DAT A/S

Lufthavnsvej 4, DK-6580 Vamdrup

Annual Report for 1 January - 31 December 2019

CVR No 12 65 46 93

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 15/9 2020

Martin Jensen
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 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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

Vamdrup, 15 September 2020

Executive Board

Jesper Rungholm
CEO

Board of Directors

Martin Julius Klejs Jensen Chairman	Jørgen Flodgaard	Kirsten Rungholm

Independent Auditor's Report

To the Shareholder 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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, 15 September 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen statsautoriseret revisor mne30224	Lasse Berg statsautoriseret revisor 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	Martin Julius Klejs Jensen, Chairman Jørgen Flodgaard Kirsten 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:

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Revenue	1.004.095	1.057.137	872.825	779.288	638.767
Operating profit/loss	-16.150	-73.802	1.521	-8.875	-23.045
Profit/loss before financial income and expenses	-9.288	-54.713	61	-10.151	-24.275
Net financials	-21.425	-5.610	3.085	3.085	9.057
Net profit/loss for the year	-40.784	-47.526	2.488	-8.068	-11.872
Balance sheet					
Balance sheet total	445.510	495.287	215.017	197.576	193.927
Equity	-27.832	-23.047	24.479	21.991	24.595
Investment in property, plant and equipment	11.968	277.976	2.295	2.370	2.547
Number of employees	208	284	277	267	250
Ratios					
Gross margin	16,5%	12,6%	18,4%	18,4%	17,4%
Solvency ratio	-6,2%	-4,7%	11,4%	11,1%	12,7%
Return on equity	160,3%	-	10,7%	-34,6%	-35,7%

For definitions, see under accounting policies.

Management's Review

Financial Statements of DAT A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

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

Development in the year

The income statement of the Company for 2019 shows a loss of TDKK 40,784, and at 31 December 2019 the balance sheet of the Company shows negative equity of TDKK 27,832.

The Company has as at 1 January 2019 merged with DAT Hotac ApS. The merger has in the Annual Report been accounted for using the book value method consequently, comparative figures and other disclosures in the Annual Report have not been restated

Management's Review

Capital resources

The Company's financial performance for 2019 shows a loss before tax of DKK 30,7 mill and the equity is as of 31 December 2019 negative with DKK 27,8 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 debt was restructed in December 2019 where a new agreement was reached with Sydbank totaling DKK 225 mill. At that time this new bank agreement was assessed to provide sufficient liquidity to secure the Groups operations in the years to come.

In March 2020 the Covid-19 pandemic caused a significant drop in the Group's operations as most of the Group's services was stopped due to regulatory requirements. This caused a significant pressure on the Group's short term liquidity position. To recover the Group entered an additional DKK 40 mill. debt agreement with Sydbank as well as reached agreements with certain suppliers on deferral of payments.

For 2020 the Groups post Covid-19 best estimate is based on a decline in revenues compared to 2019 of around 60% where off around 53% has been achieved as of 30 June 2020. Hence 47% of the best estimate production needs to be covered during the second half of 2020.

The Group has in the months since the lock-down of countries was abandoned seen a monthly increase in production and has in August had a production of 2/3 of the budget prior to Covid-19. The Covid-19 best estimate is based on these assumptions seeing a further improvement in the coming months.

As of 31 August 2020, the liquidity is adequate with a short-term headroom totalling around DKK 100 mill. The long-term liquidity forecast (12 months) also shows a headroom at the best estimate scenario of DKK 30 mill. and at a downside scenario of DKK 15 mill. The downside scenario has a 20% drop in direct flight contribution from scheduled services recognized compared to the above mentioned best estimate scenario.

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 2020. The Annual Report is therefore presented on the assumption of continued operations.

Management's Review

Special risks - operating risks and financial risks

Foreign exchange risks

A large portion of the Company's income and expenses as well as external financing is settled in foreign currencies meaning that the profit may be affected by currency fluctuations.

Foreign branches

DAT A/S, Italy, VAT no. IT10399580967

Targets and expectations for the year ahead

Initial plans for 2020 indicated a return to profitability following the Company's turnaround strategy successfully implemented in 2019. The Covid-19 pandemic has however since significantly altered those expectations with management current estimate showing a loss of around DKK 9 mill. for 2020 before tax. This best estimate includes DKK 61 mill. Governmental grants receivable. The uncertainty surrounding the immediate and medium-term impact of Covid-19 remains challenging to comprehend.

Statement of corporate social responsibility

For DAT A/S' statutory description of Corporate Social Responsibility, hereunder human rights, social and labor conditions, climate, environment and anti-corruption, in accordance with §99a in the Financials Statements act, please refer to the 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 2019 is based on the future cash flows expected by management per 31 December 2019, 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 subsequent to the balance sheet date there is significant uncertainty in recognizing and measuring the company's investments in airplanes and associated spareparts.

Management’s Review

Subsequent events

The consequences of Covid-19, where many governments around the world have decided to "Shut down of countries" is of great importance to the world economy.

Management considers the consequences of Covid-19 to be an event that arose after the balance sheet date and therefore constitutes a non-regulatory event for the company.

This means, among other things, that the assessments of indications of impairment per 31 December 2019 is based on the future cash flows expected by management per 31 December 2019, which may differ from the expectations for future cash flows that management has at the time of approval of the annual report.

Despite the above consequences of Covid-19 and as described in note 1 "Going concern" as well in the paragraph “Capital resources” in the management's review, management still considers the capital and liquidity resources to be adequate to secure the operations for the financial year 2020.

No further events have occurred after the balance sheet date that affect the company's financial position.

Income Statement 1 January - 31 December

	Note	2019	2018
		TDKK	TDKK
Revenue	4	**1.004.095**	**1.057.137**
Other operating income		6.862	19.175
Expenses for raw materials and consumables		-785.361	-869.811
Other external expenses		-59.769	-73.780
Gross profit/loss		**165.827**	**132.721**
Staff expenses	5	-161.290	-181.792
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-13.825	-5.556
Other operating expenses		0	-86
Profit/loss before financial income and expenses		**-9.288**	**-54.713**
Income from investments in subsidiaries		0	398
Financial income	6	173	1.956
Financial expenses	7	-21.598	-7.964
Profit/loss before tax		**-30.713**	**-60.323**
Tax on profit/loss for the year	8	-10.071	12.797
Net profit/loss for the year		**-40.784**	**-47.526**

Balance Sheet 31 December

Assets

	Note	2019	2018
		TDKK	TDKK
Land and buildings		5.355	2.557
Other fixtures and fittings, tools and equipment		3.582	4.821
Airplanes and related		247.835	240.521
Property, plant and equipment	9	**256.772**	**247.899**
Investments in subsidiaries	10	0	448
Receivables from group enterprises	11	0	300
Deposits	11	15.647	15.341
Fixed asset investments		**15.647**	**16.089**
Fixed assets		**272.419**	**263.988**
Raw materials and consumables		67.939	58.069
Inventories		**67.939**	**58.069**
Trade receivables		44.036	60.857
Receivables from group enterprises		17.627	53.212
Other receivables		18.807	14.832
Deferred tax asset	14	0	18.611
Corporation tax receivable from group enterprises		8.500	0
Prepayments	12	12.189	12.369
Receivables		**101.159**	**159.881**
Cash at bank and in hand		**3.993**	**13.349**
Currents assets		**173.091**	**231.299**
Assets		**445.510**	**495.287**

Balance Sheet 31 December

Liabilities and equity

	Note	2019	2018
		TDKK	TDKK
Share capital		10.000	10.000
Retained earnings		-37.832	-33.047
Equity		**-27.832**	**-23.047**
Subordinate loan capital		10.000	46.000
Mortgage loans		735	774
Lease obligations		207.845	222.588
Other payables		4.330	0
Long-term debt	15	**222.910**	**269.362**
Mortgage loans	15	38	38
Credit institutions		32.052	28.569
Lease obligations	15	14.664	14.206
Prepayments received from customers		19.292	38.490
Trade payables		74.839	105.800
Payables to group enterprises		62.251	9.521
Other payables	15	47.296	52.348
Short-term debt		**250.432**	**248.972**
Debt		**473.342**	**518.334**
Liabilities and equity		**445.510**	**495.287**

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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	10.000	398	-31.657	-21.259
Net effect from merger and acquisition under the uniting of interests method	0	-398	398	0
Net effect of correction of material misstatements	0	0	-1.789	-1.789
Adjusted equity at 1 January	10.000	0	-33.048	-23.048
Contribution from group	0	0	36.000	36.000
Net profit/loss for the year	0	0	-40.784	-40.784
Equity at 31 December	**10.000**	**0**	**-37.832**	**-27.832**

Notes to the Financial Statements

1 Going concern

The Company’s financial performance for 2019 shows a loss before tax of DKK 30,7 mill and the equity is as of 31 December 2019 negative with DKK 27,8 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.

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Notes to the Financial Statements

2 Uncertainty relating to recognition and measurement

The assessments of indications of impairment per 31 December 2019 is based on the future cash flows expected by management per 31 December 2019, 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 subsequent to the balancesheet date there is significant uncertainty in recognizing and measuring the company's investments in airplanes and associated spareparts.

3 Subsequent events

The consequences of Covid-19, where many governments around the world have decided to "Shut down of countries" is of great importance to the world economy.

Management considers the consequences of Covid-19 to be an event that arose after the balance sheet date and therefore constitutes a non-regulatory event for the company.

This means, among other things, that the assessments of indications of impairment per 31 December 2019 is based on the future cash flows expected by management per 31 December 2019, which may differ from the expectations for future cash flows that management has at the time of approval of the annual report.

Despite the above consequences of Covid-19 and as described in note 1 "Going concern" as well in the paragraph “Capital resources” in the management's review, management still considers the capital and liquidity resources to be adequate to secure the operations for the financial year 2020.

No further events have occurred after the balance sheet date that affect the company's financial position.

4 Revenue

	2019 TDKK	2018 TDKK
Geographical segments		
Revenue, Europe	1.004.095	1.057.137
	1.004.095	**1.057.137**
Business segments		
Scheduled Services	462.715	371.982
Charter Services	361.580	524.963
ACMI Services	179.800	160.192
	1.004.095	**1.057.137**

Notes to the Financial Statements

		2019 TDKK	2018 TDKK
5	**Staff expenses**		
	Wages and salaries	149.096	169.283
	Pensions	9.933	10.522
	Other social security expenses	2.261	1.987
		161.290	**181.792**
	Including remuneration to the Executive Board and Board of Directors	**1.394**	**1.355**
	Average number of employees	**208**	**284**

		2019 TDKK	2018 TDKK
6	**Financial income**		
	Interest received from group enterprises	159	1.943
	Other financial income	14	13
		173	**1.956**
7	**Financial expenses**		
	Interest paid to group enterprises	1.217	1.338
	Other financial expenses	17.859	4.552
	Exchange loss	2.522	2.074
		21.598	**7.964**
8	**Tax on profit/loss for the year**		
	Current tax for the year	-8.500	0
	Deferred tax for the year	18.571	-12.713
	Adjustment of tax concerning previous years	0	-84
		10.071	**-12.797**

Notes to the Financial Statements

9 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Airplanes and related
	TDKK	TDKK	TDKK
Cost at 1 January	10.055	16.576	244.469
Net effect from merger and acquisition	3.321	300	0
Additions for the year	22	19	19.463
Disposals for the year	0	-336	0
Cost at 31 December	13.398	16.559	263.932
Impairment losses and depreciation at 1 January	7.499	11.755	3.948
Net effect from merger and acquisition	243	150	0
Depreciation for the year	301	1.376	12.149
Reversal of impairment and depreciation of sold assets	0	-304	0
Impairment losses and depreciation at 31 December	8.043	12.977	16.097
Carrying amount at 31 December	**5.355**	**3.582**	**247.835**
Including assets under finance leases amounting to	0	711	243.150

Notes to the Financial Statements

10 Investments in subsidiaries

	2019	2018
	TDKK	TDKK
Cost at 1 January	50	0
Net effect from merger and acquisition	-50	0
Additions for the year	0	50
Cost at 31 December	0	50
Value adjustments at 1 January	398	0
Net effect from merger and acquisition	-398	0
Net profit/loss for the year	0	105
Other adjustments	0	293
Value adjustments at 31 December	0	398
Carrying amount at 31 December	**0**	**448**

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%

11 Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	15.341
Exchange adjustment	306
Cost at 31 December	15.647
Carrying amount at 31 December	**15.647**

12 Prepayments

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

Notes to the Financial Statements

	2019	2018
	TDKK	TDKK

13 Distribution of profit

	2019	2018
Retained earnings	-40.784	-47.526
	-40.784	**-47.526**

14 Provision for deferred tax

	2019	2018
Provision for deferred tax at 1 January	-18.611	-5.898
Amounts recognised in the income statement for the year	18.571	-12.713
Amounts recognised in equity for the year	40	0
Provision for deferred tax at 31 December	**0**	**-18.611**

15 Long-term debt

Subordinate loan capital

	2019	2018
Between 1 and 5 years	10.000	46.000
Long-term part	10.000	46.000
Within 1 year	0	0
	10.000	**46.000**

Mortgage loans

	2019	2018
After 5 years	583	622
Between 1 and 5 years	152	152
Long-term part	735	774
Within 1 year	38	38
	773	**812**

Lease obligations

	2019	2018
After 5 years	0	180.417
Between 1 and 5 years	207.845	42.171
Long-term part	207.845	222.588
Within 1 year	14.664	14.206
	222.509	**236.794**

Notes to the Financial Statements

15 Long-term debt (continued)

	2019 TDKK	2018 TDKK
Other payables		
Between 1 and 5 years	4.330	0
Long-term part	4.330	0
Other short-term payables	47.296	52.348
	51.626	**52.348**

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.

16 Contingent assets, liabilities and other financial obligations

Charges and security

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 DKK	30.000.000	20.000.000
The following assets have been placed as security with : As security for mortgage debt to Nykredit of DKK 773 thousand, the company has provided owner´s mortgage amounting to DKK 1,100 thousand secured upon buildings at a carrying value of DKK	1.201.000	1.260.000

Contingent assets

The Company has an unrecognized tax asset related to tax loss carry forwards totalling DKK 26.004k

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	5.998	0
Between 1 and 5 years	2.256	0
	8.254	**0**

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations (continued)

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.

17 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

18 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

19 Accounting Policies

The Annual Report of DAT A/S for 2019 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 2019 are presented in TDKK.

Correction of material misstatements

During the financial year two material mistatements for the comparative figures were discovered and correct. The net effect of correction of material misstatements has been booked on the equity. The mistatements consist of:

- Incorrect classification of two leasing contracts, which had to be classified as a financial lease agreement and recognized in the balance sheet. The company entered these agreements in 2018, so the comparative figures have been corrected this year. The impact on equity is net TDKK 1,203 after tax.

- Incorrect provision for CO2 quotas, which is due to the fact that the recognition price of the quotas was too low. The impact on equity is net TDKK -2,992 after tax, which has been booked on the equity.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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

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

19 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. All indirectly attributable borrowing expenses are recognised in the income statement.

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	5	years

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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 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

19 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

19 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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$