M Seals A/S

Støberivej 26, 3000 Helsingør
CVR no. 10 60 11 34

Annual report
for the financial year 01.10.23 – 30.09.24

The annual report has been adopted December 19, 2024
annual general meeting,

Thomas Baag Petersen
Chairman of the meeting

Table of contents

Company information etc.	3
Statement by the Executive Board and Board of Directors on the annual report	4
Independent auditor's report	5 - 7
Management's review	8 - 12
Income statement	13
Balance sheet	14 - 15
Statement of changes in equity	16
Notes	17 - 31

Company information etc.

The company

M Seals A/S
Støberivej 26
3000 Helsingør

Registered office: Espergærde
CVR no.: 10 60 11 34
Founded: December 30, 1986
Financial year: 01.10 - 30.09

Executive Board

Thomas Baag Petersen

Board of Directors

Thomas Baag Petersen
Jette Stade
Alessandro Lala

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Subsidiarie

M Seals AB, Sverige

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

We have on this day presented the annual report for the financial year 01.10.23 - 30.09.24 for M Seals A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 30.09.24 and of the results of the company's activities for the financial year 01.10.23 - 30.09.24.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Helsingør, December 19, 2024

Executive Board

Thomas Baag Petersen

Board of Directors

Thomas Baag Petersen Chairman	Jette Stade	Alessandro Lala

Independent auditor's report

To the Shareholder of M Seals A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at September 30, 2024, and of the results of the Company's operations for the financial year October 1, 2023 – September 30, 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of M Seals A/S for the financial year October 1, 2023 – September 30, 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

Copenhagen, December 19, 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Leif Ulbæk Jensen
State Authorised Public Accountant
mne23327

Thomas Lauritsen
State Authorised Public Accountant
mne34342

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2023/24	2022/23	2021/22	2020/21	2019/20
Profit/loss					
Gross profit	36,709	39,284	41,421	46,778	41,872
Index	88	94	99	112	100
Operating profit	9,368	13,289	17,404	24,426	20,876
Index	45	64	83	117	100
Total net financials	14,037	13,221	13,308	9,145	9,921
Index	141	133	134	92	100
Profit for the year	20,789	23,086	26,433	28,120	26,191
Index	79	88	101	107	100
Balance					
Total assets	126,219	120,664	126,819	119,336	100,490
Index	126	120	126	119	100
Investments in property, plant and equipment	2,977	1,671	266	99	233
Index	1,278	717	114	42	100
Equity	97,783	95,994	96,108	89,075	69,390
Index	141	138	139	128	100

Ratios

	2023/24	2022/23	2021/22	2020/21	2019/20
Profitability					
Return on equity	21.5%	24.0%	28.5%	35.5%	41.3%
Equity ratio					
Solvency ratio	77.5%	79.6%	75.8%	74.6%	69.1%

Ratios definitions

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

Solvency ratio: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary Activities

As in previous years, the company's core activity has been the trading of sealing and seal components.

Business Development and Financial Performance

Management is pleased with the financial performance for the year, with a 4.6% growth in revenue, which is at the upper end of our expectations of 3-5%. This result is particularly satisfactory given the challenging environment, including geopolitical events and the relocation of M Seals to a new facility in Helsingør.

The Danish operation experienced strong growth in European sales, increasing by 20%, while domestic sales saw a slight decline of 0.8%. Once again, the company's diverse customer segments and broad geographic reach have demonstrated the resilience and effectiveness of our strategic approach.

The operating profit declined of 29.5% compared to the previous year, falling significantly short of the anticipated growth range of 3-5%. This decrease is primarily attributed to expenses associated with the relocation to new premises, including increased rental costs, inventory transportation, and higher depreciation due to recent capital investments.

The Swedish operation (M Seals AB) continued its impressive growth for the third consecutive year, achieving a 10% increase, primarily driven by new customer and expanded projects with existing clients.

All in all, the results for Denmark and Sweden are highly satisfactory, especially considering the market challenges and the relocation to new premises.

Outlook

Looking ahead, we acknowledge the significant uncertainties stemming from global conflicts, political instability, and inflation. Despite these challenges, we remain confident in the robustness of the company. Our strong pipeline of new projects, the introduction of new product lines, and the state-of-the-art facility in Helsingør position us well to support continued growth. Based on this, we anticipate organic growth in revenue and result for the year to remain within the 3-5% range.

Employees

Our focus on talent development and organizational strengthening remains a priority. Attracting and nurturing skilled individuals is essential to executing our growth strategy and preparing for future opportunities. This year, we continued to enhance our QA department

and invested in advanced measurement equipment to meet increasing market demands and regulatory requirements.

We also continue to invest in obtaining approvals for both existing and new compounds to meet growing market demands. On the operational side, we have strengthened our production capabilities and implemented new value-added activities.

Risks

Operational Risks

The primary risk remains the ongoing challenges in the supply chain. However, with strong relationships with long-term partners and a highly skilled purchasing team, we are confident in our ability to navigate this challenging environment.

Financial Risks

The company's financial performance is exposed to currency fluctuations, particularly in USD, EUR, and SEK, due to sales and purchases from foreign markets. It is not our policy to hedge against currency risk, and we do not engage in forward exchange contracts or speculative foreign exchange positions.

To mitigate credit risk, we perform credit assessments of customers prior to sales. Given that we primarily work with large, well-established clients, we do not anticipate any significant credit risks.

Sustainability (ESG) - Our Net-Zero Journey

In FY2024, we advanced our commitment to sustainability by investing in a new facility powered by solar panels. This investment has facilitated a shift to central heating and enabled us to provide charging stations for electric vehicles. We are also focused on reducing our environmental impact through increased recycling efforts and minimizing landfill waste.

M Seals remains dedicated to being a socially and environmentally responsible company. Several initiatives have been launched to enhance our environmental and community impact. Our "Delivering Value Responsibly" framework emphasizes sustainable growth by focusing on environmental stewardship, employee welfare, and our influence on suppliers and customers.

We have obtained ISO14000 certification and developed a comprehensive Code of Conduct centered on human rights, labor standards, environmental sustainability, and anti-corruption. Since earning this certification, we have successfully ensured that 100% of our key suppliers are committed to this Code of Conduct. We also engage with key suppliers to

ensure transparency in emissions and explore collaborative decarbonization initiatives.

As part of our long-term strategy, M Seals is committed to contributing to the United Nations' 17 Sustainable Development Goals.

Subsequent Events

There have been no events after the balance sheet date that would impact the assessment of this annual report.

Income statement

Note		2023/24 DKK	2022/23 DKK
	Gross profit	**36,709,245**	**39,283,651**
1	Staff costs	-26,364,824	-25,395,429
	Profit before depreciation, amortisation, write-downs and impairment losses	**10,344,421**	**13,888,222**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-976,809	-599,159
	Operating profit	**9,367,612**	**13,289,063**
2	Income from equity investments in group enterprises	11,572,499	10,726,097
3	Financial income	3,347,935	2,980,019
4	Financial expenses	-883,751	-484,633
	Profit before tax	**23,404,295**	**26,510,546**
5	Tax on profit for the year	-2,615,087	-3,424,625
	Profit for the year	**20,789,208**	**23,085,921**

6 Proposed appropriation account

Balance sheet

ASSETS

Note		30.09.24 DKK	30.09.23 DKK
	Acquired rights	714,269	770,659
7	**Total intangible assets**	**714,269**	**770,659**
	Plant and machinery	1,157,718	1,488,087
	Other fixtures and fittings, tools and equipment	2,773,322	274,855
8	**Total property, plant and equipment**	**3,931,040**	**1,762,942**
9	Equity investments in group enterprises	81,040	81,040
10	Receivables from group enterprises	51,701,057	46,659,945
	Total investments	**51,782,097**	**46,740,985**
	Total non-current assets	**56,427,406**	**49,274,586**
	Manufactured goods and goods for resale	35,852,803	40,824,636
	Prepayments for goods	17,728	0
	Total inventories	**35,870,531**	**40,824,636**
	Trade receivables	19,448,874	16,258,391
	Receivables from group enterprises	2,796,178	3,807,417
	Other receivables	137,284	501,874
	Prepayments	1,815,660	1,166,875
	Total receivables	**24,197,996**	**21,734,557**
	Cash	**9,723,472**	**8,830,405**
	Total current assets	**69,791,999**	**71,389,598**
	Total assets	**126,219,405**	**120,664,184**

Balance sheet

EQUITY AND LIABILITIES

Note		30.09.24 DKK	30.09.23 DKK
11	Share capital	1,000,000	1,000,000
	Retained earnings	78,183,455	75,994,247
	Proposed dividend for the financial year	18,600,000	19,000,000
	Total equity	**97,783,455**	**95,994,247**
12	Provisions for deferred tax	600,193	381,374
13	Other provisions	25,000	0
	Total provisions	**625,193**	**381,374**
	Payables to group enterprises	10,199,125	7,874,458
	Total long-term payables	**10,199,125**	**7,874,458**
	Prepayments received from customers	60,852	14,833
	Trade payables	12,939,287	10,005,933
	Payables to group enterprises	120,343	1,143,749
	Income taxes	996,574	2,324,966
	Other payables	3,494,576	2,924,624
	Total short-term payables	**17,611,632**	**16,414,105**
	Total payables	**27,810,757**	**24,288,563**
	Total equity and liabilities	**126,219,405**	**120,664,184**

14 Contingent liabilities
15 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Balance as at 01.10.22	1,000,000	71,908,326	23,200,000	96,108,326
Dividend paid	0	0	-23,200,000	-23,200,000
Net profit/loss for the year	0	4,085,921	19,000,000	23,085,921
Balance as at 30.09.23	1,000,000	75,994,247	19,000,000	95,994,247
Balance as at 01.10	1,000,000	75,994,247	19,000,000	95,994,247
Dividend paid	0	0	-19,000,000	-19,000,000
Net profit/loss for the year	0	2,189,208	18,600,000	20,789,208
Balance as at 30.09	1,000,000	78,183,455	18,600,000	97,783,455

	2023/24 DKK	2022/23 DKK

1. Staff costs

Wages and salaries	22,804,414	21,864,818
Pensions	3,191,070	3,168,602
Other social security costs	369,340	362,009
Total	26,364,824	25,395,429
Average number of employees during the year	42	42

With reference to section 98B(3) of the Danish Financial Statement Act, the fee for the Management has not been disclosed. The Board of directors do not receive renumeration as the work in the board is limited.

2. Income from equity investments in group enterprises

Dividend, group enterprises	11,572,499	10,726,097

3. Financial income

Interest, group enterprises	3,229,284	2,659,945
Other financial income	118,651	320,074
Total	3,347,935	2,980,019

4. Financial expenses

Interest, group enterprises	361,477	297,296
Other financial expenses	522,274	187,337
Total	883,751	484,633

	2023/24 DKK	2022/23 DKK

5. Tax on profit for the year

Tax on profit or loss for the year	2,396,574	3,421,770
Adjustment of deferred tax for the year	218,819	2,855
Adjustment of tax in respect of previous years	-306	0
Total	2,615,087	3,424,625

6. Proposed appropriation account

Proposed dividend for the financial year	18,600,000	19,000,000
Retained earnings	2,189,208	4,085,921
Total	20,789,208	23,085,921

7. Intangible assets

Figures in DKK	Acquired rights
Cost as at 01.10	3,181,260
Additions during the year	111,888
Disposals during the year	-557,800
Cost as at 30.09	2,735,348
Amortisation and impairment losses as at 01.10	-2,410,601
Amortisation during the year	-168,278
Amortisation of and impairment losses on disposed assets for the year	557,800
Amortisation and impairment losses as at 30.09	-2,021,079
Carrying amount as at 30.09	714,269

8. Property, plant and equipment

Figures in DKK	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.10	326,690	5,517,595	1,793,818
Additions during the year	0	57,000	2,919,629
Disposals during the year	-301,445	-32,000	-314,200
Cost as at 30.09	25,245	5,542,595	4,399,247
Depreciation and impairment losses as at 01.10	-326,690	-4,029,508	-1,518,963
Depreciation during the year	0	-387,369	-421,162
Reversal of depreciation of and impairment losses on disposed assets	301,445	32,000	314,200
Depreciation and impairment losses as at 30.09	-25,245	-4,384,877	-1,625,925
Carrying amount as at 30.09	0	1,157,718	2,773,322

9. Equity investments in group enterprises

Figures in DKK	Equity investments in group enterprises
Cost as at 01.10	81,040
Cost as at 30.09	81,040
Carrying amount as at 30.09	81,040

Name and registered office:	Ownership interest	Equity DKK	Net profit/loss for the year DKK
Subsidiary:			
M Seals AB, Sverige	100%	12,974,588	11,974,183

10. Other non-current financial assets

Figures in DKK	Receivables from group enterprises
Cost as at 01.10	46,659,945
Additions during the year	22,150,495
Disposals during the year	-17,109,383
Cost as at 30.09	51,701,057
Carrying amount as at 30.09	51,701,057

11. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share class A	50	50,000
Share class B	450	450,000
Share class C	500	500,000
Total		1,000,000

	30.09.24 DKK	30.09.23 DKK

12. Deferred tax

Deferred tax as at 01.10	381,374	378,519
Deferred tax recognised in the income statement	218,819	2,855
Deferred tax as at 30.09	600,193	381,374

13. Other provisions

Figures in DKK	Obligation for dismandling, removing and restoring
Provisions as at 01.10	0
Provisions during the year	25,000
Provisions as at 30.09	25,000

	30.09.24 DKK	30.09.23 DKK
Other provisions are expected to be distributed as follows:		
Non-current liabilities	25,000	0

14. Contingent liabilities

The company has concluded lease agreements regarding leasehold with a remaining payment of DKK 83.104k.

The Company has concluded other lease agreements with a remaining payment of DKK 2.180k.

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known tax liability for the jointly taxed companies is DKK 2.901k at the balance sheet date, of which DKK 997k is recognised in the balance sheet.

15. Related parties

Controlling influence	Basis of influence
Diploma PLC, Storbritannien	Beneficial owners
Diploma Europe Holdings Limited, Storbritannien	Legal owners
TBP Holding ApS	Legal owners

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

16. Accounting policies

GENERAL

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

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of Diploma PLC, which prepares consolidated financial statements.

The foreign consolidated financial statements are available at:
http://www.diplomaplc.com

Basis of recognition and measurement

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

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

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

CURRENCY

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

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable

16. Accounting policies - continued -

arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

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

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, other operating income, cost of sales and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

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

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and

16. Accounting policies - continued -

administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

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

Depreciation, amortisation and impairment losses

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

	Useful lives, years	Residual value DKK
Acquired rights	3 - 7	0
Leasehold improvements	3 - 7	0
Plant and machinery	3 - 5	0
Other plant, fixtures and fittings, tools and equipment	3 - 7	0

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

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

Income from equity investments in group entreprises

Dividends from investments measured at cost are recognised as income in the financial year in which the dividend is declared.

Income from investments in subsidiaries also comprises gains and losses on the sale of investments.

16. Accounting policies - continued -

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

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

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

16. Accounting policies - continued -

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

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Investments in group entreprises

Investments in subsidiaries are measured in the balance sheet at cost less any impairment losses.

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

Impairment losses on fixed assets

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

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

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

If dividends are distributed on investments in subsidiaries exceeding the year earnings from the enterprise in question, this is considered an indication of impairment.

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

16. Accounting policies - continued -

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

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

Inventories

Inventories are measured at cost on basis of measured average prices. Inventories are written down to the lower of cost and net realisable value.

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

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

Receivables

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

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

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

Cash

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

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

16. Accounting policies - continued -

Provisions

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

Current and deferred tax

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

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

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

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

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

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

16. Accounting policies - continued -

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

CASH FLOW STATEMENT

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