IDEMIA Denmark A/S

Egegårdsvej 66, 2610 Rødovre
CVR no. 67 09 69 16

Annual report for 2019

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 29.05.20

Torbjörn Ragner Olof Norée
Dirigent

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Company information etc.

The company

IDEMIA Denmark A/S
Egegårdsvej 66
2610 Rødovre
Tel.: +45 44 50 64 00
Website: www.idemia.com
Registered office: Rødovre
CVR no.: 67 09 69 16
Financial year: 01.01 - 31.12

Executive Boards

Torbjörn Ragner Olof Norée

Board of Directors

Philippe D'Andrea, chairman
Torbjörn Ragner Olof Norée
Hugues Ghislain Mallet

Auditors

MAZARS
Statsautoriseret revisionspartnerselskab

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 01.01.19 - 31.12.19 for IDEMIA Denmark A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.19 and of the results of the company's activities for the financial year 01.01.19 - 31.12.19.

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.

Rødovre, May 29, 2020

Executive Boards

Torbjörn Ragner Olof Norée

Board Of Directors

Philippe D'Andrea Chairman	Torbjörn Ragner Olof Norée	Hugues Ghislain Mallet

To the Shareholder of IDEMIA Denmark A/S

Opinion

We have audited the financial statements of IDEMIA Denmark A/S for the financial year 01.01.19 - 31.12.19, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.19 and of the results of the company's operations for the financial year 01.01.19 - 31.12.19 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' 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 financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

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

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

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

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, May 29, 2020

MAZARS
Statsautoriseret revisionspartnerselskab
CVR no. 31061741

Kurt Christensen
State Authorized Public Accountant
MNE-no. mne26824

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2019	2018	2017	2016	2015
Profit/loss					
Revenue	134,112	141,762	145,245	161,669	185,964
Operating profit	3,681	8,357	10,449	16,359	4,009
Total net financials	-196	-215	20	-194	212
Profit for the year	5,758	13,175	9,458	21,388	13,156
Balance					
Total assets	70,775	73,698	93,398	77,962	69,624
Equity	39,674	46,797	43,163	45,955	33,365
Investments in property, plant and equipment	438	273	291	7,450	1,719

Ratios

	2019	2018	2017	2016	2015
Profit margin	2,7%	5,9%	7,2%	10,1%	2,2%
Gross margin	29,7%	27,3%	32,1%	29,6%	21,9%
Return on assets	5,1%	9,2%	11,9%	22,2%	5,7%
Current ratio	130,7%	134,7%	113,6%	130,1%	117,9%
Equity ratio	56,1%	63,5%	48,3%	58,9%	47,9%
Return on equity	13,3%	29,3%	20,4%	53,9%	41,2%
Number of employees (average)	41	52	59	71	77

Profit margin: $\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Gross margin: $\frac{\text{Gross profit x 100}}{\text{Revenue}}$

Return on assets: $\frac{\text{Profit/loss from operating acitivities}}{\text{Avg. total assets x 100}}$

Current ratio $\frac{\text{Current assets x 100}}{\text{Current liabilities}}$

Equity ratio $\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios.

Primary activities

The company's activity include sales and marketing of plastic cards and plastic cards solutions.

Development in activities and financial affairs

The income statement for the period 01.01.19 - 31.12.19 shows a profit of DKK'000 5,758 against DKK'000 13,175 for the period 01.01.18 - 31.12.18. The balance sheet shows equity of DKK'000 39,674.

The management considers the net profit for the year to be unsatisfactory.

Outlook

For 2020, the same activity level and a profit in line with the 2019 level are expected.

Knowledge resources

A high competence level among the company's employees is a prerequisite for maintaining growth momentum and thus market shares. Accordingly, the company makes significant investments in maintaining and upgrading employee skills.

Special risks

The company's main risk relates to maintenance of its leading market position in an increasingly competitive market.

The company is exposed to currency risks. Under the company's policies, all significant individual exposures are hedged through financial agreements.

External environment

The company aims to continually improve production methods and works with customers and suppliers to offer the most environmentally friendly solutions.

Subsequent events

The outbreak of the Coronavirus has created a slowdown in business. Uncertainty is very much linked to how deep the downturn in the Danish and international economy is. The authorities in Denmark and internationally launch ongoing crisis packages to assist the business community during a very critical period.

At the presentation of the annual accounts, there is considerable uncertainty regarding the effects of the virus outbreak, both in the short and long term. The Board recognizes that it can also affect the activity of the company, but has satisfactory liquidity when presenting the accounts for signing.

Income statement

Note		2019 DKK '000	2018 DKK '000
	Revenue	**134,112**	**141,762**
	Production costs	-94,322	-103,130
	Gross profit	**39,790**	**38,632**
	Distribution costs	-19,893	-14,592
	Administration costs	-16,216	-15,683
2	Other operating expenses	0	-698
	Profit before net financials	**3,681**	**7,659**
	Income from equity investments in group enterprises	3,091	7,426
3	Financial income	32	38
4	Financial expenses	-228	-253
	Profit before tax	**6,576**	**14,870**
5	Tax on profit or loss for the year	-818	-1,695
	Profit for the year	**5,758**	**13,175**

Proposed appropriation account

Proposed dividend for the financial year	29,200	13,100
Retained earnings	-23,442	75
Total	**5,758**	**13,175**

Balance sheet

ASSETS

Note		31.12.19 DKK '000	31.12.18 DKK '000
	Acquired rights	8,989	12,520
	Prepayments for intangible assets	60	38
7	**Total intangible assets**	**9,049**	**12,558**
	Leasehold improvements	409	480
	Other fixtures and fittings, tools and equipment	620	440
8	**Total property, plant and equipment**	**1,029**	**920**
9	Equity investments in group enterprises	20,047	23,979
	Total investments	**20,047**	**23,979**
	Total non-current assets	**30,125**	**37,457**
	Raw materials and consumables	260	173
	Manufactured goods and goods for resale	1,163	388
	Total inventories	**1,423**	**561**
	Trade receivables	24,068	24,900
	Receivables from group enterprises	5,075	3,087
	Deferred tax asset	1,888	997
	Income tax receivable	742	0
	Other receivables	894	721
10	Prepayments	240	484
	Total receivables	**32,907**	**30,189**
	Cash	**6,320**	**5,491**
	Total current assets	**40,650**	**36,241**
	Total assets	**70,775**	**73,698**

EQUITY AND LIABILITIES

Note		31.12.19 DKK '000	31.12.18 DKK '000
11	Share capital	5,000	5,000
	Retained earnings	5,474	28,697
	Proposed dividend for the financial year	29,200	13,100
	Total equity	**39,674**	**46,797**
12	Other provisions	7,366	2,604
	Total provisions	**7,366**	**2,604**
	Other payables	977	0
	Total long-term payables	**977**	**0**
	Trade payables	3,861	4,527
	Payables to group enterprises	8,722	6,187
	Income taxes	0	1,036
	Other payables	10,175	12,547
	Total short-term payables	**22,758**	**24,297**
	Total payables	**23,735**	**24,297**
	Total equity and liabilities	**70,775**	**73,698**

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Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.19 - 31.12.19				
Balance as at 01.01.19	5,000	28,697	13,100	46,797
Foreign currency translation adjustment of foreign enterprises	0	219	0	219
Dividend paid	0	0	-13,100	-13,100
Net profit/loss for the year	0	-23,442	29,200	5,758
Balance as at 31.12.19	5,000	5,474	29,200	39,674

	2019 DKK '000	2018 DKK '000

1. Employee aspects

Wages and salaries	22,064	28,495
Pensions	2,175	2,561
Other social security costs	289	436
Other staff costs	1,383	1,628
Total	25,911	33,120

Total staff costs comprise:

Production costs	7,179	11,312
Distribution costs	11,603	12,633
Administration costs	7,129	9,175
Total	25,911	33,120

Average number of employees during the year	41	52

Remuneration to Executive Board amount to 2.211 DKK'000 in 2019 compared to DKK'000 2.571 in 2018.

2. Other operating expenses

Other operating expenses include losses on the sale of property, plant and equipment, including other operating equipment. No other operating expenses have occurred in 2019 DKK 0 compared to DKK 698 in 2018.

3. Financial income

Interest, group enterprises	32	38
Total	32	38

	2019 DKK '000	2018 DKK '000

4. Financial expenses

Interest, group enterprises	57	79
Other financial expenses	171	174
Total	228	253

5. Tax on profit or loss for the year

Tax on profit or loss for the year	1,709	2,352
Adjustment of deferred tax for the year	-891	-657
Total	818	1,695

As at 31.12.19, the Company has recognised a deferred tax asset of DKK 1.888 thousand against DKK 977 thousand last year. The deferred tax asset primarily consist of temporary differences relating to fixed assets and inventories. The deferred tax asset is recognised on the basis of expectations of positive operating results for the coming years.

6. Distribution of net profit

Proposed dividend for the financial year	29,200	13,100
Retained earnings	-23,442	75
Total	5,758	13,175

7. Intangible assets

Figures in DKK '000	Acquired rights	Prepayments for intangible assets
Cost as at 01.01.19	21,077	38
Additions during the year	0	460
Disposals during the year	-314	-438
Cost as at 31.12.19	20,763	60
Amortisation and impairment losses as at 01.01.19	-8,557	0
Amortisation during the year	-3,531	0
Reversal of amortisation of and impairment losses on disposed assets	314	0
Amortisation and impairment losses as at 31.12.19	-11,774	0
Carrying amount as at 31.12.19	8,989	60

8. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.19	2,212	5,434
Additions during the year	0	438
Disposals during the year	0	-1,089
Cost as at 31.12.19	2,212	4,783
Depreciation and impairment losses as at 01.01.19	-1,732	-4,994
Depreciation during the year	-71	-253
Reversal of depreciation of and impairment losses on disposed assets	0	1,084
Depreciation and impairment losses as at 31.12.19	-1,803	-4,163
Carrying amount as at 31.12.19	409	620

9. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Cost as at 01.01.19	37,479
Cost as at 31.12.19	37,479
Revaluations as at 01.01.19	-13,500
Foreign currency translation adjustment of foreign enterprises	241
Net profit/loss from equity investments	3,069
Dividend relating to equity investments	-7,242
Revaluations as at 31.12.19	-17,432
Carrying amount as at 31.12.19	20,047

Name and Registered office:	Ownership interest
Group enterprises:	
IDEMIA Norway AS, Norway	100%

10. Prepayments

Other prepayments	240	484
Total	240	484

Prepayments include accrual of expenses relating to subsequent financial years and amount to DKK 240 thousand for 2019 against DKK 484 thousand last year.

11. Share capital

The share capital consists of:

	Quantity	Total nominal value
50.000 shares of DKK 100,00 nominal value each	5,000	5,000

All shares rank equally.

12. Other provisions

Figures in DKK '000	Other provisions
Provisions as at 01.01.19	2,604
Provisions during the year	4,762
Provisions as at 31.12.19	7,366

	31.12.19 DKK '000	31.12.18 DKK '000
Other provisions are expected to be distributed as follows:		
Non-current liabilities	0	0
Current liabilities	7,366	2,604
Total	7,366	2,604

Other provisions consist of provisions for restructuring and an ongoing tax investigation.

13. Contingent liabilities

Lease commitments

Totalt rent and lease liabilities is DKK 1,357 thousand against 1,755 thousand last year.

The lease obligation is DKK 920k thousand against DKK 920 thousand last year.

Other lease liabilities include leases concerning cars and other equipment totalling DKK 437 thousand for 2019 against DKK 835 thousand last year.

14. Charges and security

The company's assets have been put up as security for group debts to credit institutions. The security for debt is limited to DKK 226 thousand.

15. Related parties

Controlling influence	Basis of influence
IDEMIA Sweden Company AB, Strängnäs, Sweden	Participating interest

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

The company is included in the consolidated financial statements of the parent IDEMIA France SAS, France.

The consolidated finansial statement of the parent company can be uploaded from "Erhvervsstyrelsen".

16. Accounting policies

GENERAL

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

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of IDEMIA France SAS, France, business registration number R.C.S. 533 960 407, which prepares consolidated financial statements.

Basis of recognition and measurement

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

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

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

CURRENCY

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

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

16. Accounting policies - continued -

acquired in foreign currencies are translated using historical exchange rates.

LEASES

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

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

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

INCOME STATEMENT

Revenue

Income from the sale of goods and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Production costs

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

16. Accounting policies - continued -

Distribution costs

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

Administrative expenses

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

Depreciation, amortisation and impairment losses

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

	Useful lives, years	Residual value, per cent
Acquired rights	5	0
Leasehold improvements	3-10	0
Other plant, fixtures and fittings, tools and equipment	3-10	0

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

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

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's core activities, including losses on the sale of fixed assets.

16. Accounting policies - continued -

Income from equity investments in group entreprises

For equity investments in subsidiaries, 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 also comprises gains and losses on the sale of equity investments.

Other net financials

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

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.

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.

Prepayments for intangible assets

Prepayments for intangible assets comprise prepayments to suppliers.

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.

16. Accounting policies - continued -

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

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

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

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.

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 recognised and measured 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.

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

16. Accounting policies - continued -

Impairment losses on fixed assets

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

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

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

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

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

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery

16. Accounting policies - continued -

costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

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

Cash

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

Equity

The 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 net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

16. Accounting policies - continued -

Provisions

Other provisions comprise expected expenses incidental to restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Current and deferred tax

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

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

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

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

Payables

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.

Mortgage debt is recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, mortgage debt is measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

16. Accounting policies - continued -

Other payables are measured at net realisable value.

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.