

Helm Skandinavien A/S

Robert Jacobsens Vej 76A st., 2300 København S
CVR no. 47 28 91 14

Annual report for 2022

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 30.06.23

Jörn Erhardsen
Dirigent

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The company

Helm Skandinavien A/S
Robert Jacobsens Vej 76A st.
2300 København S
Registered office: København
CVR no.: 47 28 91 14
Financial year: 01.01 - 31.12

Executive Board

Jørn Odgaard Erhardsen

Board of Directors

Alejandro de Gomis Cassany, chairman
Christian Dürr
Jørn Odgaard Erhardsen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

Helm AG, Germany

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.22 - 31.12.22 for Helm Skandinavien A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities and cash flows for the financial year 01.01.22 - 31.12.22.

We 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, June 30, 2023

Executive Board

Jørn Odgaard Erhardsen

Board of Directors

Alejandro de Gomis Cassany Christian Dürr
Chairman

Jørn Odgaard Erhardsen

To the Shareholder of Helm Skandinavien A/S**Opinion**

We have audited the financial statements of Helm Skandinavien A/S for the financial year 01.01.22 - 31.12.22, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.22 and of the results of the company's operations and cash flows for the financial year 01.01.22 - 31.12.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

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

Statement regarding the management's review

Management is responsible for management's review.

Our opinion on the 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 financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the 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 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 financial statements

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

In preparing the financial statements, management is responsible for assessing the 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 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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Soeborg, Copenhagen, June 30, 2023

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Lasse Rosenborg Petersen

State Authorized Public Accountant
MNE-no. mne42896

FINANCIAL HIGHLIGHTS**Key figures**

| Figures in DKK '000 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------|---------|---------|---------|---------|
| <i>Profit/loss</i> | | | | | |
| Gross profit | 73,982 | 52,454 | 58,811 | 49,041 | 44,835 |
| Index | 165 | 117 | 131 | 109 | 100 |
| Operating profit | 41,985 | 23,765 | 32,534 | 23,987 | 20,063 |
| Index | 209 | 118 | 162 | 120 | 100 |
| Total net financials | -4,794 | -378 | -592 | -549 | -732 |
| Profit for the year | 29,009 | 18,242 | 24,891 | 18,270 | 14,917 |
| Index | 194 | 122 | 167 | 122 | 100 |
| <i>Balance</i> | | | | | |
| Total assets | 258,989 | 144,400 | 119,831 | 128,038 | 141,837 |
| Index | 183 | 102 | 84 | 90 | 100 |
| Investments in property, plant and equipment | 13,136 | 2,377 | 6,871 | 5,115 | 6,981 |
| Index | 188 | 34 | 98 | 73 | 100 |
| Equity | 56,401 | 45,634 | 52,283 | 45,661 | 42,309 |
| Index | 133 | 108 | 124 | 108 | 100 |
| <i>Cashflow</i> | | | | | |
| Net cash flow: | | | | | |
| Operating activities | 27,116 | 51,315 | 41,551 | 19,838 | 14,742 |
| Investing activities | -13,136 | -2,394 | -6,424 | -5,156 | -5,897 |
| Financing activities | -18,242 | -39,666 | -18,270 | -14,917 | -12,520 |
| Cash flows for the year | -4,262 | 9,255 | 16,857 | -235 | -3,675 |

Ratios

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|-------------------------------|--|------|------|------|------|
| <i>Profitability</i> | | | | | |
| Return on equity | 57% | 37% | 51% | 42% | 36% |
| <i>Equity ratio</i> | | | | | |
| Solvency ratio | 22% | 32% | 44% | 36% | 30% |
| <i>Others</i> | | | | | |
| Number of employees (average) | 27 | 30 | 27 | 26 | 25 |
| <i>Ratios definitions</i> | | | | | |
| Return on equity: | $\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$ | | | | |
| Solvency ratio: | $\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$ | | | | |

Primary activities

The company's activities comprise wholesale distribution of chemicals.

Development in activities and financial affairs

The income statement for the period 01.01.22 - 31.12.22 shows a profit of DKK 29,009,014 against DKK 18,241,895 for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK 56,400,753

Management considers the net profit for the year to be satisfactory.

The earnings expectations for 2022 were a net profit and the objective was met primarily due to the increase in revenue.

Outlook

The company expects a profit before tax in 2023 at the same level as for 2022.

Knowledge resources

Helm Skandinavien A/S is aware that employees make the difference. The employees are the ones who look for and find the best solutions for Helm Skandinavien A/S' customers and suppliers.

The Central Company Unit Human Resources (HR) focuses on developing the employees in line with the strategic orientation of the company. The Central Company Unit HR paves the way for the future as Helm Skandinavien A/S can only be successful in the long-term with a team that is best prepared for current and future challenges.

In order to be able to implement the company's business strategy successfully Helm Skandinavien A/S has to create the right conditions. Helm Skandinavien A/S has to ensure that teams all pull together - which attributes a special responsibility to the managers.

The managers must provide clear directions so every employee can embrace the corporate culture and achieve the company's objectives together. Therefore a holistic understanding of leadership and leadership principles has been internationally developed through in-depth dialogue. It is Helm Skandinavien A/S' responsibility to anchor the agreed leadership principles in our company.

Financial risks**Special risk***Operating risks*

As an internationally active marketing organization, Helm Skandinavien A/S is dependent on global demand for chemicals which, generally speaking, determines the revenue and income of its business lines. However, with its wide range of products, the Group cultivates a number of markets that are subject to different demand cycles. Risks in certain sectors and regions can affect the earnings of individual business lines, although they tend to be of lesser significance to the comprehensive income of Helm Skandinavien A/S. One of the key responsibilities of the Management Board of the HELM Group is risk management and the systematic, early detection of risks to its portfolio. A comprehensive system of rules with clear responsibilities and instructions ensures that the Management Board is notified of key developments continuously and promptly.

One particular risk to the future course of business would be a sudden price increase or decrease that might influence the margins of Helm Skandinavien A/S. The short-term structure of Helm Skandinavien A/S business counters this risk. Price risks in terms of goods are minimized through stringent inventory management.

Foreign currency risks

Currency risks are covered using currency futures which, in line with internal regulations, must always be obtained when a trading position is closed or the purchasing and sales currencies differ from one another.

External environment

Helm Skandinavien A/S sees environmental protections as an essential point and maintain an ISO-14001 certification to ensure continuous improvement.

Research and development activities

Being a member of the Helm Group, Helm Skandinavien A/S is ensured a secure supply for itself and its business partners in the processing industry with participations in production facilities for chemicals, pharmaceutical raw materials and finished products, as well as liquid fertilizers.

Subsequent events

No important events have occurred after the end of the financial year.

Branches abroad

Helm Skandinavien A/S has branches in Norway and Sweden. Annual accounts are presented separately by each branch, and management consider these satisfactory.

Income statement

| Note | | |
|--|-------------------|-------------------|
| | 2022 DKK | 2021 DKK |
| | 73,981,701 | 52,453,728 |
| Gross profit | | |
| 1 Staff costs | -27,400,536 | -25,188,021 |
| | 46,581,165 | 27,265,707 |
| Profit before depreciation, amortisation, write-downs and impairment losses | | |
| Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment | -4,595,859 | -3,501,120 |
| | 41,985,306 | 23,764,587 |
| Operating profit | | |
| Financial income | 25,191 | 0 |
| 2 Financial expenses | -4,819,453 | -377,542 |
| | 37,191,044 | 23,387,045 |
| Profit before tax | | |
| 3 Tax on profit for the year | -8,182,030 | -5,145,150 |
| | 29,009,014 | 18,241,895 |
| Profit for the year | | |
| 4 Proposed appropriation account | | |

Balance sheet

| ASSETS | | 31.12.22 | 31.12.21 |
|--------|--|--------------------|--------------------|
| | | DKK | DKK |
| Note | | | |
| | Completed development projects | 366,550 | 500,816 |
| 5 | Total intangible assets | 366,550 | 500,816 |
| | Land and buildings | 11,531,536 | 11,531,536 |
| | Other fixtures and fittings, tools and equipment | 13,606,470 | 13,389,531 |
| | Property, plant and equipment under construction | 8,457,736 | 0 |
| 6 | Total property, plant and equipment | 33,595,742 | 24,921,067 |
| 7 | Deposits | 1,123,134 | 191,362 |
| | Total investments | 1,123,134 | 191,362 |
| | Total non-current assets | 35,085,426 | 25,613,245 |
| | Raw materials and consumables | 70,210,394 | 20,323,022 |
| | Total inventories | 70,210,394 | 20,323,022 |
| | Trade receivables | 135,326,784 | 79,105,554 |
| | Receivables from group enterprises | 145,156 | 0 |
| | Other receivables | 1,273,569 | 790,753 |
| 8 | Prepayments | 3,540,490 | 898,345 |
| | Total receivables | 140,285,999 | 80,794,652 |
| | Cash | 13,407,191 | 17,669,461 |
| | Total current assets | 223,903,584 | 118,787,135 |
| | Total assets | 258,989,010 | 144,400,380 |

EQUITY AND LIABILITIES

| Note | | 31.12.22 DKK | 31.12.21 DKK |
|------|--|--------------------|--------------------|
| 9 | Share capital | 2,000,000 | 2,000,000 |
| | Reserve for development costs | 285,909 | 305,700 |
| | Retained earnings | 54,114,844 | 25,086,039 |
| | Proposed dividend for the financial year | 0 | 18,241,895 |
| | Total equity | 56,400,753 | 45,633,634 |
| 10 | Provisions for deferred tax | 1,443,971 | 1,443,971 |
| | Total provisions | 1,443,971 | 1,443,971 |
| | Trade payables | 68,677,489 | 50,158,734 |
| | Payables to group enterprises | 91,791,544 | 31,745,743 |
| | Income taxes | 8,590,046 | 2,782,473 |
| | Other payables | 32,085,207 | 12,635,825 |
| | Total short-term payables | 201,144,286 | 97,322,775 |
| | Total payables | 201,144,286 | 97,322,775 |
| | Total equity and liabilities | 258,989,010 | 144,400,380 |

11 Contingent liabilities

12 Related parties

Statement of changes in equity

| Figures in DKK | Share capital | Reserve for development costs | Retained earnings | Proposed dividend for the financial year | Total equity |
|--|---------------|-------------------------------|-------------------|--|--------------|
| Statement of changes in equity for 01.01.22 - 31.12.22 | | | | | |
| Balance as at 01.01.22 | 2,000,000 | 305,700 | 25,086,039 | 18,241,895 | 45,633,634 |
| Dividend paid | 0 | 0 | 0 | -18,241,895 | -18,241,895 |
| Transfers to/from other reserves | 0 | -19,791 | 19,791 | 0 | 0 |
| Net profit/loss for the year | 0 | 0 | 29,009,014 | 0 | 29,009,014 |
| Balance as at 31.12.22 | 2,000,000 | 285,909 | 54,114,844 | 0 | 56,400,753 |

Cash flow statement

| Note | 2022 DKK | 2021 DKK |
|---|--------------------|--------------------|
| Profit for the year | 29,009,014 | 18,241,895 |
| 13 Adjustments | 17,503,694 | 9,091,551 |
| Change in working capital: | | |
| Inventories | -49,887,372 | 3,343,614 |
| Receivables | -60,423,119 | -19,833,474 |
| Trade payables | 18,518,755 | 21,030,669 |
| Other payables relating to operating activities | 79,495,183 | 22,379,723 |
| Cash flows from operating activities before net financials | 34,216,155 | 54,253,978 |
| Interest income and similar income received | 25,191 | 0 |
| Interest expenses and similar expenses paid | -4,819,453 | -377,542 |
| Income tax paid | -2,306,000 | -2,561,513 |
| Cash flows from operating activities | 27,115,893 | 51,314,923 |
| Purchase of intangible assets | 0 | -17,500 |
| Purchase of property, plant and equipment | -13,136,268 | -2,376,710 |
| Cash flows from investing activities | -13,136,268 | -2,394,210 |
| Dividend paid | -18,241,895 | -24,891,357 |
| Repayment of payables to credit institutions | 0 | -14,774,977 |
| Cash flows from financing activities | -18,241,895 | -39,666,334 |
| Total cash flows for the year | -4,262,270 | 9,254,379 |
| Cash, beginning of year | 17,669,461 | 8,415,082 |
| Cash, end of year | 13,407,191 | 17,669,461 |
| Cash, end of year, comprises: | | |
| Cash | 13,407,191 | 17,669,461 |
| Total | 13,407,191 | 17,669,461 |

| | 2022 | 2021 |
|--|------|------|
| | DKK | DKK |

1. Staff costs

| | | |
|-----------------------------|------------|------------|
| Wages and salaries | 23,786,649 | 23,448,570 |
| Pensions | 2,820,119 | 1,077,337 |
| Other social security costs | 793,768 | 662,114 |

| | | |
|-------|------------|------------|
| Total | 27,400,536 | 25,188,021 |
|-------|------------|------------|

| | | |
|---|----|----|
| Average number of employees during the year | 27 | 30 |
|---|----|----|

2. Financial expenses

| | | |
|--|-----------|---------|
| Interest, group enterprises | 1,539,864 | 147,671 |
| Other interest expenses | 255,402 | 74,055 |
| Foreign currency translation adjustments | 2,946,823 | 148,953 |
| Other financial expenses | 77,364 | 6,863 |

| | | |
|-------|-----------|---------|
| Total | 4,819,453 | 377,542 |
|-------|-----------|---------|

3. Tax on profit for the year

| | | |
|---|-----------|-----------|
| Current tax for the year | 8,182,030 | 4,905,754 |
| Adjustment of deferred tax for the year | 0 | 239,396 |

| | | |
|-------|-----------|-----------|
| Total | 8,182,030 | 5,145,150 |
|-------|-----------|-----------|

| | 2022 | 2021 |
|--|------|------|
| | DKK | DKK |

4. Proposed appropriation account

| | | |
|--|------------|------------|
| Proposed dividend for the financial year | 0 | 18,241,895 |
| Retained earnings | 29,009,014 | 0 |
| Total | 29,009,014 | 18,241,895 |

5. Intangible assets

| Figures in DKK | Completed development projects |
|--|--------------------------------|
| Cost as at 01.01.22 | 1,056,312 |
| Cost as at 31.12.22 | 1,056,312 |
| Amortisation and impairment losses as at 01.01.22 | -555,496 |
| Amortisation during the year | -134,266 |
| Amortisation and impairment losses as at 31.12.22 | -689,762 |
| Carrying amount as at 31.12.22 | 366,550 |
| Carrying amount of assets held under finance leases as at 31.12.22 | 0 |

The development project is about distribution of pharmaceutical hydrogen peroxide as a drug for the salmon industry in Norway, the Faroe Islands and Scotland, incl. obtaining a wholesale license. The company has obtained the necessary permits and is expected to be a future market for this.

6. Property, plant and equipment

| Figures in DKK | Land and buildings | Other fixtures and fittings, tools and equipment | Property, plant and equipment under construction |
|---|--------------------|--|--|
| Cost as at 01.01.22 | 21,044,822 | 47,847,750 | 0 |
| Additions during the year | 0 | 4,678,532 | 8,457,736 |
| Cost as at 31.12.22 | 21,044,822 | 52,526,282 | 8,457,736 |
| Depreciation and impairment losses as at 01.01.22 | -9,513,286 | -34,458,219 | 0 |
| Depreciation during the year | 0 | -4,461,593 | 0 |
| Depreciation and impairment losses as at 31.12.22 | -9,513,286 | -38,919,812 | 0 |
| Carrying amount as at 31.12.22 | 11,531,536 | 13,606,470 | 8,457,736 |

7. Non-current financial assets

| Figures in DKK | Deposits |
|--------------------------------|-----------|
| Cost as at 01.01.22 | 1,123,134 |
| Cost as at 31.12.22 | 1,123,134 |
| Carrying amount as at 31.12.22 | 1,123,134 |

| | 31.12.22 DKK | 31.12.21 DKK |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

8. Prepayments

| | | |
|------------------|-----------|---------|
| Prepaid expenses | 3,540,490 | 898,345 |
| Total | 3,540,490 | 898,345 |

9. Share capital

The share capital consists of:

| | Quantity | Total nominal value DKK |
|---------------|----------|----------------------------|
| Share capital | 20 | 2,000,000 |
| Total | | 2,000,000 |

10. Deferred tax

| | | |
|---|-----------|-----------|
| Deferred tax as at 01.01.22 | 1,219,478 | 1,219,478 |
| Deferred tax recognised in the income statement | 224,493 | 224,493 |
| Deferred tax as at 31.12.22 | 1,443,971 | 1,443,971 |

11. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of up to 41 months and total lease payments of DKK 1.387k.

Guarantee commitments

The company has provided a payment guarantee of NOK 500k to the Norwergian tax authorities.

12. Related parties

| | |
|-----------------------|--------------------|
| Controlling influence | Basis of influence |
|-----------------------|--------------------|

| | |
|------------------|----------------|
| Helm AG, Germany | Parent company |
|------------------|----------------|

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

The company is included in the consolidated financial statements of the parent Helm AG, Germany.

| | |
|------|------|
| 2022 | 2021 |
| DKK | DKK |

13. Adjustments for the cash flow statement

| | | |
|--|------------|-----------|
| Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment | 4,595,859 | 3,501,120 |
| Financial income | -25,191 | 0 |
| Financial expenses | 4,819,453 | 377,542 |
| Tax on profit or loss for the year | 8,182,030 | 5,145,150 |
| Other adjustments | -68,457 | 67,739 |
| Total | 17,503,694 | 9,091,551 |

14. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

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.

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.

14. Accounting policies - continued -**LEASES**

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

INCOME STATEMENT**Gross profit**

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

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.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

14. Accounting policies - continued -**Staff costs**

Staff costs comprise wages and salaries as well as other staff-related costs.

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 DKK |
|---|---------------------------|--------------------------|
| Completed development projects | 5 | 0 |
| Buildings | 20 | 0 |
| Other plant, fixtures and fittings, tools and equipment | 3-20 | 0 |

Land is not depreciated.

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, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

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.

14. Accounting policies - continued -**BALANCE SHEET****Intangible assets***Completed development projects*

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

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.

Gains or 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 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

14. Accounting policies - continued -

useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

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.

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.

Inventories

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

The cost of raw materials and consumables as well as goods for resale is determined as

14. Accounting policies - continued -

purchase prices plus expenses resulting directly from the purchase.

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.

Prepayments

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

Cash

Cash includes deposits in bank account.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

14. Accounting policies - continued -**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.

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 or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates 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.

Payables

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

14. Accounting policies - continued -**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 company'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 and cash equivalents at the beginning and end of the year comprise cash.