Trepko A/S

Energivej 30, 2750 Ballerup

CVR no. 58 37 36 13

Annual report for 2016

This annual report has been adopted at the company's annual general meeting on 7/5 2017

Henrik Oehlenschlæger

Chairman of the meeting

Trepko A/S
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2750 Ballerup
Denmark

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Worldwide supplier of filling/packaging machines

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Group information etc.

The company

Trepko A/S
Energivej 30
2750 Ballerup

Tel.: 43 99 22 44
Fax: 43 99 26 55
Website: www.trepko.com

Registered office: Ballerup
CVR no.: 58 37 36 13
Financial year: 01.01 - 31.12

Executive Board

CEO Jacob Østergaard Knudsen

Board Of Directors

Hans Christian Hansen
Henrik Bjørn Oehlenschlæger
Birgit Møller-Hansen
Jesper Bjørn Hansen
Charlotte Pihl Hansen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Banks

Handelsbanken
Nordea

Lawyer

Rialto Advokater

Parent company

H.C. Holding Investeringsaktieselskab, Ballerup, Denmark

Subsidiaries

Trepko Sp. z.o.o., Gniezno, Poland
Trepko (UK) Limited, Gainsborough, England
Trepko AB, Alingsís, Sweden
Trepko INC, Tampa, USA
Trepko Aseptic Sp. z.o.o, Swierklany, Poland
Filmatic Packaging Systems LTD, Cape Town, South Africa
Trepko do Brasil Ltd, Curitiba, Brazil

Group chart


Trepko A/S
Denmark
99,2%
Trepko Sp. z o.o.
Poland
100%
Trepko INC
USA
100%
Trepko Aseptic
Poland
100%
Trepko do Brasil
Ltda. Brazil
52%
Filmatic Ltd
RSA
100%
Trepko UK Ltd
England

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

We have on this day presented the annual report for the financial year 01.01.16 - 31.12.16 for Trepko A/S.

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

In our 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 31.12.16 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.16 - 31.12.16.

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.

Ballerup, May 1, 2017

Executive Board

Jacob Østergaard Knudsen
CEO

Board Of Directors

Hans Christian Hansen Chairman	Henrik Bjørn Oehlenschlæger Vice Chairman	Birgit Møller-Hansen
Jesper Bjørn Hansen	Charlotte Pihl Hansen	

To the Shareholder of Trepko A/S

Opinion

We have audited the consolidated financial statements and parent company financial statements of Trepko A/S for the financial year 01.01.16 - 31.12.16, 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 31.12.16 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.16 - 31.12.16 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 and 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 per-formance 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,May 1, 2017

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Kim Nielsen
State Authorized Public Accountant

GROUPS FINANCIAL HIGHLIGHTS

Key figures group:

Figures in DKK '000	2016	2015	2014	2013	2012
Profit/loss					
Revenue	333.593	281.583	210.757	227.508	204.974
Indeks	163	137	103	111	100
Gross profit	169.127	173.593	138.923	137.793	112.494
Indeks	150	154	123	122	100
Operating profit/loss	41.768	58.659	52.334	59.871	36.757
Indeks	114	160	142	163	100
Profit/loss before net financials	39.873	58.061	50.944	57.560	34.698
Indeks	115	167	147	166	100
Total net financials	9.424	-921	521	1.044	2.288
Indeks	412	-40	23	46	100
Profit/loss before tax	49.297	57.140	51.465	58.604	36.986
Indeks	133	154	139	158	100
Profit/loss for the year	37.523	43.312	41.689	46.067	28.797
Indeks	130	150	145	160	100
Balance					
Total assets	284.084	291.429	226.006	192.988	173.351
Indeks	164	168	130	111	100
Equity	204.977	193.163	154.319	143.458	114.805
Indeks	179	168	134	125	100
Non-current assets	37.970	44.780	3.775	27.877	25.516
Indeks	149	175	15	109	100
Inventories	68.491	66.159	47.306	32.450	26.736
Indeks	256	247	177	121	100
Receviables	150.282	154.436	116.682	93.760	105.214
Indeks	143	147	111	89	100
Cashflow					
Net cash flow:					
Operating activities	28.476	44.959	19.475	51.874	26.683
Investing activities	-7.883	-23.279	-17.006	-5.791	-8.745
Financing activities	-21.976	-15.520	-25.000	-19.609	-14.909
Cash flows for the year	-1.383	6.160	-22.531	26.474	3.029

Ratios

	2016	2015	2014	2013	2012
Profitability					
Return on equity	19%	26%	28%	36%	29%
Gross margin	51%	62%	66%	61%	55%
Return on invested capital	28%	43%	43%	55%	36%
Profit margin	13%	21%	25%	26%	18%
Equity ratio					
Equity interest	72%	66%	68%	74%	66%
Others					
Number of employees (average)	651	596	485	402	389

Return on equity:	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result x 100}}{\text{Revenue}}$
Return on invested capital:	$\frac{\text{EBITA x 100}}{\text{Avg. invested capital excl. goodwill}}$
EBITA:	Operating profit plus amortisation and impairment losses on intangible assets.
Invested capital excl. goodwill:	Sum of intangible operating assets and property, plant and equipment (excl. goodwill) as well as net working capital.
Profit margin:	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Equity interest:	$\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

The main activities of the Company and the Group as a whole consist in development, production and sale of filling and packaging machines for the global food industry.

The products are sold to costumers in more than 100 countries on 6 continents.

Development in activities and financial affairs

The income statement for the period 01.01.16 - 31.12.16 shows a profit/loss of DKK'000 37,523 against DKK'000 43,312 for the period 01.01.15 - 31.12.15. The balance sheet shows equity of DKK'000 204,977.

The Group's turnover shows a continued increase from DKK 281.583K in 2015 to DKK 333.593K in 2016 – an increase of DKK 52.010K or 18,5%. The increase was lower than budgeted and appeared in product-groups with lover margins contributing to a decreased profit margin. While Trepko has managed to increase it's market share, the industry has been heavily influenced by customers stalling their investments, due to their local currency depreciating and/or due to the financial situation in their specific countries.

The lower profit-margin resulted in lower profit achieved in year 2016 than budgeted. Considering the market situation, the result is however found acceptable by the board of directors.

While no new acquisitions were made in 2016, resources were devoted to integrating the companies acquired in 2014 and 2015 and refining the Form-Fill-Seal Technology originally launched in 2013. This technology had a break-through in 2016, where a number of very large and complex machines were supplied by Trepko to high-profile customers in both Europe and the Middle-East.

In addition to the development of the large Form-Fill-Seal machines, a new model of Trepko's popular entry level Form-Fill-Seal was launched. This new model offers the same compact footprint as the original model, but manages the double output making it a highly competitive machine.

Profit & Loss Account for the Parent Company

The net profit of the parent company – excl. profits from the daughter companies and before taxes – amounts to DKK 5.675K for year 2016 (year 2015 : a net profit of DKK 22.040K). In the profit for the year is however included depreciation of goodwill by DKK 3.337K.The board of directors thus considers the result as satisfactory, taking into consideration, that the activities in the parent company are limited to sales of machinery, spare parts and services, some special design work – and finally the operation as parent company for the Trepko Group.

The company's expected development

The Trepko Group has a very strong position on the global market in terms of product range, quality and price, and the Group continues to increase its market share at a time when an increasing number of competitors are facing substantially financial problems – or already have gone bankrupt. No doubt that Trepko´s extremely high solvency – the highest in the industry – has a strong impact on many customers' preference for Trepko as their supplier, when making considerable capital investments with a life expectancy of up to 20 years.

Substantial resources are currently allocated to product developments and to expanding the global business, i.e. by expanding the Group's own sales network, participation in a great number of local as well as international exhibitions – and much more.

Furthermore, the Trepko Group is open minded for acquisition of small and medium sized companies whose products constitute a natural supplement to the Trepko Group´s present product range – or companies, which in other ways might contribute to a strengthening of Trepko´s global market position. As part of this strategy, the Trepko Group has during the latest previous two years made acquisitions of Hugart Filling Machines, Poland, a 52 % ownership in Filmatic, South Africa, acquisition of KDR Engineering, UK, and finally of Brasholanda, Brazil.

The Trepko Group has the necessary capital strength and financial resources to make any such desired acquisitions. It is expected, that one further acquisition will take place during year 2017 – all in line with Trepko's acquisition strategy : acquiring companies', whose geographical market or products will complement Trepko's existing markets or product range.

For the Trepko Group in general, the stock of orders were acceptable upon entering into 2017. The order intake in the first quarter of 2017 has however resembled 2016 – and for year 2017 only a moderate organic turnover increase is expected. The Group result for 2017 is expected to reach a level around DKK 50 mio before taxes and depreciation of goodwill.

Knowledge resources

The commercial business strategy of the company includes supply of high-technology dependable machinery for the food industry. This area of expertise imposes very high demand on knowledge resource of the employees and to the business process.

To be able to supply these solutions it is crucial for the company that it is able to recruit and maintain employees' with a high education level in the production. It is an ambition for the company to have both the newest knowledge and a quick adaptability. As measurement for this employee turnover and structure are important indicators.

The critical business process connected to supply of machinery to the food industry are service, quality and individual solutions. To make sure that the customer receives the agreed service and machinery, there are demands to the production, to secure that specific methods and procedures can be documented.

Special risks

Currency risks

Activities outside Denmark are causing the result, cash flows and equity to be influenced by the exchange rates and interest rate movements for a number of currencies. It is the policy of the company to hedge commercial exchange rate exposure. The hedge is primarily done by foreign exchange contracts to hedge expected turnover and purchase within the next 12 months. The company does not enter into speculative foreign currency holdings.

Exchange rate adjustments for investments in subsidiaries and associated companies, that are independent entities, are calculated directly into the equity. Relating exchange rate risks are not being covered as it is the company’s opinion that a current hedging of such long-term investments will not be optimal from a total risk and cost perspective.

Interest rate risks

As the net interest-bearing debt does not constitute a significant amount, moderate changes in the interest rate level will not have any significant direct effect on earnings. Consequently, no interest rate positions have been taken to hedge interest rate risks.

External environment

The activities of Trepko are characterized by a low degree of influence on the environment. Trepko has not made an environment policy or a environment statement.

Research and development activities

The Trepko Group continues to develop new products aiming at expanding its product-line and ensuring its position as a one-stop-shop within packing machines for the dairy, fats and oil industries. In addition refinement of existing products is carried out on a continuous basis with the goal of ensuring a high quality product offering value for money. Development costs are not activated in the balance.

Subsequent events

No events, which might have any material influence on the financial situation of the Company, have occurred subsequent to the balance sheet date.

Corporate social responsibility

Trepko does not have a written policy on social responsibility. Trepko is actively working to help exposed children in the geographic areas, where the company has production

Human Rights

Trepko does not have a written policy on human rights.

Climate impact

Trepko does not have a written policy on climate impact.

Target figure for the underrepresented gender

In the Parent Company the sex ration in the bord of directors are 40/60. Trepko does not have a written policy on underrepresented sex.

Income statement

Note		Group 2016 DKK '000	Group 2015 DKK '000	Parent 2016 DKK '000	Parent 2015 DKK '000
1	**Revenue**	**333.593**	**281.583**	**90.991**	**130.980**
	Other operating income	2.982	2.966	0	0
	Costs of raw materials and consumables	-108.403	-47.481	-71.590	-90.623
	Other external expenses	-59.045	-63.475	-6.175	-8.902
	Gross profit	**169.127**	**173.593**	**13.226**	**31.455**
2	Staff costs	-117.077	-101.760	-7.330	-9.171
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**52.050**	**71.833**	**5.896**	**22.284**
4	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-10.282	-13.174	-221	-246
	Operating profit/loss	**41.768**	**58.659**	**5.675**	**22.038**
	Other operating expenses	-1.895	-598	0	-8
	Profit/loss before net financials	**39.873**	**58.061**	**5.675**	**22.030**
5	Income from equity investments in group enterprises	0	0	24.393	26.760
	Income from equity investments in associates	0	-1.360	0	-1.360
6	Financial income	12.011	4.234	6.150	3.135
7	Financial expenses	-2.587	-3.795	-1.013	-3.046
	Profit/loss before tax	**49.297**	**57.140**	**35.205**	**47.519**
8	Tax on profit or loss for the year	-11.774	-13.828	-2.228	-5.062
	Profit/loss for the year	**37.523**	**43.312**	**32.977**	**42.457**

ASSETS

Note		Group 31.12.16 DKK '000	Group 31.12.15 DKK '000	Parent 31.12.16 DKK '000	Parent 31.12.15 DKK '000
	Acquired rights	837	1.322	0	0
	Goodwill	0	2.822	0	0
10	**Total intangible assets**	**837**	**4.144**	**0**	**0**
	Other fixtures and fittings, tools and equipment	34.935	38.358	287	470
	Prepayments for property, plant and equipment	22	1.279	0	0
11	**Total property, plant and equipment**	**34.957**	**39.637**	**287**	**470**
12	Equity investments in group enterprises	0	0	157.248	167.933
13	Receivables from group enterprises	0	0	0	10.437
13	Deposits	944	998	63	61
13	Other receivables	1.232	0	1.199	0
	Total investments	**2.176**	**998**	**158.510**	**178.431**
	Total non-current assets	**37.970**	**44.779**	**158.797**	**178.901**
	Raw materials and consumables	26.105	30.794	431	431
	Work in progress	6.988	855	374	855
	Manufactured goods and goods for resale	35.147	34.325	3.528	2.573
	Prepayments for goods	251	185	0	0
	Total inventories	**68.491**	**66.159**	**4.333**	**3.859**
14	Work in progress for third parties	44.936	45.856	5.961	12.335
	Trade receivables	89.501	101.094	22.946	18.581
	Receivables from group enterprises	0	899	19.432	192
19	Deferred tax asset	2.389	3.373	-1	0
	Income tax receivable	225	0	0	0
	Other receivables	11.872	2.353	2.730	233
15	Prepayments	1.576	861	769	93
	Total receivables	**150.499**	**154.436**	**51.838**	**31.434**
	Other investments	376	590	40	40
	Total securities and equity investments	**376**	**590**	**40**	**40**
	Cash	**26.748**	**25.465**	**4.300**	**3.525**
	Total current assets	**246.114**	**246.650**	**60.511**	**38.858**
	Total assets	**284.084**	**291.429**	**219.307**	**217.759**

EQUITY AND LIABILITIES

Note		Group 31.12.16 DKK '000	Group 31.12.15 DKK '000	Parent 31.12.16 DKK '000	Parent 31.12.15 DKK '000
16	Contributed capital	5.000	5.000	5.000	5.000
	Reserve for net revaluation according to the equity method	0	0	80.994	91.678
	Retained earnings	173.956	160.903	92.962	69.225
	Proposed dividend for the financial year	15.000	20.000	15.000	20.000
		193.956	**185.903**	**193.956**	**185.903**
17	Non-controlling interests	11.021	7.260	0	0
	Total equity	**204.977**	**193.163**	**193.956**	**185.903**
18	Provisions for pensions and similar obligations	3.991	4.249	0	0
19	Provisions for deferred tax	0	0	622	1.507
	Other provisions	0	545	0	0
	Total provisions	**3.991**	**4.794**	**622**	**1.507**
20	Payables to other credit institutions	0	432	0	0
20	Other payables	0	51	0	0
	Total long-term payables	**0**	**483**	**0**	**0**
20	Short-term portion of long-term payables	48	119	0	0
	Payables to other credit institutions	8.749	6.083	2.903	3.608
14	Prepayments received from work in progress for third parties	27.418	28.872	3.465	7.294
	Trade payables	13.994	22.023	557	973
	Payables to group enterprises	1.876	8.802	11.354	11.028
	Income taxes	3.149	3.357	2.854	3.355
	Other payables	16.267	18.845	3.596	3.514
21	Deferred income	3.615	4.888	0	577
	Total short-term payables	**75.116**	**92.989**	**24.729**	**30.349**
	Total payables	**75.116**	**93.472**	**24.729**	**30.349**
	Total equity and liabilities	**284.084**	**291.429**	**219.307**	**217.759**

22 Derivative financial instruments
23 Contingent liabilities
24 Charges and security
25 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Non-controlling interests	Total equity
Group:						
Statement of changes in equity for 01.01.15 - 31.12.15						
Balance pr. 01.01.15	5.000	0	133.585	15.000	734	154.319
Foreign currency translation adjustment of foreign enterprises	0	0	1.821	0	159	1.980
Fair value adjustment of hedging instruments	0	0	3.040	0	0	3.040
Dividend paid	0	0	0	-15.000	-642	-15.642
Distributions for the year	0	0	0	0	6.154	6.154
Purchase of non-controlling interests	0	0	0	0	0	0
Other changes in equity	0	0	0	0	0	0
Net profit/loss for the year	0	0	22.457	20.000	855	43.312
Balance as at 31.12.15	5.000	0	160.903	20.000	7.260	193.163
Statement of changes in equity for 01.01.16 - 31.12.16						
Balance pr. 01.01.16	5.000	0	160.903	20.000	7.260	193.163
Foreign currency translation adjustment of foreign enterprises	0	0	-4.755	0	850	-3.905
Fair value adjustment of hedging instruments	0	0	-169	0	-1	-170
Dividend paid	0	0	0	-20.000	-1.635	-21.635
Other changes in equity	0	0	0	0	0	0
Net profit/loss for the year	0	0	17.977	15.000	4.547	37.524
Balance as at 31.12.16	5.000	0	173.956	15.000	11.021	204.977

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Non-controlling interests	Total equity
Parent:						
Statement of changes in equity for 01.01.15 - 31.12.15						
Balance pr. 01.01.15	5.000	83.529	50.056	15.000	0	153.585
Foreign currency translation adjustment of foreign enterprises	0	1.821	0	0	0	1.821
Distributed dividend from group enterprises	0	-21.932	21.932	0	0	0
Fair value adjustment of hedging instruments	0	0	180	0	0	180
Dividend paid	0	0	0	-15.000	0	-15.000
Other changes in equity	0	2.860	0	0	0	2.860
Net profit/loss for the year	0	25.400	-2.943	20.000	0	42.457
Balance as at 31.12.15	5.000	91.678	69.225	20.000	0	185.903
Statement of changes in equity for 01.01.16 - 31.12.16						
Balance pr. 01.01.16	5.000	91.678	69.225	20.000	0	185.903
Foreign currency translation adjustment of foreign enterprises	0	-4.757	0	0	0	-4.757
Distributed dividend from group enterprises	0	-29.602	29.602	0	0	0
Fair value adjustment of hedging instruments	0	-718	551	0	0	-167
Dividend paid	0	0	0	-20.000	0	-20.000
Net profit/loss for the year	0	24.393	-6.416	15.000	0	32.977
Balance as at 31.12.16	5.000	80.994	92.962	15.000	0	193.956

Consolidated cash flow statement

Note		2016 DKK '000	2015 DKK '000
	Net profit/loss for the year	**37.523**	**43.312**
26	Adjustments	12.166	32.349
	Change in working capital:		
	Inventories	-2.332	-18.854
	Receivables	3.178	-39.931
	Trade payables	-8.029	14.379
	Other payables relating to operating activities	-12.231	26.362
	Cash flows from operating activities before net financials	**30.275**	**57.617**
	Interest income and similar income received	12.011	4.234
	Interest expenses and similar expenses paid	-2.587	-3.795
	Income tax paid	-11.223	-13.097
	Cash flows from operating activities	**28.476**	**44.959**
	Purchase of intangible assets	-113	-10.892
	Purchase of property, plant and equipment	-6.807	-13.071
	Sale of property, plant and equipment	239	716
	Purchase of investments	-43	-32
	Disposal of investments	73	0
	Loans	-1.232	0
	Cash flows from investing activities	**-7.883**	**-23.279**
	Purchase of treasury shares	214	-480
	Dividend paid	-21.636	-15.642
	Arrangement of mortgage debt	0	0
	Arrangement of other credit institutions	0	602
	Repayment of credit institutions	-554	0
		0	0
	Cash flows from financing activities	**-21.976**	**-15.520**
	Total cash flows for the year	**-1.383**	**6.160**
	Cash, beginning of year	25.465	13.222
	Short-term payables to credit institutions, beginning of year	-6.083	0
	Cash, end of year	**17.999**	**19.382**
	Cash, end of year, comprises:		
	Cash	26.748	25.465
	Short-term payables to credit institutions	-8.749	-6.083
	Total	**17.999**	**19.382**

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000

1. Revenue

Revenue comprises the following activities:

Revenue	333.593	281.583	90.991	130.980
Total	333.593	281.583	90.991	130.980

Revenue comprises the following geographical markets:

Europe	131.755	169.921	44.948	57.896
Africa	103.505	21.724	6.223	8.231
North and South America	65.498	47.182	22.113	14.704
Asia and middleeast	30.928	41.423	17.455	49.732
Other contries	1.907	1.333	252	417
Total	333.593	281.583	90.991	130.980

2. Staff costs

Wages and salaries	101.442	88.823	7.070	8.888
Pensions	3.649	2.586	187	257
Other social security costs	11.986	10.351	73	26
Total	117.077	101.760	7.330	9.171
Average number of employees during the year	651	594	15	12
Remuneration for the management:				
Remuneration for the Board of Directors	300	575	300	575

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000

3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	662	567	165	164
Other services	610	163	134	76
Total	1.272	730	299	240

4. Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment

Amortisation of intangible assets	3.949	7.463	0	0
Depreciation of property, plant and equipment	6.333	5.711	221	246
Total	10.282	13.174	221	246

5. Income from equity investments in group enterprises

Income from equity investments in group enterprises	0	0	24.393	26.760
Total	0	0	24.393	26.760

6. Financial income

Interest, group enterprises	0	0	89	898
Other financial income	12.011	4.234	6.061	2.237
Total	12.011	4.234	6.150	3.135

	Group		Parent	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000

7. Financial expenses

Interest, group enterprises	0	0	117	68
Foreign exchange losses	712	2.802	712	2.802
Other financial expenses	1.875	993	184	176
Total	2.587	3.795	1.013	3.046

8. Tax on profit or loss for the year

Tax on profit or loss for the year	12.921	9.508	3.265	3.536
Adjustment of deferred tax for the year	-1.197	4.320	-1.037	1.526
Adjustment of tax in respect of previous years	50	0	0	0
Total	11.774	13.828	2.228	5.062

9. Distribution of net profit

Reserve for net revaluation according to the equity method	0	0	24.393	25.400
Proposed dividend for the financial year	15.000	20.000	15.000	20.000
Retained earnings	22.523	23.312	-6.416	-2.943
Total	37.523	43.312	32.977	42.457

10. Intangible assets

Figures in DKK '000	Completed development projects	Acquired rights	Goodwill
Group:			
Cost pr. 01.01.16	2.360	5.914	14.847
Foreign currency translation adjustment of foreign enterprises	-104	-411	1.876
Additions during the year	0	113	0
Cost as at 31.12.16	2.256	5.616	16.723
Amortisation and impairment losses pr. 01.01.16	-2.360	-4.592	-12.025
Foreign currency translation adjustment of foreign enterprises	104	425	-1.361
Amortisation during the year	0	-612	-3.337
Amortisation and impairment losses as at 31.12.16	-2.256	-4.779	-16.723
Carrying amount as at 31.12.16	0	837	0
Parent			
Cost pr. 01.01.16	0	0	104
Cost as at 31.12.16	0	0	104
Amortisation and impairment losses pr. 01.01.16	0	0	-104
Amortisation and impairment losses as at 31.12.16	0	0	-104
Carrying amount as at 31.12.16	0	0	0

11. Property, plant and equipment

Figures in DKK '000	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment
Group:		
Cost pr. 01.01.16	80.639	1.279
Foreign currency translation adjustment of foreign enterprises	-3.146	0
Additions during the year	8.064	22
Disposals during the year	-5.846	-1.279
Cost as at 31.12.16	79.711	22
Depreciation and impairment losses pr. 01.01.16	-42.281	0
Foreign currency translation adjustment of foreign enterprises	1.670	0
Depreciation during the year	-6.333	0
Reversal of depreciation of and impairment losses on disposed assets	2.168	0
Depreciation and impairment losses as at 31.12.16	-44.776	0
Carrying amount as at 31.12.16	34.935	22
Carrying amount of assets held under finance leases as at 31.12.16	458	0
Parent:		
Cost pr. 01.01.16	2.833	0
Additions during the year	36	0
Disposals during the year	-105	0
Cost as at 31.12.16	2.764	0
Depreciation and impairment losses pr. 01.01.16	-2.363	0
Depreciation during the year	-221	0
Reversal of depreciation of and impairment losses on disposed assets	107	0
Depreciation and impairment losses as at 31.12.16	-2.477	0
Carrying amount as at 31.12.16	287	0
Carrying amount of assets held under finance leases as at 31.12.16	0	0

12. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost pr. 01.01.16	76.254
Cost as at 31.12.16	76.254
Revaluations pr. 01.01.16	103.253
Foreign currency translation adjustment of foreign enterprises	-4.757
Net profit/loss from equity investments	24.791
Dividend relating to equity investments	-29.602
Fair value adjustment of hedging instruments	-718
Revaluations as at 31.12.16	92.967
Depreciation and impairment losses pr. 01.01.16	-11.575
Amortisation of goodwill	-3.337
Changes in intra-group profit from inventories	2.939
Depreciation and impairment losses as at 31.12.16	-11.973
Carrying amount as at 31.12.16	157.248

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year
Group enterprises:			
Trepko Sp. z.o.o., Gniezno, Poland	99%	101.614	24.360
Trepko (UK) Limited, Gainsborough, England	100%	10.541	-10.828
Trepko AB, Alingsĺs, Sweden	100%	4.813	576
Trepko INC, Tampa, USA	100%	6.117	402
Trepko Aseptic Sp. z.o.o, Swierklany, Poland	100%	10.801	-1.577
Filmatic Packaging Systems LTD, Cape Town, South Africa	52%	18.345	7.803
Trepko do Brasil Ltd, Curitiba, Brazil	100%	12.071	-7

13. Deposit and other receivables

Figures in DKK '000	Deposits	Other receivables
Group:		
Cost pr. 01.01.16	998	0
Foreign currency translation adjustment of foreign enterprises	-24	0
Additions during the year	43	1.232
Disposals during the year	-73	0
Cost as at 31.12.16	944	1.232
Parent		
Cost pr. 01.01.16	61	0
Additions during the year	2	1.199
Disposals during the year	0	0
Cost as at 31.12.16	63	1.199

	Group		Parent	
	31.12.16 DKK '000	31.12.15 DKK '000	31.12.16 DKK '000	31.12.15 DKK '000
14. Contract work in progress				
Contract work in progress	56.941	67.932	9.343	20.396
On-account invoicing	-39.423	-50.948	-6.848	-15.355
Contract work in progress, net	17.518	16.984	2.495	5.041
Is recognised in the balance sheet in the following way::				
Contract work in progress	44.936	45.856	5.960	12.335
On-account payments on contract work in progress	-27.418	-28.872	-3.465	-7.294
Total	17.518	16.984	2.495	5.041

	Group		Parent	
	31.12.16 DKK '000	31.12.15 DKK '000	31.12.16 DKK '000	31.12.15 DKK '000

15. Prepayments

Other prepayments	1.842	861	865	93
Total	1.842	861	865	93

16. Share capital

The share capital consists of:

	Quantity	Nominal Value
Shares A	100.000	50

The share capital capital has been fully paid in at the balance sheet date.

17. Non-controlling interests

Non-controlling interests, beginning of year	7.260	734	0	0
Foreign currency translation adjustment of foreign enterprises	850	159	0	0
Dividend paid	-1.635	-642	0	0
Other changes in equity	-1	0	0	0
Changes in ownership interests	0	6.154	0	0
Net profit/loss for the year (distribution of net profit)	4.547	855	0	0
Total	11.021	7.260	0	0

18. Provisions for pensions and similar obligations

The provision for pension obligations concerns the group companies only Poland as the other pension plans are defined contribution plans where the plans where the pension obligation is incumbent on the individual insurance company and where the group has obligations towards the employees when they leave the group.

19. Deferred tax

Deffered tax comprises:

Deferred tax asset	2.389	3.373	0	0
Deferred tax liability	0	0	-622	-1.507
Total	2.389	3.373	-622	-1.507

20. Longterm payables

Figures in DKK '000	Total payables at 31.12.16	Total payables at 31.12.15
Group:		
Payables to other credit institutions	0	432
Other payables	0	51
Total	0	483

	Group		Parent	
	31.12.16 DKK '000	31.12.15 DKK '000	31.12.16 DKK '000	31.12.15 DKK '000
21. Deferred income				
Deferred income	3.615	4.888	0	577
Total	3.615	4.888	0	577

22. Derivative financial instruments

The company is exposed to currency, interest rate and credit risks. The total risks can be illustrated as follows (amounts in DKKk)):

Parente DK 0-12 mounths DKK 34,867K.
Others group companies 0-12 mounths DKK 88,471K

23. Contingent liabilities

Group:

Lease commitments

The enterprise has concluded lease agreements with a lease payments total of DKK 62,774k. This includes lease agreements concluded with group enterprises , but the agreements are also specified separately below.

The enterprise has concluded lease agreements with group enterprises witha lease payments of DKK 49,713k.

Suretyship commitments

The group has provided a suretyship for its parent companys debt to credit institutions. The suretyship is unlimited. The subsidaries debt to credit institutions constitutes DDK 13.330K at the balance sheet date.

Guarantee commitments

The group has provided usual guarantee on repair on sold plants. Guarantee cost are charged to the profit and loss account as incurred.

Parent:

Lease commitments

The company has concluded lease agreements with terms to maturity of months and average lease payments of DKK 68k, a total of DKK 1,234k.

Recourse guarantee commitments

The company has provided a guarantee for the parent and the subsidaries debt to credit institutions. The guarantee towards the parent company is unlimited, and for the subsidaries it is maximised at DKK 8,000k.

Guarantee commitments

On behalf of its subsidairies and the parent company the company has entrered into currency forward options for the amount DKK 88,470k. The netamount is included in the subsidairies financial statements.

The company has issued a letter of postponement for the advantage of Trepko Aseptic Sp. z.o.o. group creditors at DKK 2.422k. The company has a positive equity at DKK 10.801k.

The company has provided usual guarantee on repair on sold plants. Guarantee cost are charged to the profit and loss account as incurred.

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis 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.

24. Charges and security

Group:

The group has as security for mortgage debt provided a company charge DKK 1,832k comprising trade receivables, other plant, fixtures and fittings, tools and equipment.

The group has provided bankers guarantee of DKK 11,566k.

Parent:

The company has provided bankers guarantee of DKK 2,615k.

25. Related parties

Controlling influence:	Basis of influence
Hans Christian Hansen, Bellevuevej 7, 4720 Prćstř	Shareholder
H.C. Holding Investeringsaktieselskab, Ballerup, Denmark	Parent company

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 2. Staff costs.

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the groups standard terms of agreement and payment. No write-downs have been made on the receivables.

	Group	
	2016 DKK '000	2015 DKK '000
26. Adjustments for the cash flow statement		
Other operating income	0	0
Depreciation, amortisation, impairment losses and write-downs	10.282	13.181
Other operating costs	0	0
Income from equity investments in group enterprise	0	0
Income from equity investments in associate	0	1.360
Financial income	2.587	3.795
Financial expenses	-12.011	-4.234
Tax on profit or loss for the year	11.774	13.828
Other taxes	0	5.650
Other adjustments	-466	-1.231
Total	12.166	32.349

27. 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.

Change in accounting policies

The company has implemented amendments to the Danish Financial Statements Act, see act no. 738 amending the Danish Financial Statements Act of 1 June 2015 (*lov nr. 738 om ćndring af Írsregnskabsloven m.v. af 1. juni 2015*). This includes new and amended disclosure and presentation requirements and amendments to provisions on recognition, measurement and classification. Amendments to provisions on recognition and measurement as well as classification are as follows:

Reassessment of residual values of property, plant and equipment

Previously, residual values of property, plant and equipment with limited useful lives were determined at the date of acquisition of the asset. In future, an annual revaluation of the residual values of property, plant and equipment must be carried out. In accordance with section 4 of the provisional executive order, the residual values of property, plant and equipment will initially be reassessed in by way of a change in accounting policies. Comparative figures have not been restated. The change in accounting policy has no impact on the net profit or loss for 2016 . The change does not impact the the equity or balance sheet total as at 31.12.16.

Classification of non-controlling interests in the consolidated financial statements

Previously, non-controlling interests were classified as a separate item between equity and liabilities, and non-controlling interests' proportionate share of subsidiaries' profit or loss was classified as an expense in the income statement. In future, non-controlling interests will be classified as part of the group's equity. Net profit for the year is distributed proportionately between non-controlling interests and the parent's owners via the distribution of profit. The comparative figures have been restated in accordance with the new accounting policy. The change in accounting policy has a positive/negative impact of DKK 855k on the net profit or loss for 2015 . As at 31.12.16, equity is increased by DKK 11.021k. The change does not impact the balance sheet total as at 31.12.16.

Comparative figures for 2015 have been restated in accordance with the new accounting policies in the balance sheet, income statement and notes to the extent that transitional provisions have not been applied in the implementation of act no. 738 amending the Danish Financial Statements Act of 1 June 2015. Comparative figures have not been restated for the change in accounting policies for revaluation of assets at fair value with recognition of value adjustments in equity. The accumulated effect of the change in accounting policies at the beginning of the financial year have been recognised in equity. The tax effect of the change has also been recognised directly in equity.

27. Accounting policies - continued -

The change in accounting policies have a positive impact of DKK 885k on the profit or loss before tax for 2015. As at 31.12.16, equity is increased by DKK 11.021k. The change does not impact the balance sheet total as at 31.12.16.

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous 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.

Newly acquired or newly founded enterprises are recognised in the consolidated financial statements as from the time of acquisition. Divested or discontinued enterprises are recognised in the

27. Accounting policies - continued -

consolidated income statement up until the time of divestment or discontinuation. Comparative figures are not restated for newly acquired, divested or discontinued enterprises.

Newly acquired enterprises are recognised in accordance with the purchase method, according to which the identifiable assets and liabilities of the newly acquired enterprises are recognised at fair value at the time of acquisition. A provision is made to cover expenses incidental to decided and announced restructuring in the acquired enterprise in connection with the acquisition. The tax effect of any reassessments made is recognised.

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

The consolidated goodwill (positive difference) at the time of acquisition is recognised as an asset and amortised on a straight-line basis in accordance with an individual assessment of the asset's useful life, such life, however, not exceeding 20 years and with a minimum of EUR 1 mill a year. Consolidated negative goodwill (negative balance), reflecting an expected adverse development in the enterprises in question, is recognised in the balance sheet under deferred income and is reduced as the conditions underlying the negative balance materialise.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year after the year in which the acquisition took place.

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.

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

27. Accounting policies - continued -

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.

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.

27. Accounting policies - continued -

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

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 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.

Construction contracts involving the delivery of highly customised installations are recognised as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

Change in inventories of finished goods and work in progress

Change in inventories of finished goods and work in progress comprises adjustments in inventories of finished goods and work in progress for the year, including write-downs of inventories of finished goods and work in progress to the extent that these do not exceed normal write-downs.

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.

27. Accounting policies - continued -

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.

Staff costs

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

Depreciation, amortisation and impairment losses

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

	Useful lives, years	Residual value, per cent
Acquired rights	3-10	0
Goodwill	3-10	0
Other plant, fixtures and fittings, tools and equipment	3-10	0

Goodwill is amortised over 3-10 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.

The basis of depreciation/amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation/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 operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise’s activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

27. Accounting policies - continued -

Income from equity investments in group entreprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies, gains and losses on other securities and equity investments 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.

The company is jointly taxed with Danish consolidated enterprises.

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

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

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

27. Accounting policies - continued -

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 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.

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.

Prepayments for property, plant and equipment

Prepayments for property, plant and equipment comprise prepayments to suppliers.

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.

Equity investments in group entreprises

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.

27. Accounting policies - continued -

Goodwill recognised under equity investments in subsidiaries in the balance sheet of the parent is amortised according to 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 3-10 years in consideration of the expected future net earnings of the enterprise to which the goodwill relates.

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/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.

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.

27. Accounting policies - continued -

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.

Prepayments

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

Other investments

Other securities are measured at fair value, equivalent to the market value at the balance sheet date.

27. Accounting policies - continued -

Cash

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

Equity

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

Provisions

Pension obligations are measured in the balance sheet on the basis of actuarial computations to the extent that such obligations are not covered by insurance (defined benefit plans). Actuarial gains and losses on defined benefit plans are recognised directly in equity under retained earnings.

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.

27. **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.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

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