

RSM Beierholm

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CTB Denmark Holding ApS

Langelinie Allé 35, 2100 Copenhagen

CVR no. 37 97 10 06

Annual report for the financial year 31.08.16 - 31.12.17

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 31.05.18

Marc Frederick Plastow
Dirigent

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The company

CTB Denmark Holding ApS
c/o Bech-Bruun
Langelinie Allé 35
2100 Copenhagen
Registered office: Copenhagen
CVR no.: 37 97 10 06
Financial year: 31.08 - 31.12

Executive Boards

Marc Frederick Plastow

Auditors

RSM Beierholm
Statsautoriseret Revisionspartnerselskab

Statement of the Board of Directors on the annual report

I have on this day presented the annual report for the financial year 31.08.16 - 31.12.17 for CTB Denmark Holding ApS.

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

In my opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.17 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 31.08.16 - 31.12.17.

I believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, May 8, 2018

Executive Boards

Marc Frederick Plastow

To the Shareholder of CTB Denmark Holding ApS**Opinion**

We have audited the consolidated financial statements and parent company financial statements of CTB Denmark Holding ApS for the financial year 31.08.16 - 31.12.17, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.17 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 31.08.16 - 31.12.17 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Statement regarding the management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the consolidated financial statements and parent company financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Soeborg, Copenhagen, May 8, 2018

RSM Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Kim Larsen
State Authorized Public Accountant
MNE-no. mne32179

Henrik Welinder
State Authorized Public Accountant
MNE-no. mne23366

GROUPS FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2017
<i>Profit/loss</i>	
Gross profit	29,823
Operating profit/loss	-11,772
Total net financials	-2,171
Profit/loss for the year	-17,028
<i>Balance</i>	
Total assets	389,059
Equity	270,436
<i>Cashflow</i>	
Net cash flow:	
Operating activities	22,023
Investing activities	-269,175
Financing activities	272,568
Cash flows for the year	25,416

Ratios

2017

Profitability

Return on equity	-11%
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Gross margin	8%
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Equity ratio

Equity interest	70%
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Others

Number of employees (average)	212
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Return on equity:

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

Gross margin:

$$\frac{\text{Gross result} \times 100}{\text{Revenue}}$$

Equity interest:

$$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$$

Primary activities

The company's activities is to engage in the development, production and sales of machines and high-tech processing and weighing/packing lines for the food processing industry.

The solutions are sold domestically and worldwide directly from the parent company and its sales subsidiaries in Poland, Germany, USA and Spain as well as from a network of sales agents in more than 35 countries.

Uncertainty concerning recognition and measurement

There are no uncertainties on recognition or measurement of the individual entries in the annual accounts.

Development in activities and financial affairs

The income statement for the period 31.08.16 - 31.12.17 shows a profit/loss of DKK -17,027,650 against DKK 0 for the period 31.08.15 - 30.08.16. The balance sheet shows equity of DKK 270,435,917.

The earnings expectations for 2017 were a net profit of MDKK 10. The objective was not met primarily due to lower growth in the order inflow than expected. A 13% decrease in revenue was realised against an expected 10% increase.

Outlook

The company expects increased activities and improved profits for 2018.

Knowledge resources

The company has developed considerable know-how on the development and production of machines and high-tech processing and weighing/packing lines for the food processing industry. To a great extent, such intellectual resources are anchored in employees with high level of education. It is the company's clear policy to maintain and accumulate the intellectual of its employees.

Special risks*Currency risks*

International activities cause impact on profit/loss, cash flow and shareholders' equity from movements in exchange and interest rates. Company policy is to hedge commercial currency risks. Hedging tools are primarily currency forwards, swaps, etc. to finance order intake during the first 12 months. Speculative currency transactions are not concluded.

External environment

The company is constantly engaged in optimization of resource application to continuously minimize the main environmental impacts. The company focuses on optimizing their products in terms of energy and productivity. The company has a working environment policy that include employee satisfaction and job satisfaction.

Research and development activities

Product research activities proceeded satisfactorily during the past year. Product research was implemented particularly for the weighing/packing segments resulting in new market leading solutions.

Subsequent events

No important events have occurred after the end of the financial year to this date which would influence the evaluation of this annual report.

Corporate social responsibility

The company wishes to develop its core business and meet its strategic challenges in a financially and socially responsible way. This means that the company complies with legislation in the countries and local communities in which it operates, and that the company implements voluntary activities and commitments of a socially responsible character to attain the strategic objects.

Target figure for the underrepresented gender

Target figures for the Board of Directors

The management of the company only consist of one member, therefore the company has not set any policies for the underrepresented gender.

Income statement

	Group	Parent
	31.08.16	31.08.16
	31.12.17	31.12.17
	DKK	DKK
Note		
Revenue	384,161,051	0
Production costs	-354,338,325	0
Gross profit	29,822,726	0
Distribution costs	-29,577,098	0
Administrative expenses	-12,509,004	-38,785
Other operating income	490,887	0
Profit/loss before net financials	-11,772,489	-38,785
Income from equity investments in group enterprises	0	-18,460,674
Financial income	3,483,610	0
Financial expenses	-5,654,252	-9,799
Profit/loss before tax	-13,943,131	-18,509,258
Tax on profit or loss for the year	-3,084,519	10,688
Profit/loss for the year	-17,027,650	-18,498,570
Proposed appropriation account		
Non-controlling interests	1,470,920	0
Retained earnings	-18,498,570	-18,498,570
Total	-17,027,650	-18,498,570

ASSETS		Group	Parent
		31.12.17	31.12.17
Note		DKK	DKK
	Completed development projects	5,732,921	0
	Goodwill	204,088,334	0
	Development projects in progress	8,881,712	0
3	Total intangible assets	218,702,967	0
	Land and buildings	23,597,354	0
	Plant and machinery	2,473,405	0
	Other fixtures and fittings, tools and equipment	2,928,729	0
4	Total property, plant and equipment	28,999,488	0
5	Equity investments in group enterprises	0	243,329,112
6	Deposits	78,153	0
	Total investments	78,153	243,329,112
	Total non-current assets	247,780,608	243,329,112
	Raw materials and consumables	22,510,215	0
	Manufactured goods and goods for resale	13,205,157	0
	Total inventories	35,715,372	0
	Work in progress for third parties	8,790,757	0
	Trade receivables	34,743,317	0
	Receivables from group enterprises	0	4,164,487
9	Deferred tax asset	1,082,453	0
	Income tax receivable	1,191,559	0
	Other receivables	3,576,247	1,734,357
	Receivables from owners and management	2,118,705	0
7	Prepayments	6,637,115	0
	Total receivables	58,140,153	5,898,844
	Cash	47,423,352	13,718,878
	Total current assets	141,278,877	19,617,722
	Total assets	389,059,485	262,946,834

Balance sheet

EQUITY AND LIABILITIES		Group	Parent
		31.12.17	31.12.17
		DKK	DKK
Note			
	Share capital	50,000	50,000
	Retained earnings	258,658,762	258,658,762
	Group controlled equity	258,708,762	258,708,762
8	Non-controlling interests	11,727,155	0
	Total equity	270,435,917	258,708,762
9	Provisions for deferred tax	8,244,202	0
	Total provisions	8,244,202	0
10	Mortgage debt	18,102,047	0
10	Payables to other credit institutions	202,468	0
10	Lease commitments	96,601	0
10	Other payables	3,056,656	0
	Total long-term payables	21,457,772	0
10	Short-term portion of long-term payables	2,949,099	0
	Prepayments received from customers	27,852,196	0
	Trade payables	30,786,683	37,500
	Payables to group enterprises	46,773	46,773
	Income taxes	4,153,799	4,153,799
	Other payables	23,133,044	0
	Total short-term payables	88,921,594	4,238,072
	Total payables	110,379,366	4,238,072
	Total equity and liabilities	389,059,485	262,946,834
11	Derivative financial instruments		
12	Contingent assets		
13	Contingent liabilities		
14	Charges and security		
15	Related parties		

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Group controlled equity	Non-controlling interests	Total equity
Group:					
Statement of changes in equity for 31.08.16 - 31.12.17					
Net effect of mergers and acquisition of enterprises	0	34,805,836	34,805,836	10,078,469	44,884,305
Balance as at 31.08.16	0	34,805,836	34,805,836	10,078,469	44,884,305
Foreign currency translation adjustment of foreign enterprises	0	690,984	690,984	172,746	863,730
Capital contributed on establishment	50,000	0	50,000	0	50,000
Group contribution	0	241,647,356	241,647,356	0	241,647,356
Cost of changes in capital	0	-6,920	-6,920	0	-6,920
Other changes in equity	0	20,076	20,076	5,020	25,096
Net profit/loss for the year	0	-18,498,570	-18,498,570	1,470,920	-17,027,650
Balance as at 31.12.17	50,000	258,658,762	258,708,762	11,727,155	270,435,917
Parent:					
Statement of changes in equity for 31.08.16 - 31.12.17					
Foreign currency translation adjustment of foreign enterprises	0	690,984	690,984	0	690,984
Capital contributed on establishment	50,000	0	50,000	0	50,000
Group contribution	0	276,453,192	276,453,192	0	276,453,192
Cost of changes in capital	0	-6,920	-6,920	0	-6,920
Other changes in equity	0	20,076	20,076	0	20,076
Net profit/loss for the year	0	-18,498,570	-18,498,570	0	-18,498,570
Balance as at 31.12.17	50,000	258,658,762	258,708,762	0	258,708,762

Consolidated cash flow statement

		Group
		31.08.16
		31.12.17
Note		DKK
	Net profit/loss for the year	-17,027,650
16	Adjustments	34,903,108
	Change in working capital:	
	Inventories	-3,528,039
	Receivables	16,629,520
	Trade payables	-6,783,737
	Cash flows from operating activities before net financials	24,193,202
	Interest income and similar income received	3,483,610
	Interest expenses and similar expenses paid	-5,654,252
	Income tax paid	0
	Cash flows from operating activities	22,022,560
	Purchase of intangible assets	-7,997,776
	Purchase of property, plant and equipment	-425,756
	Sale of property, plant and equipment	327,000
	Purchase of investments	-261,078,726
	Cash flows from investing activities	269,175,258
	Raising of additional capital	276,453,192
	Repayment of mortgage debt	-2,774,700
	Repayment of credit institutions	-250,519
	Repayment of lease commitments	-860,384
	Cash flows from financing activities	272,567,589
	Total cash flows for the year	25,414,891
	Cash, beginning of year	22,008,461
	Cash, end of year	47,423,352
	Cash, end of year, comprises:	
	Cash	47,423,352
	Total	47,423,352

	Group	Parent
	31.08.16	31.08.16
	31.12.17	31.12.17
	DKK	DKK

1. Employee aspects

Wages and salaries	151,421,937	0
Pensions	10,207,313	0
Other social security costs	4,543,092	0
Other staff costs	6,167,049	0
Total	172,339,391	0

Average number of employees during the year	293	0
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Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	2,318,505	0
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2. Distribution of net profit

Non-controlling interests	1,470,920	0
Retained earnings	-18,498,570	-18,498,570
Total	-17,027,650	-18,498,570

3. Intangible assets

Figures in DKK	Completed development projects	Goodwill	Development projects in progress
Group:			
Additions relating to mergers and acquisition of enterprises	3,962,310	227,048,527	4,360,866
Additions during the year	0	0	7,997,776
Transfers during the year to/from other items	3,476,930	0	-3,476,930
Cost as at 31.12.17	7,439,240	227,048,527	8,881,712
Amortisation during the year	-1,706,319	-22,960,193	0
Amortisation and impairment losses as at 31.12.17	-1,706,319	-22,960,193	0
Carrying amount as at 31.12.17	5,732,921	204,088,334	8,881,712

4. Property, plant and equipment

Figures in DKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
Group:			
Additions relating to mergers and acquisition of enterprises	25,196,384	2,270,349	4,223,890
Additions during the year	0	0	662,196
Disposals during the year	0	0	-262,550
Cost as at 31.12.17	25,196,384	2,270,349	4,623,536
Depreciation during the year	-1,956,909	-224,901	-1,808,957
Depreciation of and impairment losses on disposed assets for the year	0	0	114,150
Transfers during the year to/from other items	357,879	427,957	0
Depreciation and impairment losses as at 31.12.17	-1,599,030	203,056	-1,694,807
Carrying amount as at 31.12.17	23,597,354	2,473,405	2,928,729
Carrying amount of assets held under finance leases as at 31.12.17	0	0	0

5. Equity investments in group enterprises

Figures in DKK	Equity invest- ments in group enterprises
Parent:	
Additions during the year	261,078,726
Cost as at 31.12.17	261,078,726
Amortisation of goodwill	-22,627,289
Net profit/loss from equity investments	4,166,615
Other adjustments relating to equity investments	711,060
Revaluations as at 31.12.17	-17,749,614
Carrying amount as at 31.12.17	243,329,112

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year
Group enterprises:			
Cabinplant A/S, Haarby	80%	49,604,389	6,433,337
Cabinplant Deutschland GmbH, Hermsdorf	65%	5,157,935	1,226,475
Cabinplant Sp. Z.o.o., Katy Wroclawskie	100%	11,566,748	-1,299,834
Cabinplant SL, Barcelona	100%	-5,342,611	-775,951
Cabinplant Inc., Georgia, USA	100%	-817,144	-1,895,468

6. Deposits

Figures in DKK Deposits

Group:

Additions relating to mergers and acquisition of enterprises 78,153

Cost as at 31.12.17 78,153

	Group	Parent
	31.12.17	31.12.17
	DKK	DKK

7. Prepayments

Prepaid insurance premiums 503,768 0

Prepaid suppliers 4,478,125 0

Other prepayments 1,655,222 0

Total 6,637,115 0

8. Non-controlling interests

Net effect of mergers and acquisition of enterprises 10,078,469 0

Foreign currency translation adjustment of foreign enterprises 172,746 0

Other changes in equity 5,020 0

Net profit/loss for the year (distribution of net profit) 1,470,920 0

Total 11,727,155 0

	Group	Parent
	31.12.17	31.12.17
	DKK	DKK

9. Deferred tax

Additions relating to mergers and acquisition of enterprises as at 31.08.16	6,812,024	0
Deferred tax recognised in the income statement	349,725	0
Additions relating to mergers and acquisition of enterprises as at 31.12.17	7,161,749	0
Deferred tax comprises:		
Deferred tax asset	-1,082,453	0
Deferred tax liability	8,244,202	0
Total	7,161,749	0

10. Longterm payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.17
Group:			
Mortgage debt	2,124,856	11,038,892	20,226,903
Payables to other credit institutions	250,000	0	452,468
Lease commitments	574,243	0	670,844
Other payables	0	3,056,656	3,056,656
Total	2,949,099	14,095,548	24,406,871

11. Derivative financial instruments

The Board of Directors lays down the framework for the conclusion of contracts for derivative financial instruments. The enterprise concludes contracts for the sole purpose of hedging the interest rates on the future payments of variable interest on mortgage debt. The interest swap has a principal of DKK 14.638k and a maturity of 14 years with expiration on 30.03.32. The interest swap has a fair value of DKK -1.469k on 31.12.17. The change in fair value has been recognized directly on the equity. The interest swap has been concluded with a Danish financial institution.

12. Contingent assets

Group:

The enterprise has no contingent assets.

Parent:

The company has no contingent assets.

13. Contingent liabilities

Group:

Lease commitments

The enterprise has concluded lease agreements with terms to maturity in 2018-2022 and a total lease payment of DKK 3.866k.

The enterprise has concluded warehouse lease with a notice period of 6 months.

Parent:

Lease commitments

The company has no lease commitments.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The maximum liability totals DKK 4.154k at the balance sheet date, of which DKK 4.154k is recognised in the balance sheet. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

14. Charges and security

Group:

Land and buildings with a carrying amount of DKK 23.597k have been provided as security for mortgage debt of DKK 20.227k. As security for bank engagements a letter of indemnity of DKK 10.000k is registered.

Parent:

The company has provided no securities.

15. Related parties

Controlling influence:	Basis of influence
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CTB Legacy Holding B.V., Holland	Ownership
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Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 1. Employee aspects.

16. Adjustments for the cash flow statement

Other operating income	-490,887
Depreciation, amortisation, impairment losses and write-downs	30,522,744
Financial income	-3,483,610
Financial expenses	5,654,252
Tax on profit or loss for the year	3,084,519
Other adjustments	-383,910
Total	34,903,108

17. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large groups and enterprises in reporting class C.

No comparative figures have been provided as this is the parent's first financial year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

17. Accounting policies - continued -**Non-controlling interests**

The financial items of the subsidiaries are recognised in full in the consolidated financial statements. The non-controlling interests' proportionate share of the subsidiaries' equity is classified as a part of consolidated equity. The subsidiaries' results are distributed proportionately to non-controlling interests and the parent's equity interest.

Purchase and sale of non-controlling interests in a subsidiary which do not result in the parent losing control of the subsidiary are treated in the consolidated financial statements as equity transactions, and the difference between the consideration and the carrying amount is allocated to the parent's equity interest.

BUSINESS COMBINATIONS

Newly acquired or newly founded enterprises are recognised as from the date of acquisition and the date of foundation, respectively. The date of acquisition is the date at which control of the enterprise is obtained. Divested or discontinued enterprises are recognised until the date of divestment or discontinuation. The date of discontinuation is the date at which control of the enterprise passes to a third party.

Newly acquired enterprises are recognised in accordance with the acquisition method, according to which the identifiable assets and liabilities of the newly acquired enterprises are measured at fair value at the date of acquisition.

The tax effect of any reassessments made is recognised.

The cost of the equity investments in the acquired enterprises is offset against the proportionate share of the fair value of the subsidiaries' net assets at the date of the establishment of the group relationship.

The goodwill (positive difference) determined at the date of acquisition is recognised under intangible assets in the consolidated financial statements and under equity investments in subsidiaries in the parent's balance sheet. Goodwill is amortised using the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at 10 years in consideration of the expected future net earnings of the enterprise to which goodwill relates. Goodwill from acquired enterprises is adjusted until the end of the year after the year in which the acquisition took place.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation.

17. Accounting policies - continued -**CURRENCY**

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

17. Accounting policies - continued -

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

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

INCOME STATEMENT**Revenue**

Income from the delivery of services is recognised as delivery takes place, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

17. Accounting policies - continued -**Distribution costs**

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

Administrative expenses

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	5	0
Goodwill	5-10	0
Buildings	20-30	0
Plant and machinery	10-20	0
Other plant, fixtures and fittings, tools and equipment	3-8	0

Goodwill is amortised over 5-10 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

Land is not depreciated.

17. Accounting policies - continued -

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Amortisation of capital losses and borrowing costs relating to financial liabilities is recognised on an ongoing basis as financial expenses.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Intangible assets***Completed development projects and development projects in progress*

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other

17. Accounting policies - continued -

development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

17. Accounting policies - continued -

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Accounting policies for the acquisition of new enterprises are stated in the 'Business combinations' section.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

17. Accounting policies - continued -

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

17. Accounting policies - continued -**Prepayments**

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

17. Accounting policies - continued -**Payables**

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.