

## **Azelis Denmark A/S**

Lundtoftegårdsvej 95  
2800 Kongens Lyngby  
CVR No. 26991064

### **Annual report 2020**

The Annual General Meeting adopted the  
annual report on 28.04.2021

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**Per Løwe Jacobsen**

Chairman of the General Meeting

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# Entity details

## Entity

Azelis Denmark A/S  
Lundtoftegårdsvej 95  
2800 Kongens Lyngby

CVR No.: 26991064

Registered office: Lyngby-taarbæk

Financial year: 01.01.2020 - 31.12.2020

## Board of Directors

Anna Bertona, Chairman  
Gert Allan Schnoor  
Per Løwe Jacobsen  
Thijs William Bakker

## Executive Board

Gert Allan Schnoor, adm. dir.

## Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup  
CVR No.: 33 77 12 31

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Azelis Denmark A/S for the financial year 1 January 2020 - 31. December 2020.

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 Entity's financial position at 31. December 2020 and of the results of its operations for the financial year 1. January 2020 - 31. December 2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Kgs. Lyngby, 28.04.2021

## Executive Board

**Gert Allan Schnoor**  
adm. dir.

## Board of Directors

**Anna Bertona**  
Chairman

**Gert Allan Schnoor**

**Per Løwe Jacobsen**

**Thijs William Bakker**

# Independent Auditor's Report

## To the Shareholders of Azelis Denmark 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 2020, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Azelis Denmark A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Financial 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.

### 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 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.

Hellerup, 28.04.2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Leif Ulbæk Jensen  
State Authorised Public Accountant  
Mne23327

Anders Røjleskov  
State Authorised Public Accountant  
Mne28699

# Management commentary

## Financial highlights

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	382,280	377,141	399,689	410,371	317,662
Gross profit/loss	55,372	70,400	49,695	51,708	41,353
Operating profit/loss	10,407	13,408	(5,443)	(4,696)	2,114
Net financials	(7,408)	(6,751)	(2,249)	(2,732)	(2,487)
Profit/loss for the year	2,536	6,657	(4,796)	(6,337)	(234)
Total assets	125,898	144,792	138,335	271,744	223,572
Investments in property, plant and equipment	10,284	21,993	18	447	242
Equity	33,270	30,934	24,401	29,525	(18,557)
Average number of employees	57	62	60	63	55
<b>Ratios</b>					
Gross margin (%)	14.48	18.67	12.43	12.60	13.02
Net margin (%)	0.66	1.77	-1.20	-1.54	-0.07
Return on equity (%)	7.90	24.06	-17.79	-115.6	-1.3
Equity ratio (%)	26.42	21.36	17.64	10.87	-8.30
Revenue per employee	6,707	6,083	6,662	6,514	5,776

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark. The comparative figures are adjusted as a result of the business combinations of 1. January 2017 between Smoke Ingredients A/S, Azelis Nordic ApS and Azelis Denmark A/S



<b>Ratios</b>	<b>Calculation formula</b>	<b>Calculation formula reflects</b>
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Revenue per employee	$\frac{\text{Revenue}}{\text{Average number of employees}}$	The entity's productivity

### Primary activities

The Groups most significant business activity is to sell Chemicals and Food Ingredients primarily within the Nordic market area.

### Development in activities and finances

The Company's income statement of the financial year 1. January 2020 to 31. December 2020 shows a result of DKK 2,535,924 and the Balance Sheet at 31. December 2020 a balance sheet total of DKK 119,922,758 and an Equity of DKK 33,270,070.

The Company has evolved our mandates during 2020, which will strengthen especially the Food segment in the future. The Company has not experienced any significant changes regarding the impact of COVID-19 on the performance or the financial position and has for 2020 not applied for any Covid-19 compensation schemes.

The result for the year has improved in both business segments.

Furthermore the result is positively impacted with DKK 2.8 million by a divestment of the De-Icing segment.

The Company's ordinary results are not deemed satisfactory and in line with expectations for 2020.

### Uncertainty relating to recognition and measurement

The financing facility held by the Parent, Azelis Holding S.A., and utilized by the Group, including Azelis Denmark A/S, is subject to financial covenants which the Group forecasts will be met within the next 12-month period. Full details of the Group's facility and going concern status are included within the consolidated financial statements of Azelis Holding S.A., 19 rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg.

### Outlook

The Company's outlook for the future will most likely be limited affected by the COVID-19 outbreak and the measures taken by governments in Denmark to mitigate the impacts of the outbreak.

For 2021 the company expects an increase in revenue with approximately 6% - 8% and improved results with approximately 8% - 10%.

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

# Income statement for 2020

	Notes	2020 DKK	2019 DKK
Revenue	2	382,280,054	377,140,591
Changes in inventories of finished goods and work in progress		(9,596,836)	(5,775,891)
Other operating income	3	3,087,432	25,291,472
Cost of sales		(288,489,175)	(289,028,617)
Other external expenses		(31,083,833)	(42,449,808)
<b>Gross profit/loss</b>		<b>56,197,642</b>	<b>65,177,747</b>
Staff costs	4	(38,765,996)	(45,780,308)
Depreciation, amortisation and impairment losses	5	(7,025,115)	(5,989,074)
<b>Operating profit/loss</b>		<b>10,406,531</b>	<b>13,408,365</b>
Income from investments in group enterprises		(5,425,326)	(2,279,954)
Other financial income from group enterprises		408,792	130,177
Other financial income		542,348	275,389
Financial expenses from group enterprises		(1,911,009)	(2,052,001)
Other financial expenses		(1,486,387)	(2,824,781)
<b>Profit/loss before tax</b>		<b>2,534,949</b>	<b>6,657,195</b>
Tax on profit/loss for the year	6	975	0
<b>Profit/loss for the year</b>	7	<b>2,535,924</b>	<b>6,657,195</b>

# Balance sheet at 31.12.2020

## Assets

	Notes	2020 DKK	2019 DKK
Acquired intangible assets		13,781,014	14,846,652
Goodwill		11,096,597	14,267,053
<b>Intangible assets</b>	<b>8</b>	<b>24,877,611</b>	<b>29,113,705</b>
Land and buildings		16,293,415	12,133,708
Plant and machinery		16,012,112	15,592,742
Other fixtures and fittings, tools and equipment		53,260	208,470
Property, plant and equipment in progress		334,406	1,691,352
<b>Property, plant and equipment</b>	<b>9</b>	<b>32,693,193</b>	<b>29,626,272</b>
Investments in group enterprises		4,955,600	10,030,983
<b>Financial assets</b>	<b>10</b>	<b>4,955,600</b>	<b>10,030,983</b>
<b>Fixed assets</b>		<b>62,526,404</b>	<b>68,770,960</b>
Work in progress		988	443
Manufactured goods and goods for resale		36,565,566	38,335,864
<b>Inventories</b>		<b>36,566,554</b>	<b>38,336,307</b>
Trade receivables		12,012,609	8,449,839
Receivables from group enterprises		5,207,564	8,885,432
Deferred tax	11	7,612,131	7,611,156
Other receivables		1,400,115	1,525,501
Prepayments	12	351,067	405,277
<b>Receivables</b>		<b>26,583,486</b>	<b>26,877,205</b>
<b>Cash</b>		<b>221,425</b>	<b>10,807,028</b>
<b>Current assets</b>		<b>63,371,465</b>	<b>76,020,540</b>
<b>Assets</b>		<b>125,897,869</b>	<b>144,791,500</b>

**Equity and liabilities**

	Notes	2020 DKK	2019 DKK
Contributed capital		3,000,000	3,000,000
Retained earnings		30,270,070	27,934,453
<b>Equity</b>		<b>33,270,070</b>	<b>30,934,453</b>
Payables to group enterprises		0	5,532,356
Other payables		3,540,532	1,401,079
<b>Non-current liabilities other than provisions</b>	13	<b>3,540,532</b>	<b>6,933,435</b>
Bank loans		2,520,985	0
Lease liabilities		76,679	96,666
Trade payables		26,450,105	35,445,808
Payables to group enterprises		45,056,720	61,404,241
Other payables		14,812,696	9,976,897
Deferred income	14	170,082	0
<b>Current liabilities other than provisions</b>		<b>89,087,267</b>	<b>106,923,612</b>
<b>Liabilities other than provisions</b>		<b>92,627,799</b>	<b>113,857,047</b>
<b>Equity and liabilities</b>		<b>125,897,869</b>	<b>144,791,500</b>
Going concern	1		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Related parties with controlling interest	17		
Group relations	18		

# Statement of changes in equity for 2020

	<b>Contributed capital DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
Equity beginning of year	3,000,000	27,934,453	30,934,453
Exchange rate adjustments	0	(200,307)	(200,307)
Profit/loss for the year	0	2,535,924	2,535,924
<b>Equity end of year</b>	<b>3,000,000</b>	<b>30,270,070</b>	<b>33,270,070</b>

# Notes

## 1 Going concern

Management assess that the capital resources of the company are sufficient.

## 2 Revenue

The company has no significant markets, besides the Nordic markets. In consideration of the Company segments, the Company considers distribution of different chemicals of DKK 84.1 million (2019: DKK 82.6 million) and life sciences of DKK 298.1 million (2019: DKK 294.5 million) as two business segments.

## 3 Other operating income

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Gains of disposal on intangible assets	2,800,000	0
Gains on disposal of PPE	287,432	25,291,472
	<b>3,087,432</b>	<b>25,291,472</b>

## Special Items

In 2020 the company has recognized a gain of DKK 2.8 million regarding the divestment of the De-icing segment. In 2019 other operating income was impacted by the insurance compensation, related to the company facility burn down for Smoke Production. The compensation DKK 20.8 million is included in gains on disposals of PPE.

## 4 Staff costs

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	35,223,823	41,669,246
Pension costs	3,032,582	3,148,803
Other social security costs	509,591	962,259
	<b>38,765,996</b>	<b>45,780,308</b>

Average number of full-time employees	57	62
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The Executive Board only consist of one person and therefore remuneration is not disclosed.

## 5 Depreciation, amortisation and impairment losses

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	4,236,094	4,284,671
Depreciation of property, plant and equipment	2,789,021	1,704,403
	<b>7,025,115</b>	<b>5,989,074</b>

**6 Tax on profit/loss for the year**

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Change in deferred tax	(975)	0
	<b>(975)</b>	<b>0</b>

Reference is made to note-disclosure 11.

**7 Proposed distribution of profit and loss**

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Retained earnings	2,535,924	6,657,195
	<b>2,535,924</b>	<b>6,657,195</b>

**8 Intangible assets**

	<b>Acquired intangible assets DKK</b>	<b>Goodwill DKK</b>
Cost beginning of year	24,847,766	253,758,641
Disposals	(845,748)	(2,365,853)
<b>Cost end of year</b>	<b>24,002,018</b>	<b>251,392,788</b>
Amortisation and impairment losses beginning of year	(10,001,115)	(239,491,588)
Amortisation for the year	(1,065,637)	(3,170,456)
Reversal regarding disposals	845,748	2,365,853
<b>Amortisation and impairment losses end of year</b>	<b>(10,221,004)</b>	<b>(240,296,191)</b>
<b>Carrying amount end of year</b>	<b>13,781,014</b>	<b>11,096,597</b>



## 9 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	14,097,217	35,129,052	3,486,506	1,691,352
Additions	5,241,852	2,342,132	0	2,700,074
Disposals	(1,678,136)	(8,497,565)	(255,561)	(4,057,020)
<b>Cost end of year</b>	<b>17,660,933</b>	<b>28,973,619</b>	<b>3,230,945</b>	<b>334,406</b>
Depreciation and impairment losses beginning of year	(1,963,511)	(19,536,310)	(3,278,035)	0
Depreciation for the year	(845,075)	(1,880,340)	(63,607)	0
Reversal regarding disposals	1,441,068	8,455,143	163,957	0
<b>Depreciation and impairment losses end of year</b>	<b>(1,367,518)</b>	<b>(12,961,507)</b>	<b>(3,177,685)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>16,293,415</b>	<b>16,012,112</b>	<b>53,260</b>	<b>334,406</b>
Recognised assets not owned by entity		101,162		

## 10 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	11,037,424
<b>Cost end of year</b>	<b>11,037,424</b>
Revaluations beginning of year	(969,058)
Share of profit/loss for the year	(5,425,326)
<b>Revaluations end of year</b>	<b>(6,394,384)</b>
Impairment losses beginning of year	(37,383)
Exchange rate adjustments	(200,307)
Reversal of impairment losses	550,250
<b>Impairment losses end of year</b>	<b>312,560</b>
<b>Carrying amount end of year</b>	<b>4,955,600</b>

Investments in subsidiaries	Registered in	Equity interest %
Azelis Norway AS	Norway	100
Azelis Sweden AB	Sweden	100
Azelis Finland Oy	Finland	100

### 11 Deferred tax

	<b>2020</b>
<b>Changes during the year</b>	<b>DKK</b>
Beginning of year	7,612,131
<b>End of year</b>	<b>7,612,131</b>

The total tax asset amounts to DKK 13,051,000 (DKK 13,608,000 in 2019) whereof DKK 7,612,131 has been recognised in the balance sheet.

The tax asset is included in the balance sheet based on the managements expectations to the result of the future operations of the company, and therefore naturally is subject to uncertainty, including the result of the pending tax audit, refer to comments in note 16. It is the managements assessment that the tax assets within a 5 year period, can be used in future positive taxable income.

### 12 Prepayments

Prepayments consist of prepaid expenses concerning rent and lease agreements for offices and cars as well as prepaid insurance premiums

### 13 Non-current liabilities other than provisions

	<b>Due after more than 12 months 2020 DKK</b>
Other payables	3,540,532
	<b>3,540,532</b>

All non-current liabilities are likely settled within 5 years after the balance sheet date.

### 14 Deferred income

Deferred income consist of income received for recognition in subsequent financial years.

### 15 Unrecognised rental and lease commitments

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Liabilities under rental or lease agreements until maturity in total	11,642,313	12,346,904

Unrecognised rental and lease commitments consists of rent commitments of DKK 8,460,846 (DKK 7,382,091 in 2019) and operational leasing of DKK 3,181,467 (DKK4,964,813 in 2019).

**16 Contingent liabilities**

At the balance sheet date, the Company is part of an ongoing tax case regarding the income years 2013-2016. The Tax Authorities has brought forward a claim for an increase of the taxable income of total DKK 9.4 mio. Management does not agree with the Tax Authorities' claim and assessment. No further contingent liabilities exist at the balance sheet date.

**17 Related parties with controlling interest**

Azelis S.A., 19 Rue Gabriel Lippmann, L-6365 Munsbach Luxembourg, is the 100 % owner of Azelis Denmark A/S. All transactions with related parties have been conducted on market terms.

**18 Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Akita Midco S.A.R.L., 19 Rue Gabriel Lippmann, L-6365 Munsbach Luxembourg.

# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

## Consolidated financial statements

Referring to section 112(1) / 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

## **Income statement**

### **Revenue**

Income from the sale of goods is recognised in the Income Statement from the date of delivery and when the risk has passed to the buyer if it is possible to calculate the income reliably. The revenue is calculated exclusive of VAT, charges and discounts.

### **Changes in inventories of finished goods and work in progress**

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

### **Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

### **Cost of goods sold**

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

### **Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

### **Staff costs**

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

### **Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

### **Income from investments in group enterprises**

Income from equity investments comprises the proportionate share of profit/loss after tax and any adjustment of internal profit/loss and less amortisation of consolidated goodwill.

**Other financial income from group enterprises**

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

**Other financial income**

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

**Financial expenses from group enterprises**

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

**Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

**Balance sheet****Goodwill**

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Estimated useful lives and residual values are reassessed annually.

**Intellectual property rights etc**

Intangible assets, including licences and acquired rights etc., are measured at cost less accumulated amortisation and impairment losses.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight line depreciation is made on the basis of the following estimated useful lives of the assets:

Concessions, patents, licens, trademarks and other similar rights	7-10 years
Goodwill	7 years
Supplier list	20 years

**Property, plant and equipment**

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight line

depreciation is made on the basis of the following estimated useful lives of the assets

Buildings	20-50 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### **Investments in group enterprises**

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount. Estimated useful lives and residual values are reassessed annually.

### **Inventories**

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### **Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax-base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**

Cash comprises cash in hand and bank deposits.

**Lease liabilities**

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

**Operating leases**

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

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Deferred income**

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

**Consolidated Financial Statements**

Ref. the Danish Financial Statements Act §112.2 consolidated Financial Statements are not prepared.