
Mars Danmark A/S

Ørestads Boulevard 67, DK-2300 København S

Annual Report for 1 January - 31 December 2017

CVR No 63 20 32 11

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
30/4 2018

Joseph Chemali
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Mars Danmark A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations and cash flows for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 30 April 2018

Executive Board

Annette Zeipel
CEO

Board of Directors

Joseph Chemali
Chairman

Annette Zeipel

Henning Astrup

Independent Auditor's Report

To the Shareholder of Mars Danmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Mars Danmark A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 on 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 Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of 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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

Independent Auditor's Report

- 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.

Copenhagen, 30 April 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Boje Andreassen
statsautoriseret revisor
mne2338

Company Information

The Company

Mars Danmark A/S
Ørestads Boulevard 67
DK-2300 København S

Telephone: + 45 43 24 51 00
Facsimile: + 45 43 24 52 00
Website: www.mars.com/denmark

CVR No: 63 20 32 11
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Joseph Chemali, Chairman
Annette Zeipel
Henning Astrup

Executive Board

Annette Zeipel

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Lawyers

Bech-Bruun Advokatfirma
Langelinie Allé 35
DK-2100 København Ø

Bankers

Handelsbanken
Park Allé 290
DK-2605 Brøndby

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Key figures					
Profit/loss					
Revenue	476.768	460.225	452.683	479.631	475.438
Gross profit/loss	187.306	191.638	185.543	166.198	140.856
Profit/loss before financial income and expenses	82.414	89.286	92.769	82.323	55.030
Net financials	-3.577	-1.212	-449	-678	-82
Net profit/loss for the year	60.491	69.007	70.446	61.442	41.047
Balance sheet					
Balance sheet total	206.992	216.420	227.337	199.419	160.599
Equity	92.979	107.488	90.481	55.035	23.593
Cash flows					
Cash flows from:					
including investment in property, plant and equipment	-200	-991	-230	-1.325	-312
Number of employees	128	120	112	111	112
Ratios					
Profit margin	17,3%	19,4%	20,5%	17,2%	11,6%
Return on assets	39,8%	41,3%	40,8%	41,3%	34,3%
Solvency ratio	44,9%	49,7%	39,8%	27,6%	14,7%
Return on equity	60,4%	69,7%	96,8%	156,3%	190,3%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

The Annual Report of Mars Danmark A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The Company sells the Group's products, which are chocolate, ice-cream, gum, candy, pet food and human food in Denmark.

For the Mars companies in Denmark, Norway, Sweden and Finland, a shared service centre has been established at the Company's office at Ørestaden.

In 2016 Wrigley Scandinavia AB sublicensed rights to utilize and exploit Wrigley intellectual property in Denmark to Mars Danmark A/S. Under this arrangement, Mars Danmark A/S performs sales, marketing and distribution activities as well as provides certain administrative services, and in exchange Wrigley Scandinavia AB receives a licensing fee.

Development in the year

The Company's revenue increased by 3.6 % in 2017. All product categories, chocolate, gum, petcare and food were in growth.

The operating profit was in moderate decline due to the pressure on the gross margins.

In line with its strategy, the Company continuously focuses on the development of its product portfolio in order to create value for both customers and consumers. The Company has an ongoing dialogue with its partners and sees this as an essential driver for future success in the market.

Management's Review

Statutory Statement of Social Responsibility

In 1947, Forrest E. Mars, Sr. documented his objective to build a business that manufactures and distributes food products in a manner that creates a “mutuality of benefits” for all stakeholders. Still owned by the Mars family, we remain committed to this objective at every level of the company.

Our policies and standards cover diverse areas, with examples including the Mars Marketing Code, Quality and Food Safety Standards, Improper Payments Policy, Competition Law Compliance Program and our Supplier Code of Conduct, which among other things contain policies around human rights and climate impact. Mars Denmark A/S is compliant with all Mars global policies. You find all policies on www.mars.com.

Our Corporate Reputation Steering Group coordinates our policies across the business to ensure best practices are shared and that policy commitments are consistent and in line with our Five Principles.

We seek to create lasting mutual benefits for all those involved in our business success by amplifying our positive social impacts, minimizing our environmental footprint and helping to create economic prosperity. This begins with the impacts of our factories and offices where we have direct control. Our ambitious “Sustainable in a Generation” program aims to grow the business in ways that are good for people, good for the planet and good for our business. It sets out ambitious targets across our entire value chain.

We have tangible targets defined against which we measure our progress in 3 specific areas. Healthy planet (our ambition is to reduce our environmental impacts in line with what science says is necessary to keep the planet healthy, e.g. climate action, water stewardship), thriving people (our ambition is to meaningfully improve the working lives of one million people in our value chain to enable them to thrive), and nourishing well being (our ambition is to advance science, innovation and marketing in ways that help billions of people and their pets lead healthier, happier lives, .e.g. responsible marketing, product renovation, marketing code). We have during 2017 made progress on most of the areas and we are expecting to continue the progress during 2018.

See more on results on <http://www.mars.com/global/doing-our-part/principles-in-action>

- Partnership with Hus Forbi, a Danish organization helping homeless people in Copenhagen. In 2017, Mars Denmark both donated money (DKK 41.813 as a Christmas donation) and food products to provide good meals for homeless. We provided Hus Forbi with our own sauce and rice products and donated money to buy meat, which enabled Hus Forbi to prepare 1854 meals last year for the homeless. Mars has, for 13 consecutive years, had people out from the office cooking and serving the homeless. We broke our record in 2017 with 39 volunteers, who served meals at Hus Forbi spread out of over several days during the year.
- Partnership with Dyreværnet, a Danish pet shelter for battered and abused pets. Mars provided them with annual pet food products and in addition we ran a World Animal Day campaign in stores and donated over 125,000 pet food meals to the shelter. In October 2017, 13 volunteers participated in the

Management's Review

Mars Voluntary Program day, which was arranged to offer support to the shelter with chores and tasks, which would help both pets and staff.

- Our Snickers Challenge was held in September, engaging associates, who walked/ran/cycled to raise money helping cocoa farmers on the Ivory Coast where Mars source a great deal of our cocoa from.

Gender diversity

Mars Inc. policy is to recruit and reward Associates based on capability and performance, regardless of age, gender, sexuality, ethnicity, religion, or physical ability. Each of our country operations has the freedom to respond to local needs and shape practices that are culturally sensitive and consistent with our commitment to show respect for all and to open collaboration and communication.

Women are underrepresented in many workplaces around the world, especially in senior positions. We are proud that we gradually at a global level increased the proportion of women in management roles, and we work hard to maintain that level. For 2016, the global result was 41 %.

Diversity in management teams is globally tracked in talent metrics (Female Headcount Percent) and is evaluated quarterly for all countries (incl. Denmark) in structured reviews with the regional management team.

Denmark leads the way with 50 % of Danish managers who are female (excluding management team) and 58 % of the Management team members are female. Mars Denmark A/S will continue having gender diversity as a key focus area, as well as any discrimination in general.

Targeted programs, mentoring and support for female Associates play an important part in improving gender diversity. In addition to our Women in Leadership program, we offer a specific global program for Women in Sales Leadership.

Intellectual capital resources

The employees constitute a very important asset for the Company.

The Company operates in a very competitive market and great emphasis is placed on recruiting and retaining the best employees. Focus is on the continued development and training of the employees via ongoing feedback on performance and by offering relevant courses to the associates. Employee engagement is measured in cooperation with Gallup and the employees take an active part in the development of action plans.

The expected development

Given current market dynamics and negotiations with customers, we expect a slight growth in 2018. Operating profit margin is expected to stabilize. We will continue tight financial control of fixed costs.

Income Statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Revenue	1	476.768	460.225
Other operating income	2	92.200	82.501
Cost of sales		-264.138	-245.153
Other external expenses		-117.524	-105.935
Gross profit/loss		187.306	191.638
Staff expenses	3	-104.143	-101.616
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-749	-736
Profit/loss before financial income and expenses		82.414	89.286
Financial expenses	5	-3.577	-1.212
Profit/loss before tax		78.837	88.074
Tax on profit/loss for the year	6	-18.346	-19.067
Net profit/loss for the year		60.491	69.007

Balance Sheet 31 December

Assets

	Note	2017 TDKK	2016 TDKK
Other fixtures and fittings, tools and equipment		1.471	2.021
Property, plant and equipment	7	1.471	2.021
Deposits		2.074	2.158
Fixed asset investments	8	2.074	2.158
Fixed assets		3.545	4.179
Inventories		23.139	23.505
Trade receivables		32.753	22.083
Receivables from group enterprises	9	140.867	151.609
Other receivables		0	4.030
Deferred tax asset	10	802	1.391
Corporation tax		2.311	1.102
Prepayments	11	2.600	28
Receivables		179.333	180.243
Cash at bank and in hand		975	8.493
Currents assets		203.447	212.241
Assets		206.992	216.420

Balance Sheet 31 December

Liabilities and equity

	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
Share capital		5.400	5.400
Retained earnings		22.579	27.088
Proposed dividend for the year		65.000	75.000
Equity		92.979	107.488
Provisions for pensions and similar obligations		3.970	3.514
Provisions		3.970	3.514
Trade payables		27.352	24.100
Payables to group enterprises		26.738	24.586
Other payables		55.953	56.732
Short-term debt		110.043	105.418
Debt		110.043	105.418
Liabilities and equity		206.992	216.420
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Fee to auditors appointed at the general meeting	15		
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Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Proposed dividend for the year TDKK	Total TDKK
Equity at 1 January	5.400	27.088	75.000	107.488
Ordinary dividend paid	0	0	-75.000	-75.000
Net profit/loss for the year	0	-4.509	65.000	60.491
Equity at 31 December	5.400	22.579	65.000	92.979

Cash Flow Statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Net profit/loss for the year		60.491	69.007
Adjustments	16	22.672	21.015
Change in working capital	17	6.977	-19.363
Cash flows from operating activities before financial income and expenses		90.140	70.659
Financial expenses		-3.576	-1.212
Cash flows from ordinary activities		86.564	69.447
Corporation tax paid		-18.966	-20.005
Cash flows from operating activities		67.598	49.442
Purchase of property, plant and equipment		-200	-991
Fixed asset investments made etc		84	-50
Sale of property, plant and equipment		0	180
Cash flows from investing activities		-116	-861
Dividend paid		-75.000	-52.000
Cash flows from financing activities		-75.000	-52.000
Change in cash and cash equivalents		-7.518	-3.419
Cash and cash equivalents at 1 January		8.493	11.912
Cash and cash equivalents at 31 December		975	8.493
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		975	8.493
Cash and cash equivalents at 31 December		975	8.493

Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
1 Revenue		
Business segments		
Confectionery	255.799	240.670
Petcare and food	<u>220.969</u>	<u>219.555</u>
	<u>476.768</u>	<u>460.225</u>
2 Other operating income		
Other operating income consists of services sold to group companies.		
3 Staff expenses		
Wages and salaries	93.977	91.523
Pensions	8.763	8.359
Other staff expenses	<u>1.403</u>	<u>1.734</u>
	<u>104.143</u>	<u>101.616</u>
Average number of employees	<u>128</u>	<u>120</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	749	798
Gains and losses on disposals	<u>0</u>	<u>-62</u>
	<u>749</u>	<u>736</u>

Notes to the Financial Statements

	<u>2017</u> TDKK	<u>2016</u> TDKK
5 Financial expenses		
Interest paid to group enterprises	845	920
Other financial expenses	2.614	180
Exchange loss	118	112
	<u>3.577</u>	<u>1.212</u>
6 Tax on profit/loss for the year		
Current tax for the year	18.013	19.310
Deferred tax for the year	589	-245
Adjustment of tax concerning previous years	-256	2
	<u>18.346</u>	<u>19.067</u>
7 Property, plant and equipment		Other fixtures and fittings, tools and equipment <u>TDKK</u>
Cost at 1 January		4.797
Additions for the year		<u>200</u>
Cost at 31 December		<u>4.997</u>
Impairment losses and depreciation at 1 January		2.776
Depreciation for the year		<u>750</u>
Impairment losses and depreciation at 31 December		<u>3.526</u>
Carrying amount at 31 December		<u>1.471</u>

Notes to the Financial Statements

8 Fixed asset investments

	Deposits TDKK
Cost at 1 January	2.158
Disposals for the year	-84
Cost at 31 December	<u>2.074</u>
Carrying amount at 31 December	<u>2.074</u>

9 Receivables from group enterprises

Of the Company's receivables from group enterprises, DKK 123.601k (2016: DKK 133.913k) are encompassed by group Cash Pools.

	2017 TDKK	2016 TDKK
10 Deferred tax asset		
Property, plant and equipment	-11	-194
Trade receivables	0	-424
Provisions	-791	-773
Transferred to deferred tax asset	802	1.391
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	802	1.391
Carrying amount	<u>802</u>	<u>1.391</u>

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

Notes to the Financial Statements

	2017 TDKK	2016 TDKK
12 Distribution of profit		
Proposed dividend for the year	65.000	75.000
Retained earnings	-4.509	-5.993
	60.491	69.007

13 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	10.159	7.021
Between 1 and 5 years	18.184	15.938
	28.343	22.959

Operating lease obligation	5.211	2.553
Rental obligation	23.132	20.406

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

Notes to the Financial Statements

14 Related parties

Transactions

Transactions with related parties have been made on normal market conditions.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

<u>Name</u>	<u>Place of registered office</u>
Mars Incorporated	McLean, Virginia, USA

The Company's nearest and ultimate Parent Company is Mars Incorporated, 6885 Elm Street, McLean, Virginia 22101, USA. The consolidated financial statement are not published, as Mars Inc. is privately owned.

15 Fee to auditors appointed at the general meeting

	<u>2017</u> TDKK	<u>2016</u> TDKK
Audit fee to PricewaterhouseCoopers	267	260
Tax advisory services	151	116
Non-audit services	64	53
	<u>482</u>	<u>429</u>

Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
16 Cash flow statement - adjustments		
Financial expenses	3.577	1.212
Depreciation, amortisation and impairment losses, including losses and gains on sales	749	736
Tax on profit/loss for the year	<u>18.346</u>	<u>19.067</u>
	<u>22.672</u>	<u>21.015</u>
17 Cash flow statement - change in working capital		
Change in inventories	366	-4.385
Change in receivables	1.530	12.946
Change in other provisions	456	-44
Change in trade payables, etc	<u>4.625</u>	<u>-27.880</u>
	<u>6.977</u>	<u>-19.363</u>

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Mars Danmark A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

Except for reclassifications in the balance sheet that have no monetary effect on profit or equity, the accounting policies applied remain unchanged compared to last year.

The Financial Statements for 2017 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

18 Accounting Policies (continued)

Translation policies - continued

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Segment reporting

Segment information is presented in respect of business segments based on the Company's risks and returns and its internal financial reporting system.

Income Statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment, as well as profit and loss from disposals.

Notes to the Financial Statements

18 Accounting Policies (continued)

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish sister companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5 years

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

Notes to the Financial Statements

18 Accounting Policies (continued)

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Notes to the Financial Statements

18 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Notes to the Financial Statements

18 Accounting Policies (continued)

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$