BEIERHOLM
VI SKABER BALANCE

Skybrands A/S

Roskildevej 6, 7100 Vejle
CVR no. 31 34 84 55

Annual report for 2022

Table of contents

Company information etc.

The company

Skybrands A/S
Roskildevej 6
7100 Vejle
Danmark
Tel.: 75 72 50 50
Website: www.skybrands.net
E-mail: info@skybrands.net
Registered office: Vejle
CVR no.: 31 34 84 55
Financial year: 01.01 - 31.12

Executive Board

Thomas Larsen
Michael Beck

Board of Directors

Søren Bach, chairman
Hans Nielsen
Stig Løkke Pedersen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

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 01.01.22 - 31.12.22 for Skybrands A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities for the financial year 01.01.22 - 31.12.22.

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.

Vejle, March 7, 2023

Executive Board

Thomas Larsen	Michael Beck

Board of Directors

Søren Bach Chairman	Hans Nielsen	Stig Løkke Pedersen

Independent auditor's report

To the Shareholder of Skybrands A/S

Opinion

We have audited the financial statements of Skybrands A/S for the financial year 01.01.22 - 31.12.22, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.22 and of the results of the company's operations for the financial year 01.01.22 - 31.12.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 regarding the 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, we conclude that management’s review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management’s review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

Aarhus, March 7, 2023

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Casper Jensby
State Authorized Public Accountant
MNE-no. mne36181

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2022	2021	2020	2019	2018
Profit/loss					
Operating profit	10,856	3,022	-340	-670	5,769
Total net financials	794	-8,147	4,679	378	1,707
Profit/loss for the year	9,207	-5,805	3,416	-225	5,989
Balance					
Total assets	45,876	49,466	55,819	60,499	61,342
Investments in property, plant and equipment	0	43	30	16	144
Equity	4,905	-3,633	18,017	15,408	15,779

Ratios

	2022	2021	2020	2019	2018
Profitability					
Return on equity	1,448%	-81%	19%	-1%	48%
Equity ratio					
Solvency ratio	11%	-7%	32%	26%	26%
Liquidity and financing					
Liquidity ratio	173%	93%	146%	132%	132%
Others					
Number of employees (average)	18	15	14	14	13

Ratios definitions

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

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

Liquidity ratio: $\frac{\text{Current assets x 100}}{\text{Short-term payables}}$

Primary activities

The main activity of SkyBrands A/S relates to commercial activities in branded home and apparel textile products. The Group designs, produces (through sub suppliers) and sells branded home and apparel textile products, where brands are licensed from brand-owners such as Warner Bros or Universal.

SkyBrands A/S owns 100% of the shares in the subsidiary SkyBrands GmbH (collectively all companies are referred to as the "Group" or "SkyBrands").

Development in activities and financial affairs

The income statement for the period 01.01.22 - 31.12.22 shows a profit/loss of DKK 9,207k against DKK -5,805k for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK 4,905k.

SkyBrands A/S reached an operating profit of DKK'000 10,856 against a profit of DK'000 3,022 in 2021, which is a result of a growth in the revenue for the Group and in the general margin in the subsidiary in Germany. The turnaround was successfully achieved. The result must be seen in the light of the challenges SkyBrands A/S experienced throughout the year with delays in the supply chain, high freight costs and raising US dollars rates. With focus on profitable business and gaining the full potential out of a new established business collaboration SkyBrands A/S reached a very satisfying result, which is better than expected.

After a very challenging 2021, non-profitable business models were dropped in the German part of the group resulting in a satisficing profit for 2022. The income statement for the subsidiary SkyBrands GmbH's shows a profit of DKK'000 1.476 against a loss in 2021 of DKK'000 -7,882.

Outlook

After a successfully turnaround, the management continues together with the employees, developing the business model for SkyBrands A/S. In 2023, workflows will be review for improvements and digital solutions will be implemented to optimize the processes.

The war in Ukraine, recession and energy crisis has affected the buying behaviour among consumers resulting in a reluctant purchasing strategy from the retailers. This will affect the result of 2023, but with constantly business model improvements as an answer to the challenges, SkyBrands A/S has succeeded in closing orders with new customers and a new range of products. Going into 2023 with a strong order backlog for 2023 the group expects to reach a profit before tax in the range of DKK'000 5,000 – 7,000 the coming year.

Financial risks

Foreign currency risks

SkyBrands A/S has sales operations across Europe, procurement across Europe and Asia, and reports and pays royalties to brand-owners quarterly. SkyBrands A/S purchases mainly in USD and reports and pays royalties in USD and EUR, while sales is typically in DKK, USD or EUR. This exposes SkyBrands A/S to the risk of currency fluctuations. SkyBrands A/S operates under a defined financial policy, which includes a policy on currency, to manage any currency-related risks. This is primarily effectuated through the use of financial instruments to cover all expected turnover, procurement and royalty cash flows the coming 12 months at any given point in time. SkyBrands A/S does not speculate in currency fluctuations from a group perspective.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note		2022 DKK '000	2021 DKK '000
	Gross profit	**24,253**	**14,149**
1	Staff costs	-13,369	-11,073
	Profit before depreciation, amortisation, write-downs and impairment losses	**10,884**	**3,076**
	Depreciation and impairments losses of property, plant and equipment	-28	-54
	Operating profit	**10,856**	**3,022**
2	Income from equity investments in group enterprises	1,475	-7,882
3	Financial income	3,618	1,690
	Financial expenses	-4,299	-1,955
	Profit/loss before tax	**11,650**	**-5,125**
	Tax on profit or loss for the year	-2,443	-680
	Profit/loss for the year	**9,207**	**-5,805**

4 Proposed appropriation account

Balance sheet

ASSETS

Note		31.12.22 DKK '000	31.12.21 DKK '000
	Development projects in progress	91	0
5	**Total intangible assets**	**91**	**0**
	Other fixtures and fittings, tools and equipment	85	113
6	**Total property, plant and equipment**	**85**	**113**
8	Deposits	424	412
	Total investments	**424**	**412**
	Total non-current assets	**600**	**525**
	Manufactured goods and goods for resale	5,625	10,586
	Total inventories	**5,625**	**10,586**
	Trade receivables	15,120	11,188
	Receivables from group enterprises	12,699	25,427
	Deferred tax asset	0	31
	Other receivables	206	561
9	Prepayments	547	571
	Total receivables	**28,572**	**37,778**
	Cash	**11,079**	**577**
	Total current assets	**45,276**	**48,941**
	Total assets	**45,876**	**49,466**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.22 DKK '000	31.12.21 DKK '000
10	Share capital	1,000	1,000
	Reserve for development costs	71	0
	Cash flow hedging reserve	-498	170
	Retained earnings	4,332	-4,803
	Total equity	**4,905**	**-3,633**
11	Provisions for deferred tax	97	0
	Total provisions	**97**	**0**
12	Payables to other credit institutions	14,000	0
12	Other payables	686	662
	Total long-term payables	**14,686**	**662**
12	Short-term part of long-term payables	1,000	0
	Payables to other credit institutions	71	33,546
	Trade payables	19,609	15,235
	Income taxes	2,111	1,059
	Other payables	3,397	2,597
	Total short-term payables	**26,188**	**52,437**
	Total payables	**40,874**	**53,099**
	Total equity and liabilities	**45,876**	**49,466**

13 Fair value information
14 Derivative financial instruments
15 Contingent liabilities
16 Charges and security
17 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for develop-ment costs	Cash flow hedging reserve	Retained earnings	Total equity
Statement of changes in equity for 01.01.22 - 31.12.22					
Balance as at 01.01.22	1,000	0	170	-4,803	-3,633
Fair value adjustment of hedging instruments	0	0	-856	0	-856
Other changes in equity	0	0	0	-1	-1
Tax on changes in equity	0	0	188	0	188
Transfers to/from other reserves	0	71	0	-71	0
Net profit/loss for the year	0	0	0	9,207	9,207
Balance as at 31.12.22	1,000	71	-498	4,332	4,905

Notes

	2022 DKK '000	2021 DKK '000

1. Staff costs

	2022 DKK '000	2021 DKK '000
Wages and salaries	12,389	10,134
Pensions	469	347
Other social security costs	140	125
Other staff costs	371	467
Total	13,369	11,073
Average number of employees during the year	18	15

Remuneration for the management:

	2022 DKK '000	2021 DKK '000
Total remuneration for the Executive Board	2,842	1,478
Remuneration for the Board of Directors	0	146

2. Income from equity investments in group enterprises

	2022 DKK '000	2021 DKK '000
Share of profit or loss of group enterprises	1,475	-7,882
Total	1,475	-7,882

3. Financial income

	2022 DKK '000	2021 DKK '000
Interest, group enterprises	1,201	1,186
Other financial income	2,417	504
Total	3,618	1,690

	2022 DKK '000	2021 DKK '000
4. Proposed appropriation account		
Extraordinary dividend for the financial year	0	16,800
Retained earnings	9,207	-22,605
Total	9,207	-5,805

5. Intangible assets

Figures in DKK '000	Development projects in progress
Additions during the year	91
Cost as at 31.12.22	91
Carrying amount as at 31.12.22	91
Carrying amount of assets held under finance leases as at 31.12.22	0

The company has started developing and implementing a new ERP/IT setup to ensure a better and more efficient process flow. The investment will provide the basis for future growth.

6. Property, plant and equipment

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Cost as at 01.01.22	999
Cost as at 31.12.22	999
Depreciation and impairment losses as at 01.01.22	-886
Depreciation during the year	-28
Depreciation and impairment losses as at 31.12.22	-914
Carrying amount as at 31.12.22	85

7. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Cost as at 01.01.22	1,749
Foreign currency translation adjustment of foreign enterprises	-1
Cost as at 31.12.22	1,748
Depreciation and impairment losses as at 01.01.22	-1,749
Net profit/loss from equity investments	1,475
Negative equity value impaired in receivables	-1,474
Depreciation and impairment losses as at 31.12.22	-1,748
Carrying amount as at 31.12.22	0

Name and registered office:	Ownership interest
Subsidiaries:	
SkyBrands GmbH, Tyskland	100%

8. Other non-current financial assets

Figures in DKK '000	Deposits
Cost as at 01.01.22	412
Additions during the year	12
Cost as at 31.12.22	424
Carrying amount as at 31.12.22	424

	31.12.22 DKK '000	31.12.21 DKK '000

9. Prepayments

Other prepayments	547	571
Total	547	571

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

10. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK'000
Share capital	1,000,000	1,000

	31.12.22 DKK '000	31.12.21 DKK '000

11. Deferred tax

Deferred tax as at 01.01.22	-31	78
Deferred tax recognised in the income statement	128	-109
Deferred tax as at 31.12.22	97	-31

Deferred tax is recognized in the balance sheet as:

Deferred tax asset	0	-31
Provisions for deferred tax	97	0
Total	97	-31

Deferred tax is distributed as below:

Property, plant and equipment	-3	-22
Receivables	120	6
Liabilities	-20	-15
Total	97	-31

12. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.22	Total payables at 31.12.21
Payables to credit institutions	1,000	4,500	15,000	0
Other payables	0	686	686	662
Total	1,000	5,186	15,686	662

13. Fair value information

Figures in DKK '000	Derivative financial instruments	Total
Fair value as at 31.12.22	-639	-639
Unrealised changes of fair value recognised in equity for the year	-639	-639

14. Derivative financial instruments

The Board of Directors lays down the framework for the conclusion of contracts for derivative financial instruments. The company concludes contracts for the sole purpose of hedging the currency risk on the future purchase and sale of goods in foreign currency. At the end of a 2022, a future purchase of goods of USD 2,290k and a future sale of goods of EUR 2,076k was secured for a period of up to 213 days. The fair value of the forward exchange contracts amounts to DKK -639k as at 31.12.22, and the unrealised net loss before tax recognised in equity as at 31.12.22 constitutes DKK 639k. Forward exchange contracts are only concluded with counterparties (Danish banks) with a good credit score from a reputable credit rating agency.

15. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of up to 22 months and total lease payments of DKK 1,011k.

Guarantee commitments

The company has provided a guarantee of EUR 100k to foreign supplier of goods. The guarantees are provided as import letter of credit through creditinstitution.

Other contingent liabilities

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 tax liability for the jointly taxed companies at the balance sheet date has not yet been determined. For further information, please see the financial statements of the management company Skybrands Holding A/S.

16. Charges and security

The company has provided a company charge of DKK 10,000k as security for debt to credit institutions. As at 31.12.22, the company charge comprises the following assets with the following carrying amounts:

- Other plant, fixtures and fittings, tools and equipment, DKK 85k
- Inventories, DKK 5,625k
- Trade receivables, DKK 15,120k

The company has provided a charge over shares in Skybrands GmbH, nominal value EUR 40k, as security for debt to credit institutions of Skybrands A/S and group companies. At the balance sheet date, debt to credit institutions amounts to DKK 15,071k and group companies DKK 0k. The carrying amount of the charged assets totals DKK 0k.

The company's receivables from subsidiary enterprise has been provided as security for debt to credit institutions. The carrying amount of the asset provided as security totals DKK 12,643k.

17. Related parties

Controlling influence	Basis of influence
Skybrands Holding A/S, Vejle	Ownership

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

Remuneration for the management is specified in note 1. Staff costs.

The company is included in the consolidated financial statements of the parent Skybrands Holding A/S, Vejle.

18. 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 with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

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.

BUSINESS COMBINATIONS

Newly acquired or newly founded enterprises are recognised as from the date of acquisition and the date of foundation, respectively. The date of acquisition is the date at which control of the enterprise is obtained. Divested or discontinued enterprises are recognised until the date of divestment or discontinuation. The date of discontinuation is the date at which control of the enterprise passes to a third party.

Acquired enterprises are recognised in accordance with the acquisition method, according to which the identifiable assets and liabilities of the newly acquired enterprises are measured at fair value at the date of acquisition.

The cost of the equity investments in the acquired enterprises is offset against the proportionate share of the fair value of the enterprises' net assets at the acquisition date.

18. Accounting policies - continued -

On acquisition of subsidiaries, goodwill is recognised on a proportionate basis based on the actual ownership interest in the acquired equity investments.

The goodwill (positive difference) determined at the date of acquisition is recognised under equity investments in subsidiaries in the balance sheet. Goodwill from acquired enterprises is adjusted until 12 months after the acquisition 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 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.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still

18. Accounting policies - continued -

expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

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 and 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.

18. Accounting policies - continued -

Other external expenses

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

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

	Useful life, year	Residual value DKK '000
Other plant, fixtures and fittings, tools and equipment	3-5	0

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

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

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises’ profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

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

18. 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.

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

Development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

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.

18. Accounting policies - continued -

Property, plant and equipment

Property, plant and equipment comprise 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.

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 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.

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

Accounting policies for the acquisition of subsidiaries are stated in the 'Business combinations' section.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Equity investments with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises

18. Accounting policies - continued -

are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Gains or losses on disposal of equity investments are determined as the difference between the disposal 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 equity 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.

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.

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

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 calculated according to the FIFO-method. 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.

18. Accounting policies - continued -

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.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

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 net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) are recognised in equity under the cash

18. Accounting policies - continued -

flow hedging reserve. The reserve is measured less deferred tax. The reserve is dissolved when the hedged transaction occurs, or it is no longer expected to occur.

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.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

18. Accounting policies - continued -

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.