DAT A/S

Lufthavnsvej 4, DK-6580 Vamdrup

Annual Report for 1 January - 31 December 2020

CVR No 12 65 46 93

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 16/4 2021

Halldor Sigurdarson
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DAT A/S for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Vamdrup, 16 April 2021

Executive Board

Jesper Rungholm
CEO

Board of Directors

Halldor Sigurdarson Chairman	Kristian Anders Hvass	Jesper Rungholm

Independent Auditor's Report

To the Shareholders of DAT A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of DAT A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials 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 misstate-

ment, 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.

Trekantområdet, 16 April 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen	Lasse Berg
statsautoriseret revisor	statsautoriseret revisor
mne30224	mne35811

Company Information

The Company	DAT A/S Lufthavnsvej 4 DK-6580 Vamdrup CVR No: 12 65 46 93 Financial period: 1 January - 31 December Municipality of reg. office: Vamdrup
Board of Directors	Halldor Sigurdarson, Chairman Kristian Anders Hvass Jesper Rungholm
Executive Board	Jesper Rungholm
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	418.390	1.004.095	1.057.137	872.825	779.288
Operating profit/loss	-157.477	-16.150	-73.802	1.521	-8.875
Profit/loss before financial income and expenses	15.230	-9.288	-54.713	61	-10.151
Net financials	-25.111	-21.425	-5.610	3.085	3.085
Net profit/loss for the year	-4.101	-40.784	-47.526	2.488	-8.068
Balance sheet					
Balance sheet total	518.028	445.510	495.287	215.017	197.576
Equity	-31.933	-27.832	-23.047	24.479	21.991
Investment in property, plant and equipment	4.135	11.968	277.976	2.295	2.370
Number of employees	160	208	284	277	267
Ratios					
Gross margin	33,9%	16,5%	12,6%	18,4%	18,4%
Solvency ratio	-6,2%	-6,2%	-4,7%	11,4%	11,1%
Return on equity	13,7%	160,3%	-	10,7%	-34,6%

See the description under accounting policies.

Management's Review

Key activities

The Company's activities consist of operating fixed wing aircraft and related activities using own and leased aircraft.

Development in the year

The income statement of the Company for 2020 shows a loss of TDKK 4,101, and at 31 December 2020 the balance sheet of the Company shows negative equity of TDKK 31,933.

Despite COVID-19 related setbacks and challenges, the Group was able to post positive result and, considering, a reasonably healthy liquidity position at the end of the year. Whilst State compensation support schemes contributed largely to this then two other factors had key impact. One was the significant support received from the Group's primary banking partner to provide new credit facilities. The other was to successfully negotiate contract termination settlements. It is also important to mention the many financial stakeholders/suppliers that did contribute handsomely by offering and/or accepting to support the Group.

Immediately following the COVID-19 outbreak in Europe around middle of March, the Group's flight activities dropped 86% from expectations and by end of the year were about 51% below expectations. This year's revenue was 58% down from last year (DKK -579 mill). Tremendous effort was placed to save cost which also contributed handsomely toward the lost revenue. Given these unprecedented times and the challenges presented, Management is pleased with the financial results.

Management's Review

Capital resources

The Company's financial performance for 2020 shows a loss before tax of DKK 9.9 mill and the equity is as of 31 December 2020 negative with DKK 31.9 mill. Hence the Company is falling under the capital loss rules in the Danish Company's Act.

Management has therefore made an assessment on how to reestablish the capital of the Company, which is based on profit making operations for the coming years. If this should not be adequate the shareholder further is set to inject new capital into the Company.

Next to equity the Company's operations is financed through external credit lines provided by the Company's bank. The credit lines are granted at Group level and hence the assessment of adequate liquidity reserves for the coming year has been made at this level.

The Group has total debt towards Sydbank amounting to DKK 205 mill as of year-end 2020. The Group entered an additional DKK 40 mill. debt agreement with Sydbank in March 2020. The additional debt was secured to protect the Group's short-term liquidity position in the immediate aftermath caused by the Covid-19 pandemic. DKK 18 mill. facility was extended by one year in May 2020 and DKK 27.3 mill facility was renewed in September for a period of one year.

The current credit facilities are assessed to provide sufficient liquidity to secure the Groups operations in the years to come.

For 2021 the Groups budget is based on an increase in revenues of around 55% compared to 2020. Compared to prior Covid-19 (2019) a decrease of around 50% is budgeted still tacking the medium-term effects of the pandemic into account in the budget.

The Group has in the last months of 2020 seen a monthly increase in production compared to what was seen during the first Covid-19 lock-down and reached around 40% of its comparable second half 2019 production in the last six months of 2020. The budget for 2021 is based on these assumptions seeing a further improvement in the coming months.

As of 31 March 2021, the liquidity is adequate with a short-term headroom totaling around DKK 101 mill. Being cautiously optimistic, the long-term liquidity forecast (12 months) shows a headroom of DKK 7 mill. under the budgeted scenario. Whilst it is very difficult to make predictions during these unsettling times, management is of the view its budgeted scenario is reasonable. This includes scheduled instalments on loans of around DKK 50 mill during 2021.

Based on this, it is the management's assessment that the Company has the necessary capital and liquidity resources to carry through the plans for the financial year 2021. The Annual Report is therefore presented on the assumption of continued operations.

Management's Review

Foreign exchange risks

A large portion of the Group's income and expenses as well as external financing is settled in foreign currencies meaning that the profit may be affected by currency fluctuations. It is Group policy not to part-take in speculative currency positions.

Foreign branches

DAT A/S, Italy, VAT no. IT10399580967

Targets and expectations for the year ahead

Given the current challenging times, it is difficult to predict what to expect for the year ahead. General approach is to be cautious when it comes to expectations whilst building an element of optimism. Management's estimate is to expect to incur a loss in 2021. Continued immediate and medium-term impact of Covid-19 remains challenging to comprehend.

Statement of corporate social responsibility

We refer to the description about Corporate Social Responsibility, hereunder human rights, social and labor conditions, climate, environment and anti-corruption in the consolidated financial statements for DAT Holding A/S.

Statement on gender composition

We refer to the description about the gender composition of management in the consolidated financial statements for DAT Holding A/S.

Uncertainty relating to recognition and measurement

The assessments of indications of impairment per 31 December 2020 is based on the future cash flows expected by management per 31 December 2020, which due to Covid-19 differ from the expectations for future cash flows that management has at the time of approval of the Annual Report. Hence, after the balance sheet date there is significant uncertainty in recognizing and measuring the company's investments in aircraft and associated spare parts.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2020	2019
		TDKK	TDKK
Revenue	4	**418.390**	**1.004.095**
Other operating income	5	172.707	6.862
Expenses for raw materials and consumables		-415.925	-785.362
Other external expenses		-33.277	-59.768
Gross profit/loss		**141.895**	**165.827**
Staff expenses	6	-82.039	-161.290
Depreciation, amortisation and impairment of property, plant and equipment	10	-44.626	-13.825
Profit/loss before financial income and expenses		**15.230**	**-9.288**
Financial income	7	4.688	173
Financial expenses	8	-29.799	-21.598
Profit/loss before tax		**-9.881**	**-30.713**
Tax on profit/loss for the year	9	5.780	-10.071
Net profit/loss for the year		**-4.101**	**-40.784**

Balance Sheet 31 December

Assets

	Note	2020	2019
		TDKK	TDKK
Land and buildings		3.110	5.355
Other fixtures and fittings, tools and equipment		1.406	3.582
Aircraft and related		202.615	247.835
Property, plant and equipment	10	**207.131**	**256.772**
Investments in subsidiaries	11	0	0
Deposits	12	13.469	15.647
Fixed asset investments		**13.469**	**15.647**
Fixed assets		**220.600**	**272.419**
Raw materials and consumables		55.348	67.939
Inventories		**55.348**	**67.939**
Trade receivables		39.995	44.036
Receivables from group enterprises		37.264	17.627
Other receivables		59.634	18.807
Corporation tax receivable from group enterprises		5.780	8.500
Prepayments	13	2.779	12.189
Receivables		**145.452**	**101.159**
Cash at bank and in hand		**96.628**	**3.993**
Currents assets		**297.428**	**173.091**
Assets		**518.028**	**445.510**

Balance Sheet 31 December

Liabilities and equity

	Note	2020	2019
		TDKK	TDKK
Share capital		10.000	10.000
Retained earnings		-41.933	-37.832
Equity		**-31.933**	**-27.832**
Provision for maintenance	16	15.859	0
Provisions		**15.859**	**0**
Subordinate loan capital		10.000	10.000
Mortgage loans		0	735
Credit institutions		40.000	0
Lease obligations		201.438	207.845
Other payables		9.393	4.330
Long-term debt	17	**260.831**	**222.910**
Mortgage loans	17	0	38
Credit institutions	17	29.108	32.052
Lease obligations	17	12.687	14.664
Prepayments received from customers		13.638	19.292
Trade payables		56.235	74.839
Payables to group enterprises		101.100	62.251
Other payables	17	60.503	47.296
Short-term debt		**273.271**	**250.432**
Debt		**534.102**	**473.342**
Liabilities and equity		**518.028**	**445.510**

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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	10.000	-37.832	-27.832
Net profit/loss for the year	0	-4.101	-4.101
Equity at 31 December	**10.000**	**-41.933**	**-31.933**

Notes to the Financial Statements

1 Going concern

The Company's financial performance for 2020 shows a loss before tax of DKK 9.9 mill and the equity is as of 31 December 2020 negative with DKK 31.9 mill. Hence the Company is falling under the capital loss rules in the Danish Company's Act.

Next to equity the Company's operations is financed through external credit lines provided by the Company's bank. The credit lines are granted at Group level and hence the assessment of adequate liquidity reserves for the coming year has been made at this level.

The Group has total debt towards Sydbank amounting to DKK 205 mill as of year-end 2020. The Group entered an additional DKK 40 mill. debt agreement with Sydbank in March 2020. The additional debt was secured to protect the Group's short-term liquidity position in the immediate aftermath caused by the Covid-19 pandemic. DKK 18 mill. facility was extended by one year in May 2020 and DKK 27.3 mill facility was renewed in September for a period of one year.

The current credit facilities are assessed to provide sufficient liquidity to secure the Groups operations in the years to come.

For 2021 the Groups budget is based on an increase in revenues of around 55% compared to 2020. Compared to prior Covid-19 (2019) a decrease of around 50% is budgeted still tacking the medium-term effects of the pandemic into account in the budget.

The Group has in the last months of 2020 seen a monthly increase in production compared to what was seen during the first Covid-19 lock-down and reached around 40% of its comparable second half 2019 production in the last six months of 2020. The budget for 2021 is based on these assumptions seeing a further improvement in the coming months.

As of 31 March 2021, the liquidity is adequate with a short-term headroom totaling around DKK 101 mill. Being cautiously optimistic, the long-term liquidity forecast (12 months) shows a headroom of DKK 7 mill. under the budgeted scenario. Whilst it is very difficult to make predictions during these unsettling times, management is of the view its budgeted scenario is reasonable. This includes scheduled instalments on loans of around DKK 50 mill during 2021.

Based on this, it is the management's assessment that the Company has the necessary capital and liquidity resources to carry through the plans for the financial year 2021. The Annual Report is therefore presented on the assumption of continued operations.

Notes to the Financial Statements

2 Uncertainty relating to recognition and measurement

The assessments of indications of impairment per 31 December 2020 is based on the long-term future cash flows expected by management per 31 December 2020, which due to Covid-19 differ from the expectations for future short-term cash flows. Hence if to be realized and not continued in operation there is significant uncertainty in recognizing and measuring the company's investments in aircraft and associated spareparts.

3 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

4 Revenue

	2020	2019
	TDKK	TDKK
Geographical segments		
Revenue, Europe	418.390	1.004.095
	418.390	**1.004.095**
Business segments		
Scheduled Services	323.540	462.715
Charter Services	56.208	361.580
ACMI Services	38.642	179.800
	418.390	**1.004.095**

5 Other operating income

	2020	2019
Profit on sale of fixed assets and inventory items	5.005	2.832
Profit from termination of lease agreements	44.472	4.030
COVID-19 support	123.230	0
	172.707	**6.862**

Other operating income comprises compensation of fixed costs and employment support, profit from termination of lease agreements and profit on sales of fixed assets.

Notes to the Financial Statements

		2020	2019
		TDKK	TDKK
6	**Staff expenses**		
	Wages and salaries	75.673	149.096
	Pensions	5.512	9.933
	Other social security expenses	854	2.261
		82.039	**161.290**
	Including remuneration to the Executive Board and Board of Directors	**1.460**	**1.394**
	Average number of employees	**160**	**208**

		2020	2019
7	**Financial income**		
	Interest received from group enterprises	0	159
	Other financial income	0	14
	Exchange adjustments	4.688	0
		4.688	**173**

		2020	2019
8	**Financial expenses**		
	Interest paid to group enterprises	2.671	1.217
	Other financial expenses	27.128	17.859
	Exchange loss	0	2.522
		29.799	**21.598**

		2020	2019
9	**Tax on profit/loss for the year**		
	Current tax for the year	2.865	-8.500
	Deferred tax for the year	0	18.571
	Adjustment of tax concerning previous years	-8.645	0
		-5.780	**10.071**

Notes to the Financial Statements

10 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Aircraft and related
	TDKK	TDKK	TDKK
Cost at 1 January	13.398	16.559	263.932
Additions for the year	0	272	3.863
Disposals for the year	-1.757	-1.224	-7.536
Cost at 31 December	11.641	15.607	260.259
Impairment losses and depreciation at 1 January	8.043	12.977	16.097
Impairment losses for the year	0	1.735	23.912
Depreciation for the year	1.079	264	17.635
Reversal of impairment and depreciation of sold assets	-591	-775	0
Impairment losses and depreciation at 31 December	8.531	14.201	57.644
Carrying amount at 31 December	**3.110**	**1.406**	**202.615**
Including assets under finance leases amounting to	0	264	194.402

11 Investments in subsidiaries

	2020	2019
	TDKK	TDKK
Cost at 1 January	0	50
Net effect from merger and acquisition	0	-50
Cost at 31 December	0	0
Value adjustments at 1 January	0	398
Net effect from merger and acquisition	0	-398
Value adjustments at 31 December	0	0
Carrying amount at 31 December	**0**	**0**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
DAT Hotac ApS (merged with DAT A/S 1 January 2019)	Vamdrup	TDKK 50	100%

Notes to the Financial Statements

12 Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	15.647
Disposals for the year	-2.178
Cost at 31 December	13.469
Carrying amount at 31 December	**13.469**

13 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

14 Distribution of profit

	2020	2019
	TDKK	TDKK
Retained earnings	-4.101	-40.784
	-4.101	**-40.784**

15 Provision for deferred tax

	2020	2019
Provision for deferred tax at 1 January	0	-18.611
Amounts recognised in the income statement for the year	0	18.571
Amounts recognised in equity for the year	0	40
Provision for deferred tax at 31 December	**0**	**0**

16 Provision for maintenance

	2020	2019
Provision for maintenance	15.859	0
	15.859	**0**

Notes to the Financial Statements

17 Long-term debt

	2020	2019
	TDKK	TDKK
Subordinate loan capital		
Between 1 and 5 years	10.000	10.000
Long-term part	10.000	10.000
Within 1 year	0	0
	10.000	**10.000**
Mortgage loans		
After 5 years	0	583
Between 1 and 5 years	0	152
Long-term part	0	735
Within 1 year	0	38
	0	**773**
Credit institutions		
Between 1 and 5 years	40.000	0
Long-term part	40.000	0
Other short-term debt to credit institutions	29.108	32.052
	69.108	**32.052**
Lease obligations		
Between 1 and 5 years	201.438	207.845
Long-term part	201.438	207.845
Within 1 year	12.687	14.664
	214.125	**222.509**
Other payables		
Between 1 and 5 years	9.393	4.330
Long-term part	9.393	4.330
Other short-term payables	60.503	47.296
	69.896	**51.626**

For the subordinated loan capital it has been agreed that there are no regular instalments on the loans. The loans are irredeemable on the part of the creditor during the intervening period which runs until 30. June 2022.

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK
18 Contingent assets, liabilities and other financial obligations		
The following assets have been placed as security for lease obligations:		
The company has provided Sydbank with a floating charge providing Sydbank with collateral in the company´s receivables. The floating charge amounts to TDKK	30.000	30.000

Contingent assets

The Company has an unrecognized tax asset related to tax loss carry forwards totalling DKK 14.201k

Rental and lease obligations

	2020	2019
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	655	5.998
Between 1 and 5 years	1.601	2.256
	2.256	**8.254**

Other contingent liabilities

The company has provided DAT Leasing and UAB DAT LT with a full surety in relation to Sydbank.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Runway Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

19 Related parties

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

Selskabet indgår i koncernrapporten for moderselskabet

Name	Place of registered office
Runway Holding ApS	Lufthavnsvej 7A, 6580 Vamdrup
DAT Holding A/S	Lufthavnsvej 4, 6580 Vamdrup

20 Fee to auditors appointed at the general meeting

According to section 96(3) of the Danish Financial Statement Act, audit fees are only specified in the consolidated financial statement for the parent company DAT Holding A/S.

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of DAT A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of DAT Holding A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Notes to the Financial Statements

21 Accounting Policies (continued)

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sales and sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

21 Accounting Policies (continued)

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Notes to the Financial Statements

21 Accounting Policies (continued)

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other buildings	10-30	years
Plant and machinery	10-20	years
Other fixtures and fittings, tools and equipment	3-7	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with

Notes to the Financial Statements

21 Accounting Policies (continued)

addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Notes to the Financial Statements

21 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$