

Danone A/S

Rørmosevej 2 A, 3450 Allerød
CVR no. 73 12 81 10

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 28.06.24

Ignasi Argente Arbos
Dirigent

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The company

Danone A/S
Rørmosevej 2 A
3450 Allerød
Tel.: 70 21 07 07
Registered office: Allerød
CVR no.: 73 12 81 10
Financial year: 01.01 - 31.12

Executive Board

Miki Pekka Tapio Aho

Board of Directors

Ignasi Argente Arbos
Miki Pekka Tapio Aho
Maxime Komardine

Auditors

Mazars Statsautoriseret Revisionspartnerselskab

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

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Danone A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

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.

Allerød, June 21, 2024

Executive Board

Miki Pekka Tapio Aho

Board of Directors

Ignasi Argente Arbos
Chairman

Miki Pekka Tapio Aho

Maxime Komardine

To the Shareholder of Danone A/S**Opinion**

We have audited the financial statements of Danone A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's financial position at 31.12.23 and of the results of the company's operations for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

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

Statement on the management's review

Management is responsible for the management's review.

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

In connection with our audit of the financial statements, it is our responsibility 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 the 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 of the management's review.

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 judgment 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.
- 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.

København Ø, June 21, 2024

**Mazars Statsautoriseret
Revisionspartnerselskab**

CVR no. 31061741

Nicklas Rasmussen

State Authorized Public Accountant

MNE-no. mne43474

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2023	2022	2021	2020	2019
<i>Profit/loss</i>					
Revenue	235,007	148,793	124,701	132,442	117,320
Gross profit	32,478	43,646	24,170	24,370	26,322
Profit/loss before depreciation, amortisation, write-downs and impairment losses	-2,320	15,277	2,133	2,838	4,251
Operating profit/loss	-77,013	6,804	675	1,755	2,638
Total net financials	-4,677	3,341	313	-127	172
Profit/loss before tax	-81,690	10,145	987	1,628	2,810
Profit/loss for the year	-62,480	8,565	833	1,372	3,300
<i>Balance</i>					
Total assets	288,537	348,492	38,489	43,201	35,399
Investments in property, plant and equipment	61	9,665	7,827	0	446
Equity	227,968	18,448	9,883	10,422	12,250

Ratios

	2023	2022	2021	2020	2019
<i>Profitability</i>					
Return on equity	-51%	60%	8%	12%	27%
Profit margin	-33%	5%	1%	1%	2%
<i>Equity ratio</i>					
Solvency ratio	79%	5%	26%	24%	35%
<i>Liquidity and financing</i>					
Liquidity ratio	138%	21%	108%	136%	146%
<i>Others</i>					
Number of employees (average)	39	35	28	30	31
<i>Ratios definitions</i>					
Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$				
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$				
Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$				
Liquidity ratio:	$\frac{\text{Current assets} \times 100}{\text{Short-term payables}}$				

Primary activities

Danone A/S activities consist of selling and distributing products in Specialized Nutrition (SN) and Essential Dairy & Plant-Based (EDP) categories.

Danish Specialized Nutrition business focuses on medical nutrition and devices for people afflicted with certain illnesses or frail elderly people. We deliver our products through various sales channels including hospitals, nursing homes, wholesalers, and pharmacies as well as directly to patients at home.

Essential Dairy & Plant-Based business focuses on fresh fermented dairy products and plant-based products in drinkable and spoonable formats. Primary sales channels are grocery retailers and HoReCa channels, while biggest brands include Alpro, Actimel, Activia.

Significant changes in the company's activities

In November 2022, as part of the "Local First" Group reorganization project, first introduced by Danone Group in 2020, Danone A/S (previously "Nutricia A/S") acquired the Danish EDP branch from Danone AB (a subsidiary of Danone Group) adding to its scope the EDP category. The financial year 2023 was the first year after the Company's major reorganization and the net results were significantly impacted by this change.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit/loss of DKK -62,480,418 against DKK 8,565,102 for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 227,967,578.

Factors that significantly influence the Company's financial result include the Goodwill amortisation of DKK 38.728.112, Goodwill impairment of DKK 33.924.889 and the interests on intercompany cash pool loan of DKK 10.197.870, both being the effect of the purchase of the EDP branch. To secure the Company's equity levels and offset negative impacts of the transaction, the Company's management requested additional funding from its sole shareholder Nutricia International BV. On December 11, 2023 the Company's General Assembly passed the resolution on the capital increase by the conversion of debt. The share contribution amount was settled by the shareholder on the same day, i.e. December 11, 2023 in the amount of DKK 272.000.000 and was set-off against the Company's cash pool loan. As a result of the capital increase, the Company secured its equity amount and paid-off the cash pool loan of DKK 249.545.127. As at the balance sheet date the Company's economic and financial position is sound.

Outlook

In 2024 the Company plans to increase sales volumes compared to 2023 for both categories (EDP and SN) through introduction of new products and to significantly increase profitability through portfolio and price adjustments to reflect the current market condition of continuously growing costs, mainly of transport services and packaging.

Financial risks*Foreign currency risks*

The company customers are primarily local corporate entities and there is no currency risk associated with settlement of receivables.

The Company sources finished goods for sale from the related companies. Specialized Nutrition products main supplier is Danone Trading Medical BV, located in Denmark, which supplies majority of SN category finished goods and purchases of those are settled in Euro. Essential Dairy & Plant-Based (EDP) is primarily sourced from Danone AB, located in Sweden, which supplies most of EDP category products and purchases of those are settled in Swedish crown.

As the currency risk is mainly related to intercompany transactions, the Company's currency position is under the Group's currency management. The Group is responsible for management of those transactions and ensuring the Company secure position for the above mentioned currency pairs (DKK/EUR; DKK/SEK).

Credit risks

The customer payment term is generally 30 days and the Company's main customers are essentially in the mass retail sector where credit risk is considered low. The Company has no significant overdue receivables and allowance for doubtful receivables constitutes around 3% of receivables balance. In current year the company has had minimal losses on claims.

Liquidity risks

The Company's liquidity situation is secure. The company does not have any external loans or credits. In 2023 the Company received additional paid-in capital in the amount of DKK 272.000.000, which allowed to settle the cash pool debt of DKK 249.545.127 (for details please see paragraph above on the Company's activities in 2023).

External environment

The Company does not directly engage in any activities that cause pollution to the external environment. As part of the Danone Group, the Company is involved in the Group's sustainability journey to achieve ambitious goals in that to:

1. impact people's health locally, with a portfolio of healthier products, with brands encouraging better nutritional choices and by promoting better dietary habits;
2. preserve and renew the planet's resources, by supporting regenerative agriculture, protecting the water cycle and strengthening the circular economy of packaging, across its entire ecosystem, in order to contribute to the fight against climate change;
3. entrust Danone's people to create new futures: building on a unique social innovation heritage, give each employee the opportunity to impact the decisions of the Group, both locally and globally;
4. foster inclusive growth, by ensuring equal opportunities within the Group, supporting the most vulnerable partners in its ecosystem and developing everyday products accessible to as many people as possible.

The sustainability report and information on the company's approach to environmental, social, human rights and anti-corruption issues are included in the CSR report of our parent company (Danone SA reg. no. 552 032 534, with registered office in Paris) which is available at:

<http://www.danone.com/integrated-annual-reports/integrated-annual-report-2023.html>

Subsequent events

No important events affecting the financial statements for 2023 have occurred after the end of the financial year.

Income statement

Note	2023 DKK	2022 DKK
Revenue	235,006,964	148,793,361
Other operating income	1,498,111	76,752
Costs of raw materials and consumables	-148,549,260	-79,173,313
Other external expenses	-55,478,066	-26,050,466
Gross profit	32,477,749	43,646,334
1 Staff costs	-34,797,740	-28,369,698
Profit/loss before depreciation, amortisation, write-downs and impairment losses	-2,319,991	15,276,636
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-74,693,171	-8,472,280
Operating profit/loss	-77,013,162	6,804,356
2 Financial income	6,610,052	4,702,935
3 Financial expenses	-11,287,284	-1,362,029
Profit/loss before tax	-81,690,394	10,145,262
4 Tax on profit or loss for the year	19,209,976	-1,580,160
Profit/loss for the year	-62,480,418	8,565,102

5 Proposed appropriation account

Balance sheet

ASSETS		31.12.23	31.12.22
		DKK	DKK
Note			
	Acquired rights	1,180,416	984
	Goodwill	191,989,102	264,642,104
6	Total intangible assets	193,169,518	264,643,088
	Other fixtures and fittings, tools and equipment	10,969,149	14,720,414
7	Total property, plant and equipment	10,969,149	14,720,414
8	Deposits	1,070,720	908,667
	Total investments	1,070,720	908,667
	Total non-current assets	205,209,387	280,272,169
	Manufactured goods and goods for resale	7,604,236	9,211,919
	Total inventories	7,604,236	9,211,919
	Trade receivables	36,871,646	47,386,157
	Receivables from group enterprises	21,292,581	4,658,911
	Deferred tax asset	9,551,517	0
	Income tax receivable	7,416,632	6,129,361
	Other receivables	62,281	0
9	Prepayments	377,029	0
	Total receivables	75,571,686	58,174,429
	Cash	151,869	833,417
	Total current assets	83,327,791	68,219,765
	Total assets	288,537,178	348,491,934

EQUITY AND LIABILITIES		31.12.23	31.12.22
		DKK	DKK
Note			
10	Share capital	500,500	500,000
	Retained earnings	227,467,078	17,947,996
	Total equity	227,967,578	18,447,996
11	Provisions for deferred tax	0	7,519,825
	Total provisions	0	7,519,825
	Trade payables	27,368,856	14,997,982
	Payables to group enterprises	22,678,774	296,029,993
	Other payables	10,521,970	11,496,138
	Total short-term payables	60,569,600	322,524,113
	Total payables	60,569,600	322,524,113
	Total equity and liabilities	288,537,178	348,491,934

12 Contingent liabilities

13 Charges and security

14 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Total equity
Statement of changes in equity for 01.01.23 - 31.12.23			
Balance as at 01.01.23	500,000	17,947,996	18,447,996
Capital increase	500	271,999,500	272,000,000
Net profit/loss for the year	0	-62,480,418	-62,480,418
Balance as at 31.12.23	500,500	227,467,078	227,967,578

	2023 DKK	2022 DKK
1. Staff costs		
Wages and salaries	31,112,692	25,688,380
Pensions	2,199,274	1,964,729
Other social security costs	13,566	258,349
Other staff costs	1,472,208	458,240
Total	34,797,740	28,369,698
Average number of employees during the year	39	35

Remuneration to the Board of Directors and Executives is not disclosed as this only consist of one person.

2. Financial income

Other interest income	4,792,474	4,235,260
Foreign currency translation adjustments	1,793,513	424,273
Other financial income	24,065	43,402
Total	6,610,052	4,702,935

3. Financial expenses

Interest, group enterprises	10,197,870	1,277,945
Other interest expenses	77,378	84,084
Foreign currency translation adjustments	1,012,036	0
Other financial expenses total	1,089,414	84,084
Total	11,287,284	1,362,029

	2023 DKK	2022 DKK
4. Tax on profit or loss for the year		
Current tax for the year	0	-5,998,601
Adjustment of deferred tax for the year	-17,071,342	7,595,962
Adjustment of tax in respect of previous years	-2,138,634	-17,201
Total	-19,209,976	1,580,160

5. Proposed appropriation account

Retained earnings	-62,480,418	8,565,102
Total	-62,480,418	8,565,102

6. Intangible assets

Figures in DKK	Acquired rights	Goodwill	Total
Cost as at 01.01.23	371,767	271,096,789	271,468,556
Additions during the year	1,180,416	0	1,180,416
Cost as at 31.12.23	1,552,183	271,096,789	272,648,972
Amortisation and impairment losses as at 01.01.23	-370,783	-6,454,685	-6,825,468
Impairment losses during the year	0	-33,924,889	-33,924,889
Amortisation during the year	-984	-38,728,113	-38,729,097
Amortisation and impairment losses as at 31.12.23	-371,767	-79,107,687	-79,479,454
Carrying amount as at 31.12.23	1,180,416	191,989,102	193,169,518
Carrying amount of assets held under finance leases as at 31.12.23	0	0	0

7. Property, plant and equipment

Figures in DKK	Other fixtures and fittings, tools and equipment
Cost as at 01.01.23	20,102,755
Additions during the year	61,059
Disposals during the year	-2,349,153
Cost as at 31.12.23	17,814,661
Depreciation and impairment losses as at 01.01.23	-5,382,341
Depreciation during the year	-2,039,184
Reversal of depreciation of and impairment losses on disposed assets	576,013
Depreciation and impairment losses as at 31.12.23	-6,845,512
Carrying amount as at 31.12.23	10,969,149

8. Non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.23	908,667
Additions during the year	162,053
Cost as at 31.12.23	1,070,720
Carrying amount as at 31.12.23	1,070,720

	31.12.23	31.12.22
	DKK	DKK

9. Prepayments

Other prepayments	377,029	0
Total	377,029	0

10. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	1,001	500,500
Capital increase during the financial year	1	500

11. Deferred tax

Provisions for deferred tax as at 01.01.23	-7,519,825	76,137
Deferred tax recognised in the income statement	17,071,342	-7,595,962
Provisions for deferred tax as at 31.12.23	9,551,517	-7,519,825

As at 31.12.23, the company has recognised a deferred tax asset of, which can primarily be attributed to tax losses carried forward. The deferred tax asset is recognised on the basis of expectations of positive operating results for the coming years.

12. Contingent liabilities

Lease commitments

The company has concluded rent and lease obligations under operating leases with a total future payments of TDKK 985. The future payments in 2024 are TDKKK 676 and TDKK 0 after 5 years.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

13. Charges and security

The company has not provided any security over assets.

14. Related parties

Controlling influence	Basis of influence
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Danone S.A., France	Hovedaktionær
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Transactions	Relation	2023 DKK
Purchase of services	Parent Company	61,492,725
Purchase of services	Sister company	77,591,877
Sales	Sister Company	1,820,460

Balances	31.12.23 DKK
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Receivables from group enterprises	21,292,581
Payables to group enterprises	-22,678,774

The company is included in:

-Smallest consolidation in which the Company is included is Nutricia Internatinal B.V, Netherlands;

-Largest consolidation in which the Company is included is Danone S.A, France.

15. Accounting policies

GENERAL

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

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

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

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

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

CURRENCY

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

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term. As basis for interpretation for recognition of leases the company has applied IAS 17.

15. Accounting policies - continued -**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. As basis for interpretation for revenue recognition the company has applied IAS 18.

Other operating income

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

Costs of raw materials and consumables

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

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

15. Accounting policies - continued -

following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Acquired rights	2-4	0
Goodwill	7	0
Other plant, fixtures and fittings, tools and equipment	2-6	0

Goodwill is amortised over 7 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 and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

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

Other net financials

Interest income and interest expenses 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 and foreign consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that Danish enterprises with a tax loss receive joint taxation contributions from other Danish enterprises which have been able to use this loss to reduce their own taxable profit. Danish enterprises using tax losses of foreign enterprises settle the joint taxation contribution for the tax loss used with the administration company in which the retaxation balance is recognised as a deferred tax liability.

15. Accounting policies - continued -**BALANCE SHEET****Intangible assets***Acquired rights*

Acquired 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.

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.

Gains and losses on the disposal of property, plant and equipment are determined as the

15. Accounting policies - continued -

difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, 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 goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

For equity investments measured according to the equity method, the proportionate share of the equity investments' equity value is determined according to the accounting policies of the parent, stated in the other sections.

Gains or losses on disposal of equity investments are determined as the difference between the disposal 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.

15. 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. Impairment losses on goodwill are not reversed, unless goodwill is included in the carrying amount of equity investments.

Inventories

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

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

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

Receivables

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

Write-downs for bad debts are determined based on an individual assessment of each

15. Accounting policies - continued -

receivable if there is no objective evidence of individual impairment of a receivable. As basis for interpretation regarding impairment of receivables, the company has applied IAS 39.

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

Prepayments

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

Cash

Cash includes deposits in bank account.

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Current and deferred tax

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

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

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

Deferred tax relating to retaxation of losses previously deducted in foreign subsidiaries (international joint taxation) is recognised based on a specific assessment of the purpose of

15. Accounting policies - continued -

the individual subsidiary.

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

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

Payables

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

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.