.013.527**
Payables to group enterprises		40.000.000	60.000.000
Non-current liabilities other than provisions		**40.000.000**	**60.000.000**
Income tax payable		184.100	1.504.000
Other payables		37.500	38.125
Current liabilities other than provisions		**221.600**	**1.542.125**
Liabilities other than provisions		**40.221.600**	**61.542.125**
Equity and liabilities		**71.179.312**	**86.555.652**
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 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.006.873	24.006.654	25.013.527
Exchange rate adjustments	0	1.265.523	1.265.523
Profit/loss for the year	0	4.678.662	4.678.662
Equity end of year	**1.006.873**	**29.950.839**	**30.957.712**

Notes to parent financial statements

1. Events after the balance sheet date

The outbreak of the coronavirus disease (COVID-19) has created high uncertainty and sent the world into recession. The restrictions applied across the globe will also affect the business of European Freeze Dry. Short-term demand for ready meals and some dried food products has increased whereas new customer developments have slowed down due to precautions and delays.

Also, the Group's vendors and customers may be affected as well by COVID-19. The financial impact cannot be determined at this point.

	2019 DKK	2018 DKK
2. Other financial expenses		
Financial expenses from group enterprises	923.303	404.384
Other interest expenses	0	39
	923.303	**404.423**

	2019 DKK	2018 DKK
3. Tax on profit/loss for the year		
Current tax	8.000	0
Adjustment concerning previous years	0	(43.002)
	8.000	**(43.002)**

	2019 DKK	2018 DKK
4. Proposed distribution of profit/loss		
Retained earnings	4.678.662	8.583.236
	4.678.662	**8.583.236**

Notes to parent financial statements

	Investments in group enterprises DKK
5. Fixed asset investments	
Cost beginning of year	109.223.696
Cost end of year	**109.223.696**
Impairment losses beginning of year	(26.326.628)
Exchange rate adjustments	1.265.523
Amortisation of goodwill	(1.407.843)
Share of profit/loss for the year	6.059.027
Dividend	(20.000.000)
Impairment losses end of year	**(40.409.921)**
Carrying amount end of year	**68.813.775**
Goodwill or negative goodwill recognized during the financial year	**22.056.199**

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

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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

7. Assets charged and collateral

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

The carrying amount of the mortgaged shares amounts to DKK 68,855 thousand.

The Company has guaranteed the bank debt of European Freeze Dry ApS. The subsidiary's bank debt amounts to DKK 68,552 thousand.

8. Related parties with controlling interest

Erhvervsinvest III K/S 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.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from

Accounting policies

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.

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 life. 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.

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.

Accounting policies

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

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, 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.

Accounting policies

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 over their remaining duration, and licences are amortised 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 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
In the parent financial statements, 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 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 under equity.

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.

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 and direct labour 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. 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.

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.

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.

Accounting policies

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

Income tax receivable or payable
Current tax receivable or payable 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.