BEIERHOLM
VI SKABER BALANCE

SkyBrands A/S

Roskildevej 6, 7100 Vejle

CVR no. 31 34 84 55

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 15.03.24

Michael Beck
Dirigent

Table of contents

Company information etc.

The company

SkyBrands A/S
Roskildevej 6
7100 Vejle
Danmark
Tel.: 75 72 50 50
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 01.01.23 - 31.12.23 for SkyBrands A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

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 15, 2024

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 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's financial position at 31.12.23 and of the results of the company's operations for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, it is 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 the 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 of the management’s review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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.

Aarhus, March 15, 2024

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	2023	2022	2021	2020	2019
Profit/loss					
Operating profit	8,174	10,856	3,022	-340	-670
Total net financials	929	794	-8,147	4,679	378
Profit for the year	7,239	9,207	-5,805	3,416	-225
Balance					
Total assets	49,103	45,873	49,466	55,819	60,499
Investments in property, plant and equipment	128	0	43	30	16
Equity	11,646	4,905	-3,633	18,017	15,408

Ratios

	2023	2022	2021	2020	2019
Profitability					
Return on equity	87%	1,446%	-81%	19%	-1%
Equity ratio					
Solvency ratio	24%	11%	-7%	32%	26%
Liquidity and financing					
Liquidity ratio	200%	173%	93%	146%	132%
Others					
Number of employees (average)	18	18	15	14	14

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 involves commercial operations in branded home and apparel textile products. The Group designs, produces (through subcontractors), 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 referred to as the "Group" or "SkyBrands").

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit/loss of DKK 7,239k against DKK 9,207k for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 11,646k.

The balance sheet indicates equity of DKK 11,646k. SkyBrands A/S achieved an operating profit of DKK 8,260k, down from DKK 10,884k in 2022. This result must be viewed in light of the significant challenges SkyBrands A/S faced throughout the year, with high inflation and interest rates affecting consumer behavior, leading to an ongoing reluctant purchasing strategy from retailers. With a focus on profitable business and the initiation of a new international apparel department, SkyBrands A/S achieved a very satisfying result, surpassing budgeted expectations.

The income statement for subsidiary SkyBrands GmbH shows a profit of DKK 947k, a slight decrease from the DKK 1,475k profit in 2022. Despite the impact of the recession in Germany, the German business realized its budget goals as planned. In 2023, the Skybrands group successfully implemented a new IT setup, including a new ERP system, laying the foundation for ongoing improvements in digital solutions and process optimization.

Outlook

Following another successful year, Skybrands will continue developing the business model, focusing on new profitable business collaborations, improvements in digital solutions, and process optimization. The lingering effects of the recession are expected to continue influencing retailers' hesitant buying behavior in 2024. Despite this, SkyBrands A/S is prepared to face the challenges by focusing on business model improvements, gaining new costumers, and expanding the product range. Under these circumstances, SkyBrands A/S enters 2024 with a robust order backlog. The group expects to reach a pre-tax profit in the range of DKK 5,000k – 7,000k in the coming year.

Financial risks

Foreign currency risks

SkyBrands A/S operates 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 are 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 for the coming 12 months at any given point in time. SkyBrands A/S does not speculate on currency fluctuations from a group perspective.

Subsequent events

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

Income statement

Note		2023 DKK '000	2022 DKK '000
	Gross profit	**21,986**	**24,253**
1	Staff costs	-13,726	-13,369
	Profit before depreciation, amortisation, write-downs and impairment losses	**8,260**	**10,884**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-86	-28
	Operating profit	**8,174**	**10,856**
2	Income from equity investments in group enterprises	947	1,475
3	Financial income	2,694	3,618
	Financial expenses	-2,712	-4,299
	Profit before tax	**9,103**	**11,650**
	Tax on profit for the year	-1,864	-2,443
	Profit for the year	**7,239**	**9,207**

4 Proposed appropriation account

Balance sheet

ASSETS

Note		31.12.23 DKK '000	31.12.22 DKK '000
	Completed development projects	739	0
	Development projects in progress	0	91
5	**Total intangible assets**	**739**	**91**
	Other fixtures and fittings, tools and equipment	166	84
6	**Total property, plant and equipment**	**166**	**84**
8	Deposits	467	423
	Total investments	**467**	**423**
	Total non-current assets	**1,372**	**598**
	Manufactured goods and goods for resale	4,249	5,625
	Total inventories	**4,249**	**5,625**
	Trade receivables	22,802	15,120
	Receivables from group enterprises	9,713	12,698
	Other receivables	992	206
9	Prepayments	1,204	547
	Total receivables	**34,711**	**28,571**
	Cash	**8,771**	**11,079**
	Total current assets	**47,731**	**45,275**
	Total assets	**49,103**	**45,873**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.23 DKK '000	31.12.22 DKK '000
10	Share capital	1,000	1,000
	Reserve for development costs	577	71
	Cash flow hedging reserve	0	-499
	Retained earnings	10,069	4,333
	Total equity	**11,646**	**4,905**
11	Provisions for deferred tax	334	97
	Total provisions	**334**	**97**
12	Payables to other credit institutions	12,500	14,000
12	Other payables	710	686
	Total long-term payables	**13,210**	**14,686**
12	Short-term part of long-term payables	1,500	1,000
	Payables to other credit institutions	0	71
	Trade payables	16,499	19,609
	Income taxes	1,767	2,111
	Other payables	4,147	3,394
	Total short-term payables	**23,913**	**26,185**
	Total payables	**37,123**	**40,871**
	Total equity and liabilities	**49,103**	**45,873**

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 development costs	Cash flow hedging reserve	Retained earnings	Total equity
Statement of changes in equity for 01.01.23 - 31.12.23					
Balance as at 01.01.23	1,000	71	-499	4,333	4,905
Fair value adjustment of hedging instruments	0	0	687	0	687
Extraordinary dividend paid	0	0	0	-800	-800
Other changes in equity	0	0	0	-197	-197
Tax on changes in equity	0	0	-188	0	-188
Transfers to/from other reserves	0	506	0	-506	0
Net profit/loss for the year	0	0	0	7,239	7,239
Balance as at 31.12.23	1,000	577	0	10,069	11,646

	2023 DKK '000	2022 DKK '000

1. Staff costs

	2023 DKK '000	2022 DKK '000
Wages and salaries	12,693	12,389
Pensions	488	469
Other social security costs	136	140
Other staff costs	409	371
Total	13,726	13,369
Average number of employees during the year	18	18

Remuneration for the management:

	2023 DKK '000	2022 DKK '000
Total remuneration for the Executive Board	3,077	2,842
Remuneration for the Board of Directors	0	0

2. Income from equity investments in group enterprises

	2023 DKK '000	2022 DKK '000
Share of profit or loss of group enterprises	947	1,475
Total	947	1,475

3. Financial income

	2023 DKK '000	2022 DKK '000
Interest, group enterprises	1,320	1,201
Other financial income	1,374	2,417
Total	2,694	3,618

	2023 DKK '000	2022 DKK '000

4. Proposed appropriation account

	2023 DKK '000	2022 DKK '000
Extraordinary dividend for the financial year	800	0
Retained earnings	6,439	9,207
Total	7,239	9,207

5. Intangible assets

Figures in DKK '000	Completed development projects	Development projects in progress
Cost as at 01.01.23	0	91
Additions during the year	0	687
Transfers during the year to/from other items	778	-778
Cost as at 31.12.23	778	0
Amortisation during the year	-39	0
Amortisation and impairment losses as at 31.12.23	-39	0
Carrying amount as at 31.12.23	739	0
Carrying amount of assets held under finance leases as at 31.12.23	0	0

Completed development projects consist of a new ERP/IT setup to ensure a better and more efficient process flow. The investment is providing the basis for future growth.

6. Property, plant and equipment

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Cost as at 01.01.23	999
Additions during the year	128
Disposals during the year	-331
Cost as at 31.12.23	796
Depreciation and impairment losses as at 01.01.23	-914
Depreciation during the year	-47
Depreciation of and impairment losses on disposed assets for the year	331
Depreciation and impairment losses as at 31.12.23	-630
Carrying amount as at 31.12.23	166

7. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Cost as at 01.01.23	1,748
Cost as at 31.12.23	1,748
Depreciation and impairment losses as at 01.01.23	-1,748
Foreign currency translation adjustment of foreign enterprises	-11
Net profit/loss from equity investments	947
Fair value adjustment of hedging instruments	-186
Negative equity value impaired in receivables	-750
Depreciation and impairment losses as at 31.12.23	-1,748
Carrying amount as at 31.12.23	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 01.01.23	424
Additions during the year	43
Cost as at 31.12.23	467
Carrying amount as at 31.12.23	467

	31.12.23 DKK '000	31.12.22 DKK '000

9. Prepayments

Other prepayments	1,204	547
Total	1,204	547

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

	31.12.23 DKK '000	31.12.22 DKK '000

11. Deferred tax

	31.12.23 DKK '000	31.12.22 DKK '000
Deferred tax as at 01.01.23	97	-31
Deferred tax recognised in the income statement	237	128
Deferred tax as at 31.12.23	334	97

Deferred tax is recognized in the balance sheet as:

Provisions for deferred tax	334	97

Deferred tax is distributed as below:

Intangible assets	162	0
Property, plant and equipment	-21	-3
Receivables	219	120
Liabilities	-26	-20
Total	334	97

12. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.23	Total payables at 31.12.22
Payables to credit institutions	1,500	0	14,000	15,000
Other payables	0	710	710	686
Total	1,500	710	14,710	15,686

13. Fair value information

Figures in DKK '000	Derivative financial instruments	Total
Fair value as at 31.12.23	0	0
Unrealised changes of fair value recognised in the income statement for the year	0	0
Unrealised changes of fair value recognised in equity for the year	498,627	498,627

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 on group level of the currency risk on the future purchase and sale of goods in foreign currency. At the end of a 2023, a future purchase of goods of USD 1,923k and a future sale of goods of EUR 1,758k was secured for a period of up to 169 days. The fair value of the forward exchange contracts amounts to DKK -186k as at 31.12.23, and the unrealised net loss before tax recognised in the income statement as at 31.12.23 constitutes DKK 186k. 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 57 months and total lease payments of DKK 724k.

15. Contingent liabilities - continued -

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. At the balance sheet date, debt to credit institutions amounts to DKK 14,000k. As at 31.12.23, the company charge comprises the following assets with the following carrying amounts:

- Other plant, fixtures and fittings, tools and equipment, DKK 166k
- Inventories, DKK 4.249k
- Trade receivables, DKK 22,802k

The company has also provided the above mentioned company charge of DKK 10,000k as security for debt to credit institutions of subsidiary entreprise. At the balance sheet date, debt of subsidiary entreprise to credit institutions amounts to DKK 0k.

The company has provided a charge over shares in Skybrands GmbH, nominal value EUR 40k, as security for debt to credit institutions. At the balance sheet date, debt to credit institutions amounts to DKK 14,000k. 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 9.489k.

The company has provided af charge over shares in Skybrands GmbH for debt to credit institutions of group companies. At the balance sheet date, debt of group companies amounts to DKK 0k.

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.

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.

18. Accounting policies - continued -

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 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.

18. Accounting policies - continued -

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.

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.

18. Accounting policies - continued -

Depreciation, amortisation and impairment losses

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

	Useful lives, years	Residual value DKK '000
Completed development projects	5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

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

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

Income from equity investments in group entreprises

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.

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.

18. Accounting policies - continued -

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

Completed development projects and 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.

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

Gains or losses on the disposal of intangible assets

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, amortisation and impairment losses' section.

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

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.

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 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.

18. Accounting policies - continued -

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 and amortisation.

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

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

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

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.