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Hamlet Protein A/S

Saturnvej 51
8700 Horsens
Central Business Registration
No 16049441

Annual report 2017

The Annual General Meeting adopted the annual report on 07.03.2018

Chairman of the General Meeting

Name: Christen Steffensen

Contents

Entity details

Entity
Hamlet Protein A/S
Saturnvej 51
8700 Horsens

Central Business Registration No (CVR): 16049441
Registered in: Horsens
Financial year: 01.01.2017 - 31.12.2017

Board of Directors
Kjeld Johannesen, Chairman
Michael Specht Bruun, Deputy chairman
Søren Dan Johansen , Deputy chairman
Christoffer Erik Mathies Lorenzen
Sarah Bibi Vawda
Torben Gosvig Madsen

Executive Board
Søren Munch, CEO
Søren Bank Rasmussen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Hamlet Protein A/S for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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.

Horsens, 07.03.2018

Executive Board

Søren Munch CEO	Søren Bank Rasmussen

Board of Directors

Kjeld Johannesen Chairman	Michael Specht Bruun Deputy chairman	Søren Dan Johansen Deputy chairman
Christoffer Erik Mathies Lorenzen	Sarah Bibi Vawda	Torben Gosvig Madsen

Independent auditor's report

To the shareholders of Hamlet Protein A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Hamlet Protein A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent . The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations for the financial year 01.01.2017 - 31.12.2017 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Entity's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent 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 Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management commentary
Management is responsible for the management commentary.

Independent auditor's report

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Aarhus, 07.03.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Thomas Rosquist Andersen
State Authorised Public Accountant
Identification No (MNE) mne31482

Management commentary

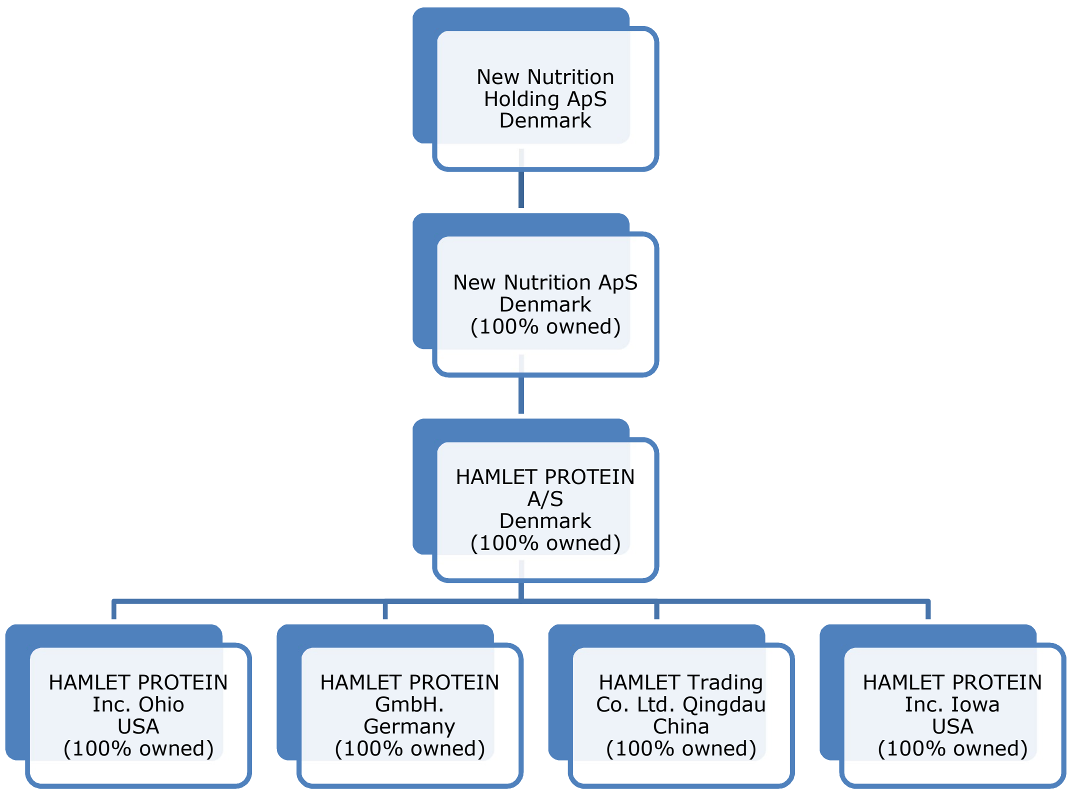
	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	574,975	567,572	599,790	568,340	501,479
Gross profit/loss	137,064	133,076	136,725	126,762	109,870
Operating profit/loss	-2,496	15,244	32,182	36,428	23,470
Net financials	-19,530	-8,295	-4,810	-9,640	-13,028
Profit/loss for the year	-18,756	3,508	15,009	16,129	10,017
Total assets	512,566	541,559	535,863	451,737	410,939
Investments in property, plant and equipment	34,706	37,639	83,274	51,205	14,452
Equity	186,970	212,674	207,191	118,837	97,431
Ratios					
Gross margin (%)	23.8	23.4	22.8	22.3	21.9
Net margin (%)	(3.3)	0.6	2.5	2.8	2.0
Return on equity (%)	(9.4)	1.7	9.2	14.9	10.3
Equity ratio (%)	36.5	39.3	38.7	26.3	23.7

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

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

Management commentary

Primary activities



Management commentary

Hamlet Protein Group

HAMLET PROTEIN A/S' business strategy is to develop, produce and sell vegetable protein solutions used in high value add animal feed for young animals. The company services more than 50 countries from its two production facilities in Horsens, Denmark and Findlay, Ohio, USA.

The subsidiary, New Nutrition ApS is located in Denmark, and handles selected group functions.

The subsidiary, HAMLET PROTEIN A/S is located in Denmark, and handles the development, production and distribution of products globally, as well as selected group functions.

The subsidiary, HAMLET PROTEIN Inc., is located in Ohio, USA, and handles the production sales, and distribution of products, primarily to North America and Asia.

The subsidiary, Hamlet (Qingdao) Trading Co., Ltd. is located in Shandong, China, and handles import, sales and distribution to new customers in China.

The subsidiary, HAMLET PROTEIN GmbH is located in Germany, and handles direct sales to new customers in Germany speaking countries.

The subsidiary, HAMLET PROTEIN Iowa Inc. has no operating activities.

The Group is owned by New Nutrition Holding S.à.r.l., Luxembourg, which ultimately is owned by Goldman Sachs Group Inc. ("GS Group") and Altor Fund IV Holding AB.

Development in activities and finances

Overall, sales volume grew by 3% in 2017 comprising a soft first half year and an extremely busy second half year with high capacity utilisation at both plants. A change in country mix, however, and continued investments in long-term growth resulted in lower earnings. Net income for the year was DKK -18,756K, which is DKK 22,264K lower than last year.

Increased fertilisation allowances in Denmark resulted in increased protein levels in Danish grain as from the 2016 harvest, thereby reducing the use of additional protein sources such as Hamlet Protein in animal feed. Consequently, our main market in Denmark contracted significantly late 2016 resulting in reduced volume from the start of 2017. In addition, volumes remained negatively affected by the current trade embargo in Russia and Belarus regarding food products from EU.

Sales to the piglet segment in USA, China and Asia in general, however, continued recent year's strong growth trend and particularly in the second half-year Hamlet Protein accelerated sales to the poultry segment in Europe, Middle East and Africa. The calve segment in Western Europe stabilised in 2017 after a couple of years with historically low milk prices. By mid-year, the volume increases in new markets surpassed the volume loss in Denmark and especially fourth quarter showed significant growth over previous quarters and same period last year.

In all main markets, we have maintained or increased our strong market share through improved competitive positioning and expanded deployment of our own teams, mainly within piglets. We are solely specialized in

Management commentary

young animals and the strong market position is maintained and expanded via profound and specific know-how within the individual animals, combined with ongoing documentation from an increasing number of feeding trials across the world.

As demand for safe and affordable meat products continues to grow in all regions of the world so does the demand for quality feed protein. The growth is supported by long-terem structural mega trends such as population growth, transition from backyard farming towards more industrialized farming practises as well as greater focus on antibiotic free feed practices and feed safety. Especially the North American and Asian markets have accounted for a considerable growth, driven by the need for continued optimisation while eliminating antibiotics in animal feed. Finally, demand is fostered by increased focus on feed security by reducing the use of animal protein in favour of secure, high efficiency products such as HAMLET PROTEIN's soy based products.

As an integral part of HAMLET PROTEIN's DNA we continuously document the value-adding performance of HAMLET PROTEIN products in international trials, and at any one time, at least 30 feeding trials are underway at farms and universities. The 2017 investments in long-term growth include a significant strengthening of our Strategic Marketing and R&D activities with the aim to further broaden the knowledge of our products in future growth markets. Trials and study findings are published as meta-analyses, white papers and other technical documents, and all data is collected and analysed in accordance with recognized statistical standards.

At the HAMLET PROTEIN Innovation Center, we draw on our knowledge of bioavailability, biotechnology, bioconversion and the practical application of our feed ingredients to meet all these demands. Every year, we run hundreds of tests in our pilot production plant to verify efficacy and customer value. Many of our innovation projects are run in partnership with customers and external research institutes. Together, we aim to lead the way to bigger and better achievements within specialty proteins for young animals.

The 2017 investments in future growth also include strengthening and expansion of our sales organisations in significant future growth markets such as North America and China. In China Hamlet Protein opened a fully owned sales subsidiary early 2017 and the sales organisation has been strengthened and expanded during the year, successfully conducting own import and direct sales to large customers.

Hamlet Protein also opened a fully owned sales subsidiary in Germany in 2017 with the aim to support our distributors and to sell directly to large customers in German speaking countries.

Outlook

For 2018 we expect that the global trend towards increasing demand for quality protein will continue. We expect that the segments and regions driving our 2017 growth will continue and increase sales volume by 7-11% in 2018.

We will in 2018 continue to invest in future growth by increasing our production capacity, by further strengthening our global growth platform and by investments in our organization.

Through the combination of accelerated sales growth, and improved utilisation of our production facilities, we expect a 20-30% improvement in net earnings in 2018 compared to 2017.

Management commentary

Particular risks

The pricing of the HAMLET PROTEIN's raw materials and finished goods is influenced by the price development on international commodity exchanges, which, together with the price development on substitute goods, will influence the Company's and customers' competitive situation, resulting in uncertainty about forecasted results.

A substantial part of the Company's products is sold to the agricultural sector. The market conditions for these customers are subject to high volatility, meaning that the market situation may change rapidly and be difficult to predict. HAMLET PROTEIN strives at encountering such conditions by setting up our production, sales and distribution channels as flexible as possible.

It is company policy to hedge risks on transactions denominated in selected foreign currencies and purchases of raw materials. The Company's exposure to changes in the interest rate of loans is regularly assessed, and interest hedging is made at group level. Currency risks on the investment in the US subsidiary have partly been hedged by means of taking up loans denominated in USD.

Intellectual capital resources

One of the Company's strategic drivers is to attract and retain qualified and motivated employees.

The Company provides its employees with a safe and healthy workplace and follows procedures intended to safeguard all employees and avoid workplace accidents and maintain compliance.

To maintain and improve its safety standards, the Company focuses on avoiding occupational accidents, and security in our facilities is our top priority. We have established Safety Committees that are committed to workplace safety, who regularly follow up and document workplace accidents. Industrial accidents are measured based on "the number of hours absent due to industrial accidents per million working hours". In 2017, this ratio accounted for 0,04% in HP A/S and for 0,0% in the US subsidiary.

To ensure and improve the general working environment, the Company follows up on staff turnover, capability development and absence due to sickness. We continuously work with a number of activities, which help in promoting an attractive and motivating working environment, which the Company wishes to offer to all its employees.

We work diligently and are dedicated to the recruitment and integration of new employees, just as we focus on maintaining and developing our employees' personal and professional skills. The annual performance reviews is an important part of these efforts.

2017 objectives for absence due to sickness, staff turnover and capability development

In HP A/S we measure short term and long term absence due to sickness. For 2017 short term absence due to sickness was 0,8 %, which is well below the objective of 2.5%. Absence due to sickness totalled 1,1% in the US subsidiary.

At year end, the Group had 126 employees, 3 independent consultants and 2 employed on a third party contract. 34 new employees were hired in and 21 employees left during 2017. Staff turnover represented

Management commentary

11%. The turnover was lower than expected for 2017. The Company is expected to have a turnover of approx. 15% in 2018.

In 2017, 88% of the performance reviews were performed in HP A/S. In the US subsidiary, 77% of performance reviews were carried out. We see this as very positive and as an indication that we focus on maintaining and developing our employees' professional and personal skills.

Environmental performance

Ever since we designed our production process in the early 1990s, we have focused on optimizing our use of energy and water and reducing waste. This means that the plant in Denmark is certified according to the ISO 50001:2011 energy management system standard and the plant in US is built on the same level of technology. Apart from steam consisting of water and carbon dioxide our emission is close to zero.

The objective at HAMLET PROTEIN is to maintain certified in accordance with ISO 50001:2011 in DK and prepare for certification in US in 2019.

On both factories, we have made considerable investments in thermal incineration plants, which mean that we are capable of reducing energy consumption per produced tonne of finished goods by more than 10%.

In general, our energy policy and measures taken contributed to a reduction of the Group's environmental impact in 2017.

Research and development activities

In 2017, HAMLET PROTEIN incurred research and development costs for products for both new and existing customers. All development costs are capitalised in the balance sheet.

Group relations

Being owned by equity funds, Hamlet Protein A/S is subject to the guidelines for active ownership and corporate governance for equity funds and their controlled enterprises as issued by the Danish Venture Capital and Private Equity Association ("DVCA").

In general, Hamlet Protein A/S complies with these guidelines & disclosure recommendations apart from areas where the Company's Management assesses that the disclosure of specific information will be detrimental to the Group's and the Company's competitive situation.

Shareholders

The Company is owned by New Nutrition Holding ApS, which ultimately is owned by Goldman Sachs Group Inc. ("GS Group") and Altor Fund IV Holding AB.

The Company's share capital is not divided into share classes, and the Company's articles of association do not stipulate any limits for ownership or voting right.

The Board of Directors regularly assesses whether the Company's capital structure is sound. The overall objective is to ensure that the Company's capital structure supports its growth strategy.

Management commentary

Quality

Both our plants in Denmark and USA meet the criteria of the feed safety standard GMP+ and the food safety management standard ISO 22000. On top of that our strict Feed Safety Policy ensures full traceability of both GMO and non-GMO products, allowing any batch to be easily traced if need be. Every week, our laboratory team analyses 200 protein samples, taken round-the-clock from our production lines. These analyses are an important part of our customer service and guarantee of high product quality.

The Board of Directors' duties

The Board of Directors of the Company ensures that the Executive Board complies with the decisions, strategies and business procedures adopted by the Board of Directors. The Board of Directors in New Nutrition Holding ApS meets according to a fixed schedule. In 2017, the Board of Directors held six meetings.

The Board of Directors does not rely on any subcommittees due to the size and complexity of the Company. Accordingly, the entire Board of Directors has focused on significant accounting policies and significant accounting estimates, transactions with related parties, if any, as well as uncertainties and risks in its financial reporting process. Together with the auditors, the quality of the Company's internal control systems is assessed on a regular basis, just as the auditors' independence is verified. Areas that are identified as particularly critical, such as foreign currency policy, procurement policy and insurance matters, are regularly discussed within the Board of Directors.

Statutory report on corporate social responsibility

HAMLET PROTEIN strives to define its corporate social responsibility within the areas of energy and environment as described above, responsible sourcing, organisation and human resource issues.

We believe that human rights should be observed and respected in all respects. Our predominant raw material is soy which we acquire partly from producers in South America, and we are aware that there is a potential risk of lacking compliance with human rights in the production chain. The risk is, however, mitigated by means of our policy for responsible sourcing of raw materials.

Responsible sourcing

HAMLET PROTEIN's objective is to be leading within product quality and product integrity, and we constantly strive to strengthen our supply chain towards sustainability but at the same time balancing the need for an effective and reliable flow of raw materials to our production units.

Our aim is always to use soy producers that demonstrate social and environmental responsibility.

We buy our raw materials from the world's leading soy producers in North and South America and have since day one paid a surcharge to meet our objectives, which has been proven since we achieved our ISO 22000 certification in 2005 including clear policy for sourcing SBM.

HAMLET PROTEIN solely buys soy from suppliers who are approved according to our quality management system before goods are delivered.

In the US, we buy from internationally recognised suppliers; either members of NOPA (National Oilseed processors Association) or related members.

Management commentary

In South America, we require the following from our suppliers:

- The supplier is not involved or supports the use of child labour, forced labour, discrimination or harassment

- The supplier supports voluntary unionism of employees and the right to negotiate collective agreements for all employees

- The supplier does not buy soy from land in the Amazon Biome cleared after 24 July 2006.

- The supplier does not buy soy grown from land where natives' residences have been removed after May 2009 – except if in accordance with national legislation

- The supplier supports the use of pesticides in accordance with local legislation, the Stockholm Convention and the Rotterdam Convention.

Alternatively, we require that our soy suppliers are certified according to the ProTerra Standard or committed to the Soy Moratorium or in any other way are able to document that they live up to the Basel Criteria (4th edition 16.02.2005).

Our goal is that minimum 90% of our soy supplies should comply with these conditions. In recent years, the compliance rate has exceeded this minimum.

As new and improved soy certification programmes become available, we will consider implementing these programmes in our standard basis for sourcing.

Statutory report on the underrepresented gender

Hamlet Protein A/S supreme governing body, the Board of Directors, consists at year end of one female and five male members. The continuous goal is to have at least one female board member. The goal is seen to be ambitious, given an industry in which the basis of recruitment primarily consists of men.

Our goal is to represent a minimum of 40% of each gender in other management levels within our enterprise. This goal is not fulfilled for 2017 as the gender composition was 66% male and 34% female by year-end. We have improved with approximately 4% from 2016 on the ratio for female managers.

We are an equal opportunity employer and aim at maintaining and reaching the gender ratio objective for each management group, but we will always employ the person who is best qualified for the job. Both male and female employees are encouraged to apply for internally advertised positions and to develop their skills and careers.

Events after the balance sheet date

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

Consolidated income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	2	574,975	567,572
Other operating income		7,449	591
Costs of raw materials and consumables		-362,692	-344,910
Other external expenses	3, 4	-82,668	-90,177
Gross profit/loss		**137,064**	**133,076**
Staff costs	5	-80,292	-69,216
Depreciation, amortisation and impairment losses		-49,935	-48,335
Other operating expenses		-9,333	-281
Operating profit/loss		**-2,496**	**15,244**
Other financial income	6	88	2,185
Other financial expenses	7	-19,618	-10,480
Profit/loss before tax		**-22,026**	**6,949**
Tax on profit/loss for the year	8	3,270	-3,441
Profit/loss for the year	9	**-18,756**	**3,508**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Completed development projects		0	194
Acquired intangible assets		7,593	7,353
Goodwill		64,504	71,354
Intangible assets	10	**72,097**	**78,901**
Land and buildings		65,201	76,816
Plant and machinery		178,423	217,700
Other fixtures and fittings, tools and equipment		6,903	7,764
Property, plant and equipment in progress		25,838	10,163
Property, plant and equipment	11	**276,365**	**312,443**
Deposits		233	233
Fixed asset investments	12	**233**	**233**
Fixed assets		**348,695**	**391,577**
Raw materials and consumables		15,741	11,794
Manufactured goods and goods for resale		14,840	20,197
Inventories		**30,581**	**31,991**
Trade receivables		86,298	68,271
Other receivables		14,502	9,111
Prepayments		1,751	676
Receivables		**102,551**	**78,058**
Cash		**30,739**	**39,933**
Current assets		**163,871**	**149,982**
Assets		**512,566**	**541,559**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		4,710	4,710
Retained earnings		182,260	207,964
Equity		**186,970**	**212,674**
Deferred tax	13	7,132	11,074
Provisions		**7,132**	**11,074**
Mortgage debt		10,425	13,358
Non-current liabilities other than provisions	14	**10,425**	**13,358**
Current portion of long-term liabilities other than provisions	14	1,824	2,892
Bank loans		39,214	47,911
Trade payables		58,483	31,367
Payables to group enterprises		189,831	205,152
Income tax payable		178	0
Other payables		18,509	17,131
Current liabilities other than provisions		**308,039**	**304,453**
Liabilities other than provisions		**318,464**	**317,811**
Equity and liabilities		**512,566**	**541,559**

Events after the balance sheet date	1
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Consolidated statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	4,710	207,964	212,674
Exchange rate adjustments	0	-5,662	-5,662
Fair value adjustments of hedging instruments	0	-1,648	-1,648
Tax of entries on equity	0	362	362
Profit/loss for the year	0	-18,756	-18,756
Equity end of year	**4,710**	**182,260**	**186,970**

Notes to consolidated financial statements

1. Events after the balance sheet date

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

	2017 DKK'000	2016 DKK'000
2. Revenue		
Europe	307,129	301,550
Asia	163,834	164,148
America	94,374	96,654
Africa	9,638	5,220
	574,975	**567,572**

3. Other external expenses

Special items for the year are specified below just as the items under which they are are recognised in the income statement:

	2017 DKK'000	2016 DKK'000
Income		
Operation loss insurance	1.100	0
Grant income	5.757	101
	6.857	**101**
Expenses		
Consultancy, strategy and legal compliance	7.701	5.711
	7.701	**5.711**
Special items are recognised in the below items		
Other operating income	6.857	101
Other external expenses	-7.701	-5.711
	-844	**-5.610**

	2017 DKK'000	2016 DKK'000
4. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	159	208
Tax services	747	45
Other services	80	81
	986	**334**

Fees for 2016 are to Ernst and Young while fees for 2017 are to Deloitte.

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
5. Staff costs		
Wages and salaries	68,507	59,068
Pension costs	3,943	2,907
Other social security costs	2,884	3,856
Other staff costs	4,958	3,385
	80,292	**69,216**
Average number of employees	**118**	**105**

	Remuneration of management 2017 DKK'000	Remuneration of management 2016 DKK'000
Executive Board	5,112	5,243
Board of Directors	1,348	1,048
	6,460	**6,291**

The remuneration to the Executive Board is paid by the parent.

	2017 DKK'000	2016 DKK'000
6. Other financial income		
Financial income arising from group enterprises	26	0
Other interest income	62	0
Exchange rate adjustments	0	2,185
	88	**2,185**

	2017 DKK'000	2016 DKK'000
7. Other financial expenses		
Financial expenses from group enterprises	7,018	6,941
Other interest expenses	1,484	2,472
Exchange rate adjustments	10,051	0
Other financial expenses	1,065	1,067
	19,618	**10,480**

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
8. Tax on profit/loss for the year		
Current tax	211	3,204
Change in deferred tax	-3,580	237
Adjustment concerning previous years	99	0
	-3,270	**3,441**

	2017 DKK'000	2016 DKK'000
9. Proposed distribution of profit/loss		
Retained earnings	-18,756	3,508
	-18,756	**3,508**

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000
10. Intangible assets			
Cost beginning of year	1,501	8,854	137,000
Exchange rate adjustments	0	-6	0
Transfers	1,654	0	0
Additions	260	1,158	0
Disposals	-662	0	0
Cost end of year	**2,753**	**10,006**	**137,000**
Amortisation and impairment losses beginning of year	-1,307	-1,501	-65,646
Exchange rate adjustments	0	6	0
Amortisation for the year	-2,108	-918	-6,850
Reversal regarding disposals	662	0	0
Amortisation and impairment losses end of year	**-2,753**	**-2,413**	**-72,496**
Carrying amount end of year	**0**	**7,593**	**64,504**

Notes to consolidated financial statements

11. Property, plant and equipment	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	121,443	489,351	27,890	10,163
Exchange rate adjustments	-5,445	-29,580	-66	-52
Transfers	0	804	247	0
Additions	1,650	12,491	2,133	18,432
Disposals	-5,542	-63	-493	-2,705
Cost end of year	**112,106**	**473,003**	**29,711**	**25,838**
Depreciation and impairment losses beginning of year	-44,627	-271,651	-20,126	0
Exchange rate adjustments	942	10,089	-54	0
Depreciation for the year	-3,861	-33,076	-3,121	0
Reversal regarding disposals	641	58	493	0
Depreciation and impairment losses end of year	**-46,905**	**-294,580**	**-22,808**	**0**
Carrying amount end of year	**65,201**	**178,423**	**6,903**	**25,838**

12. Fixed asset investments	Deposits DKK'000
Cost beginning of year	233
Cost end of year	**233**
Carrying amount end of year	**233**

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
13. Deferred tax		
Intangible assets	1,581	1,481
Property, plant and equipment	17,057	20,735
Tax losses carried forward	-11,506	-11,142
	7,132	**11,074**

Changes during the year	
Beginning of year	11,074
Recognised in the income statement	-3,580
Recognised directly in equity	-362
End of year	**7,132**

Deferred tax liabilities are expected to be set off within 1-5 years.

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
14. Liabilities other than provisions				
Mortgage debt	1,824	2,892	10,425	4,783
	1,824	**2,892**	**10,425**	**4,783**

15. Financial instruments

The group uses hedging instruments such as forward exchange contracts to hedge recognized and non-recognized transactions.

Recognized transactions

Hedging of recognized transactions primarily includes receivables and payables.

Forecast transactions

The group uses forward exchanges contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year. Furthermore, a few large potential high-risk transactions after the next year are hedged through currency options. The forward exchange contracts has a negative value of DKK 939K as per 31.12.2017 and the period runs from 1-12 months.

	2017 DKK'000	2016 DKK'000
16. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**6,290**	**6,360**

Notes to consolidated financial statements

17. Assets charged and collateral

The group has concluded regular forward purchase contracts for raw materials.

The group is liable for total bank loans in the New Nutrition Holding Group. At year-end 2017 total credit facilities amounted to DKK 429 million.

A mortgage of USD 2,000 thousand secured upon the Group's properties has been provided as collateral for transactions with Ohio Department of Development.

The carrying amount of mortgaged properties amounted to USD 4,640 thousand.

As collateral for commitments with banks, the following has been deposited:
- Mortgage of DKK 25,083 thousand secured on the property Saturnvej 51, Horsens.
- Owner's mortgage of DKK 20,000 thousand and letter of indemnity of DKK 18,000 thousand secured on the Company's property Saturnvej 51, Horsens.

The carrying amount of mortgaged properties amounted to DKK 36,442 thousand.

As collateral for commitments with banks, the following has been deposited:

- Letter of indemnity on movables of DKK 12,000 thousand and chattel mortgage registered to the owner of DKK 12,000 thousand secured upon machinery and fixtures and fittings, etc.

The carrying amount of assets provided as colleteral amounted to DKK 45,465 thousand.

18. Transactions with related parties

New Nutrition ApS (CVR: 36904429), Horsens, owns 100% of the shares in the company and therefore has controlling interest.

Referring to section 98 (C) of the Danish Financial Statements act the company does not disclose transactions with related parties as the transactions have been performed at arm’s length.

19. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: New Nutrition Holding S.a.r.l., Luxenbourg.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: New Nutrition Holding ApS, Denmark.

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
20. Subsidiaries					
Hamlet Protein Inc.	Ohio, USA	Inc.	100.0	49,059	1,001
Hamlet Protein Iowa Inc.	Iowa, USA	Inc.	100.0	-7,106	-909
Hamlet Protein GmbH	Germany	GmbH	100.0	744	0
Hamlet Trading Co. Ltd.	China	Ltd.	100.0	1,706	12

Parent income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	2	402,243	399,148
Other operating income		6,808	12
Costs of raw materials and consumables		-274,194	-256,428
Other external expenses		-37,316	-34,306
Gross profit/loss		**97,541**	**108,426**
Staff costs	3	-57,319	-48,136
Depreciation, amortisation and impairment losses		-24,627	-22,229
Other operating expenses		-24,547	-29,877
Operating profit/loss		**-8,952**	**8,184**
Income from investments in group enterprises		104	-473
Other financial income		6,060	8,996
Other financial expenses		-19,346	-9,928
Profit/loss before tax		**-22,134**	**6,779**
Tax on profit/loss for the year		3,378	-3,271
Profit/loss for the year	4	**-18,756**	**3,508**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Completed development projects		0	194
Acquired intangible assets		7,593	7,353
Goodwill		64,504	71,354
Intangible assets	5	**72,097**	**78,901**
Land and buildings		36,441	38,574
Plant and machinery		39,405	43,451
Other fixtures and fittings, tools and equipment		6,050	6,618
Property, plant and equipment in progress		22,076	9,736
Property, plant and equipment	6	**103,972**	**98,379**
Investments in group enterprises		51,511	54,615
Deposits		233	233
Fixed asset investments	7	**51,744**	**54,848**
Fixed assets		**227,813**	**232,128**
Raw materials and consumables		11,762	7,988
Manufactured goods and goods for resale		7,957	9,776
Inventories		**19,719**	**17,764**
Trade receivables		57,139	56,634
Receivables from group enterprises		147,644	179,653
Other receivables		14,242	7,965
Prepayments	8	1,519	676
Receivables		**220,544**	**244,928**
Cash		**10,833**	**24,036**
Current assets		**251,096**	**286,728**
Assets		**478,909**	**518,856**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		4,710	4,710
Reserve for net revaluation according to the equity method		0	3,308
Reserve for development expenditure		3,349	1,546
Retained earnings		178,911	203,110
Equity		**186,970**	**212,674**
Deferred tax	9	6,946	10,714
Provisions		**6,946**	**10,714**
Mortgage debt		2,752	3,801
Non-current liabilities other than provisions		**2,752**	**3,801**
Current portion of long-term liabilities other than provisions		1,049	2,037
Bank loans		39,215	47,911
Trade payables		39,455	24,835
Payables to group enterprises		189,831	205,152
Other payables		12,691	11,732
Current liabilities other than provisions		**282,241**	**291,667**
Liabilities other than provisions		**284,993**	**295,468**
Equity and liabilities		**478,909**	**518,856**
Events after the balance sheet date	1		
Financial instruments	10		
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Assets charged and collateral	13		
Related parties with controlling interest	14		
Transactions with related parties	15		

Parent statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	4,710	3,308	1,546	203,110
Exchange rate adjustments	0	-3,412	0	-2,250
Fair value adjustments of hedging instruments	0	0	0	-1,648
Tax of entries on equity	0	0	0	362
Transfer to reserves	0	0	1,803	-1,803
Profit/loss for the year	0	104	0	-18,860
Equity end of year	**4,710**	**0**	**3,349**	**178,911**

	Total DKK'000
Equity beginning of year	212,674
Exchange rate adjustments	-5,662
Fair value adjustments of hedging instruments	-1,648
Tax of entries on equity	362
Transfer to reserves	0
Profit/loss for the year	-18,756
Equity end of year	**186,970**

Notes to parent financial statements

1. Events after the balance sheet date

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

	2017 DKK'000	2016 DKK'000
2. Revenue		
Europe	293,590	301,550
Asia	97,855	91,622
Americas	1,585	672
Africa	9,213	5,304
	402,243	**399,148**

	2017 DKK'000	2016 DKK'000
3. Staff costs		
Wages and salaries	48,826	41,946
Pension costs	3,482	2,836
Other social security costs	463	473
Other staff costs	4,548	2,881
	57,319	**48,136**
Average number of employees	**77**	**71**

	Remuneration of management 2017 DKK'000	Remuneration of management 2016 DKK'000
Executive Board	5,112	5,243
Board of Directors	1,348	1,048
	6,460	**6,291**

The remuneration to the the Board of Directors is paid by the parent.

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
4. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	104	-473
Transferred to other reserves	0	1,546
Retained earnings	-18,860	2,435
	-18,756	**3,508**

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000
5. Intangible assets			
Cost beginning of year	1,501	8,807	137,000
Transfers	1,654	0	0
Additions	260	1,158	0
Disposals	-662	0	0
Cost end of year	**2,753**	**9,965**	**137,000**
Amortisation and impairment losses beginning of year	-1,307	-1,454	-65,646
Amortisation for the year	-2,108	-918	-6,850
Reversal regarding disposals	662	0	0
Amortisation and impairment losses end of year	**-2,753**	**-2,372**	**-72,496**
Carrying amount end of year	**0**	**7,593**	**64,504**

Notes to parent financial statements

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
6. Property, plant and equipment				
Cost beginning of year	76,005	242,496	25,078	9,736
Transfers	0	428	247	-2,330
Additions	414	4,955	2,008	14,670
Disposals	-93	-63	-493	0
Cost end of year	**76,326**	**247,816**	**26,840**	**22,076**
Depreciation and impairment losses beginning of year	-37,431	-199,045	-18,460	0
Depreciation for the year	-2,503	-9,424	-2,823	0
Reversal regarding disposals	49	58	493	0
Depreciation and impairment losses end of year	**-39,885**	**-208,411**	**-20,790**	**0**
Carrying amount end of year	**36,441**	**39,405**	**6,050**	**22,076**

	Invest-ments in group enterprises DKK'000	Deposits DKK'000
7. Fixed asset investments		
Cost beginning of year	44,241	233
Additions	2,415	0
Cost end of year	**46,656**	**233**
Revaluations beginning of year	10,374	0
Exchange rate adjustments	-5,662	0
Transfers	39	0
Share of profit/loss for the year	104	0
Revaluations end of year	**4,855**	**0**
Carrying amount end of year	**51,511**	**233**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Notes to parent financial statements

8. Prepayments

Consists of prepaid goods.

	2017 DKK'000	2016 DKK'000
9. Deferred tax		
Intangible assets	1,581	1,481
Property, plant and equipment	8,937	9,233
Tax losses carried forward	-3,572	0
	6,946	**10,714**

Changes during the year	
Beginning of year	10,714
Recognised in the income statement	-3,406
Recognised directly in equity	-362
End of year	**6,946**

Deferred tax liabilities are expected to be set off within 1-5 years.

10. Financial instruments

The company uses hedging instruments such as forward exchange contracts to hedge recognized and non-recognized transactions.

Recognized transactions

Hedging of recognized transactions primarily includes receivables and payables.

Forecast transactions

The company uses forward exchanges contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year. Furthermore, a few large potential high-risk transactions after the next year are hedged through currency options. The forward exchange contracts has a negative value of DKK 939K as per 31.12.2017 and the period runs from 1-12 months.

	2017 DKK'000	2016 DKK'000
11. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**6,290**	**6,360**

12. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where New Nutrition Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act,

Notes to parent financial statements

the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

13. Assets charged and collateral

As collateral for commitments with banks, the following has been deposited:

- Mortgage of DKK 25,083 thousand secured on the property Saturnvej 51, Horsens.

- Owner's mortgage of DKK 20,000 thousand and letter of indemnity of DKK 18,000 thousand secured on the Company's property Saturnvej 51, Horsens.

- Letter of indemnity on movables of DKK 12,000 thousand and chattel mortgage registered to the owner of DKK 12,000 thousand secured upon machinery and fixtures and fittings, etc.

The carrying amount of mortgaged properties amounted to DKK 36,442 thousand.
The carrying amount of assets provided as collateral amounted to DKK 45,455 thousand.

14. Related parties with controlling interest

New Nutrition ApS (CVR: 36904429), Horsens, owns 100% of the shares in the company and therefore has controlling interest.

15. Transactions with related parties

Referring to section 98 (C) of the Danish Financial Statements act the company does not disclose transactions with related parties as the transactions have been performed at arm’s length.

Accounting policies

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

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

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Income statement
Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Fair value adjustments of investment property
Fair value adjustment of investment properties for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

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

Costs of raw materials and consumables
Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Accounting policies

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, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other operating expenses

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

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

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.

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 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. Useful life is determined based on an assessment of whether

Accounting policies

the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile, and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation period used is 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 3-5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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. For self-manufactured assets, cost comprises

Accounting policies

direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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	30 years
Plant and machinery	10 to 20 years
Other fixtures and fittings, tools and equipment	3 to 10 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
In the parent financial statements, 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 and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straigth-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used is 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Accounting policies

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 on 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.

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

Cash
Cash comprises cash in hand and bank deposits.

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 or the planned settlement of each liability.

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Accounting policies

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.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement is not included in the annual report in accordance with Section 86 (4) of the Danish Financial Statement Act.