

NHG[®]

ORGANIZED LIVING

Nordic Houseware Group A/S

Skodsborgvej 315
2850 Nærum
CVR No. 31479363

Annual report 2021

The Annual General Meeting adopted the
annual report on 24.05.2022

René Dethlefsen

Chairman of the General Meeting

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Entity details

Entity

Nordic Houseware Group A/S
Skodsborgvej 315
2850 Nærum

Business Registration No.: 31479363
Registered office: Rudersdal
Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Morten Pitzner, chairman
Jacob Andersen, vice chairman
Allan Carsten Bülow
Anders Bjørn Thielholdt

Executive Board

Jacob Eberhard, CEO
René Dethlefsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Nordic Houseware Group A/S for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Naerum, 22.04.2022

Executive Board

Jacob Eberhard
CEO

René Dethlefsen

Board of Directors

Morten Pitzner
chairman

Jacob Andersen
vice chairman

Allan Carsten Bülow

Anders Bjørn Thielfoldt

Independent auditor's report

To the shareholders of Nordic Houseware Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Nordic Houseware Group A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Copenhagen, 22.04.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Jacob Vilmann Wellejus

State Authorised Public Accountant
Identification No (MNE) mne24807

Hans Tauby

State Authorised Public Accountant
Identification No (MNE) mne44339

Management commentary

Financial highlights

| | 2021 DKK'000 | 2020 DKK'000 | 2019 DKK'000 | 2018 DKK'000 | 2017 DKK'000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Key figures | | | | | |
| Revenue | 613,635 | 527,037 | 478,360 | 413,300 | 382,832 |
| Gross profit/loss | 80,742 | 98,491 | 89,774 | 71,225 | 98,972 |
| EBITDA | 35,137 | 49,773 | 47,586 | 33,076 | 41,436 |
| Operating profit/loss | 16,774 | 27,273 | 32,378 | 18,237 | 26,788 |
| Net financials | (4,427) | (6,677) | (3,606) | (5,816) | (8,512) |
| Profit/loss for the year | 8,874 | 15,293 | 22,824 | 9,569 | 14,155 |
| Balance sheet total | 513,952 | 338,611 | 274,198 | 312,451 | 260,386 |
| Investments in property, plant and equipment | 27,332 | 20,127 | 20,722 | 15,726 | 12,858 |
| Equity | 114,509 | 106,152 | 93,798 | 70,150 | 70,355 |
| Ratios | | | | | |
| Return on equity (%) | 8.04 | 15.30 | 27.84 | 13.62 | 22.12 |
| Equity ratio (%) | 22.28 | 31.35 | 34.21 | 22.45 | 27.02 |

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Balance sheet total}}$

Balance sheet total

Primary activities

The Company's primary activity is to provide management services for the group subsidiaries, and to design, produce and distribute organized living products under the Plast Team, Room Copenhagen, LEGO and Crayola brands. The products are sold in Europe, North America, Latin America, Middle East, Australia, New Zealand, and certain countries in Asia.

Merger of businesses

With effect from January 1, 2021, the former subsidiaries Plast Team A/S and Room Copenhagen A/S were merged into Nordic Houseware Group A/S, with Nordic Houseware Group A/S as the ongoing legal entity. The financial figures reflect the merged entities for the full group in the Group's part of the annual report, while only the 2021 financial figures of the parent company shows the consolidated Danish entities following the merger.

Development in activities and finances

In the financial year 2021, the Group realized revenues of DKK 613,635k compared to DKK 527,037k prior year.

The Group realized a gross profit DKK 80,742k and realized an EBITDA of DKK 35,137k, which is impacted negatively by the continuous outbreak of coronavirus/COVID-19, the continuous inflation on manufacturing cost, and the realized impairment losses of DKK 2,649k on tangible assets.

The result after tax of DKK 8,874k is considered satisfactory.

Profit/loss for the year in relation to expected developments

The expectation last year, was to have a profit before tax in the range of DKK 20M-30M. The expectations were not met due to continuous inflation on manufacturing cost.

Outlook

Management expects the Group to show positive development in profit before tax for 2022 based on continued focus on profitable business, launch of new products, customer gains and benefits captured from previously implemented initiatives, and expect to be in the range of DKK 15M-25M.

Possible negative effects of the war in Ukraine started at the end of February 2022 have not been included in the outlook for 2022, as the economic effects cannot be measured at this time.

Environmental performance

The primary risk regarding environment and climate is that our suppliers may not seek to lower their CO2 emissions. This may impact our reputation, as clients and other stakeholders may perceive that we are not doing enough to minimize our impact on the environment.

Nordic Houseware Group is committed to a Sustainability strategy, where products are designed to be recyclable. The Group is committed to use regenerated plastic wherever possible, and has established cooperations with key customers in this area.

Nordic Houseware Group cooperates with its suppliers on compliance with safety measures and focus on optimizing environmental conditions, including reduction of CO2 emissions. All factories are subject to agreements which allow Nordic Houseware Group to perform audits at any time. It is our conclusion that our work has contributed positively to environment and climate in 2021.

Statutory report on corporate social responsibility

Our focus on corporate social responsibility is connected to our business model. For a description of our business model, please refer to the section on primary activities on page 8.

Nordic Houseware Group focuses on performing and enhancing its efforts relating to the Group's corporate ethical, social and environmental responsibility.

Nordic Houseware Group is compliant to all legal requirements in relation to social and environmental considerations, human rights, the fight against corruption and works with the group CSR policy.

It is management's assessment that the efforts within employees and working conditions, environmental issues and food security have been successful.

Employees and working environment

The primary risk in this area is if employees are not motivated and if we do not have a pleasant work environment. The consequence may be that we are not able to attract or retain employees. By way of their knowhow, network and competences, the Nordic Houseware Group employees are a significant competitive factor to the Group. Job satisfaction is therefore of great importance to the Group.

The Group has an open and clear staff policy accommodating diversity and development. Moreover, employees are offered benefits to improve their mental, physical and social welfare.

The Group also focuses continuously on improving working conditions and environment in the Group with a view to retain motivated employees and create a positive work environment. It is our conclusion that our efforts have contributed positively to our working environment in 2021.

Human rights

Our primary risk in relation to human rights could be if employees feel discriminated against and not treated fairly. The consequence may be that we are not able to attract or retain employees as well as impact our reputation. We do not have a separate policy regarding human rights, as we have decided to follow the Danish state law and rules in this area. Furthermore, we are not aware of any breaches of human rights in the current year in Nordic Houseware Group.

Food safety

The primary risk regarding food safety is if our products could cause harm to consumers. This could have an impact on our reputation and the perceived safety of our products.

To ensure that the Group's products meet EU requirements for food safety, Nordic Houseware Group maintain a continuous test program for its products.

It is our conclusion that our work has contributed positively to food safety in the current year.

Anti-corruption and bribery

The primary risk is that employees may use gifts, payments or other means to illegally influence client's or other stakeholder's decision or vice versa. We have decided to follow the Danish state's rules and laws in this area. Therefore, we do not have a separate policy. We do, however, have a number of financial controls in place to mitigate the risk of illegal transactions. Furthermore, we are not aware of any breaches concerning bribery and corruption in Nordic Houseware Group in 2021.

Statutory report on the underrepresented gender

It is the policy of Nordic Houseware Group to secure the best professional competence possible at all levels in the Company. The members of the Management are solely appointed based on their qualifications and not based on their gender. By doing so, equal opportunities for both genders are secured provided that the candidates applying for the management positions possess the professional skills required.

At the time of presentation of the annual report, the Board of Directors at Nordic Houseware Group has no female members, and no female candidates were identified in 2021. Based on a specific assessment of the Company's situation, including the competences to be present at the Board of Directors, the target figure is to have at least one female candidate for the Board of Directors at Nordic Houseware Group before end of 2025. This is still considered an achievable and ambitious target figure.

No target figure has been determined for other management levels given that the Company does not have more than 50 employees.

Nordic Houseware Group supports gender equality – both as regards career opportunities and salary conditions. Our equal opportunities policy is put into practice in the Company's employee manual, and we always encourage our female colleagues to apply for leadership positions. Based on the limited time frame, it has not yet been possible to record any effect of the above.

Statutory report on data ethics policy

In 2022, a Data Ethics Policy will be prepared and approved by the NHG Board of Directors.

NHG Group will actively work to ensure that all information is handled responsibly and accordance with all applicable standards, policies, and laws. This of course also implies that the NHG Group strives to conduct its business in an ethical manner acknowledging the increased use and processing of data as an integral part of the NHG Group's business.

Before the Data Ethics Policy will be approved by the Group's Board of Directors, it had been discussed and approved by the management team in the Group.

The NHG Group's Data Ethics ambition for 2022 is to continue implementation of the Policy through training and communication.

Events after the balance sheet date

The war in Ukraine which started at the end of February 2022 have initially a significant impact on availability of supplies and the price of supplies. The war has resulted in a series of precautions, that affects the daily operations, both for the Company, suppliers, customers and other business partners. The economic effect cannot be measured at this time.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2021

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|--|-------|-----------------|-----------------|
| Revenue | 2 | 613,635 | 527,037 |
| Cost of sales | | (504,647) | (397,082) |
| Other external expenses | 3 | (28,246) | (31,464) |
| Gross profit/loss | | 80,742 | 98,491 |
| Staff costs | 4 | (45,605) | (48,718) |
| Depreciation, amortisation and impairment losses | 5 | (18,363) | (22,500) |
| Operating profit/loss | | 16,774 | 27,273 |
| Other financial income | 6 | 0 | 3 |
| Other financial expenses | 7 | (4,427) | (6,680) |
| Profit/loss before tax | | 12,347 | 20,596 |
| Tax on profit/loss for the year | 8 | (3,473) | (5,303) |
| Profit/loss for the year | 9 | 8,874 | 15,293 |

Consolidated balance sheet at 31.12.2021

Assets

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|--|-------|-----------------|-----------------|
| Acquired licences | | 12,687 | 2,646 |
| Goodwill | | 5,999 | 10,319 |
| Intangible assets | 10 | 18,686 | 12,965 |
| Plant and machinery | | 83,473 | 77,181 |
| Other fixtures and fittings, tools and equipment | | 1,437 | 1,341 |
| Leasehold improvements | | 303 | 314 |
| Property, plant and equipment in progress | | 9,262 | 9,222 |
| Property, plant and equipment | 11 | 94,475 | 88,058 |
| Deposits | | 461 | 497 |
| Deferred tax | 13 | 15 | 1,746 |
| Financial assets | 12 | 476 | 2,243 |
| Fixed assets | | 113,637 | 103,266 |
| Raw materials and consumables | | 10,364 | 4,340 |
| Manufactured goods and goods for resale | | 56,505 | 35,021 |
| Inventories | | 66,869 | 39,361 |
| Trade receivables | | 138,238 | 117,379 |
| Receivables from group enterprises | | 126,553 | 44,339 |
| Other receivables | | 34,025 | 20,594 |
| Prepayments | 14 | 4,993 | 2,440 |
| Receivables | | 303,809 | 184,752 |
| Cash | | 29,637 | 11,232 |
| Current assets | | 400,315 | 235,345 |
| Assets | | 513,952 | 338,611 |

Equity and liabilities

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|--|--------------|-------------------------|-------------------------|
| Contributed capital | 15 | 500 | 500 |
| Revaluation reserve | | 4,183 | 4,243 |
| Translation reserve | | (3,456) | (2,939) |
| Retained earnings | | 113,282 | 104,348 |
| Equity | | 114,509 | 106,152 |
| Deferred tax | 13 | 0 | 1,069 |
| Provisions | | 0 | 1,069 |
| Bank loans | | 120,000 | 0 |
| Lease liabilities | | 5,648 | 0 |
| Other payables | | 1,987 | 0 |
| Non-current liabilities other than provisions | 16 | 127,635 | 0 |
| Current portion of non-current liabilities other than provisions | 16 | 30,778 | 17,150 |
| Bank loans | | 70,152 | 71,878 |
| Trade payables | | 127,751 | 91,084 |
| Payables to group enterprises | | 994 | 0 |
| Tax payable | | 581 | 3,545 |
| Other payables | | 41,552 | 47,733 |
| Current liabilities other than provisions | | 271,808 | 231,390 |
| Liabilities other than provisions | | 399,443 | 231,390 |
| Equity and liabilities | | 513,952 | 338,611 |
| Events after the balance sheet date | 1 | | |
| Unrecognised rental and lease commitments | 18 | | |
| Contingent liabilities | 19 | | |
| Assets charged and collateral | 20 | | |
| Transactions with related parties | 21 | | |
| Group relations | 22 | | |
| Subsidiaries | 23 | | |

Consolidated statement of changes in equity for 2021

| | Contributed capital DKK'000 | Revaluation reserve DKK'000 | Translation reserve DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|
| Equity beginning of year | 500 | 4,243 | (2,939) | 104,348 | 106,152 |
| Exchange rate adjustments | 0 | 0 | (517) | 0 | (517) |
| Transfer to reserves | 0 | (60) | 0 | 60 | 0 |
| Profit/loss for the year | 0 | 0 | 0 | 8,874 | 8,874 |
| Equity end of year | 500 | 4,183 | (3,456) | 113,282 | 114,509 |

Consolidated cash flow statement for 2021

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|---|-------|-----------------|-----------------|
| Operating profit/loss | | 16,774 | 27,273 |
| Amortisation, depreciation and impairment losses | | 18,363 | 22,500 |
| Working capital changes | 17 | (30,884) | (9,065) |
| Cash flow from ordinary operating activities | | 4,253 | 40,708 |
| Financial income received | | 0 | 3 |
| Financial expenses paid | | (4,427) | (6,680) |
| Taxes refunded/(paid) | | (5,775) | (2,629) |
| Cash flows from operating activities | | (5,949) | 31,402 |
| Acquisition etc. of intangible assets | | (10,838) | (1,357) |
| Acquisition etc. of property, plant and equipment | | (27,332) | (20,127) |
| Sale of property, plant and equipment | | 6,763 | 5 |
| Sale of fixed asset investments | | 0 | 14 |
| Other cash flows from investing activities | | 36 | (2,777) |
| Cash flows from investing activities | | (31,371) | (24,242) |
| Free cash flows generated from operations and investments before financing | | (37,320) | 7,160 |
| Repayments of loans etc. | | 139,276 | (4,650) |
| Repayment of debt to group enterprises | | (82,214) | (17,125) |
| Cash flows from financing activities | | 57,062 | (21,775) |
| Increase/decrease in cash and cash equivalents | | 19,742 | (14,615) |

| | | |
|---|-----------------|-----------------|
| Cash and cash equivalents beginning of year | (60,646) | (49,058) |
| Currency translation adjustments of cash and cash equivalents | 389 | 3,027 |
| Cash and cash equivalents end of year | (40,515) | (60,646) |

Cash and cash equivalents at year-end are composed of:

| | | |
|--|-----------------|-----------------|
| Cash | 29,637 | 11,232 |
| Short-term bank loans | (70,152) | (71,878) |
| Cash and cash equivalents end of year | (40,515) | (60,646) |

Notes to consolidated financial statements

1 Events after the balance sheet date

The war in Ukraine which started at the end of February 2022 have initially a significant impact on availability of supplies and the price of supplies. The war has resulted in a series of precautions, that affects the daily operations, both for the Group, suppliers, customers and other business partners. The economical effect cannot be measured at this time.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

| | 2021 DKK'000 | 2020 DKK'000 |
|---|-----------------|-----------------|
| Europe | 559,661 | 480,995 |
| Other countries | 53,974 | 46,042 |
| Total revenue by geographical market | 613,635 | 527,037 |

The Group operates within one business area. Therefore, the information above does not contain information about revenue per activity.

3 Fees to the auditor appointed by the Annual General Meeting

| | 2021 DKK'000 | 2020 DKK'000 |
|--------------------------|-----------------|-----------------|
| Statutory audit services | 376 | 462 |
| Tax services | 11 | 27 |
| | 387 | 489 |

4 Staff costs

| | 2021 DKK'000 | 2020 DKK'000 |
|---------------------------------------|-----------------|-----------------|
| Wages and salaries | 45,736 | 45,620 |
| Pension costs | 1,728 | 2,082 |
| Other social security costs | 829 | 1,421 |
| Other staff costs | 1,674 | 2,500 |
| | 49,967 | 51,623 |
| Staff costs classified as assets | (4,362) | (2,905) |
| | 45,605 | 48,718 |
| Average number of full-time employees | 120 | 114 |

| | Remuneration of manage- ment 2021 DKK'000 | Remuneration of manage- ment 2020 DKK'000 |
|--------------------|---|---|
| Executive Board | 4,986 | 4,601 |
| Board of Directors | 1,520 | 803 |
| | 6,506 | 5,404 |

Remuneration of management includes an allocated share of the management salary for the group.

5 Depreciation, amortisation and impairment losses

| | 2021 DKK'000 | 2020 DKK'000 |
|--|-----------------|-----------------|
| Amortisation of intangible assets | 5,102 | 5,368 |
| Impairment losses on intangible assets | 0 | 1,390 |
| Depreciation on property, plant and equipment | 10,772 | 10,574 |
| Impairment losses on property, plant and equipment | 2,649 | 5,149 |
| Profit/loss from sale of intangible assets and property, plant and equipment | (160) | 19 |
| | 18,363 | 22,500 |

6 Other financial income

| | 2021 DKK'000 | 2020 DKK'000 |
|-----------------------|-----------------|-----------------|
| Other interest income | 0 | 3 |
| | 0 | 3 |

7 Other financial expenses

| | 2021 DKK'000 | 2020 DKK'000 |
|---------------------------|-----------------|-----------------|
| Other interest expenses | 4,373 | 3,111 |
| Exchange rate adjustments | 54 | 3,569 |
| | 4,427 | 6,680 |

8 Tax on profit/loss for the year

| | 2021 DKK'000 | 2020 DKK'000 |
|--------------------------------------|-----------------|-----------------|
| Current tax | 2,717 | 4,803 |
| Change in deferred tax | 718 | 1,119 |
| Adjustment concerning previous years | 38 | (619) |
| | 3,473 | 5,303 |

9 Proposed distribution of profit/loss

| | 2021 | 2020 |
|-------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| Retained earnings | 8,874 | 15,293 |
| | 8,874 | 15,293 |

10 Intangible assets

| | Acquired licences | Goodwill |
|---|------------------------------|-----------------|
| | DKK'000 | DKK'000 |
| Cost beginning of year | 11,977 | 43,200 |
| Additions | 10,838 | 0 |
| Disposals | (5,430) | 0 |
| Cost end of year | 17,385 | 43,200 |
| Amortisation and impairment losses beginning of year | (9,331) | (32,881) |
| Amortisation for the year | (782) | (4,320) |
| Reversal regarding disposals | 5,415 | 0 |
| Amortisation and impairment losses end of year | (4,698) | (37,201) |
| Carrying amount end of year | 12,687 | 5,999 |

11 Property, plant and equipment

| | Plant and machinery DKK'000 | Other fixtures and fittings, tools and equipment DKK'000 | Leasehold improvements DKK'000 | Property, plant and equipment in progress DKK'000 |
|---|-----------------------------------|--|--------------------------------------|---|
| Cost beginning of year | 195,458 | 7,679 | 440 | 9,222 |
| Exchange rate adjustments | (2,182) | (21) | 0 | 0 |
| Transfers | 12,448 | 0 | 0 | (12,448) |
| Additions | 14,140 | 656 | 48 | 12,488 |
| Disposals | (26,136) | (1,491) | 0 | 0 |
| Cost end of year | 193,728 | 6,823 | 488 | 9,262 |
| Revaluations beginning of year | 4,243 | 0 | 0 | 0 |
| Exchange rate adjustments | (60) | 0 | 0 | 0 |
| Revaluations end of year | 4,183 | 0 | 0 | 0 |
| Depreciation and impairment losses beginning of year | (122,520) | (6,338) | (126) | 0 |
| Exchange rate adjustments | 1,315 | 42 | 0 | 0 |
| Impairment losses for the year | (2,649) | 0 | 0 | 0 |
| Depreciation for the year | (10,142) | (571) | (59) | 0 |
| Reversal regarding disposals | 19,558 | 1,481 | 0 | 0 |
| Depreciation and impairment losses end of year | (114,438) | (5,386) | (185) | 0 |
| Carrying amount end of year | 83,473 | 1,437 | 303 | 9,262 |
| Carrying amount if asset had not been revalued | 79,290 | 1,437 | 303 | 9,262 |

12 Financial assets

| | Deposits DKK'000 | Deferred tax DKK'000 |
|------------------------------------|---------------------|-------------------------|
| Cost beginning of year | 497 | 1,746 |
| Additions | 6 | 0 |
| Disposals | (42) | (1,731) |
| Cost end of year | 461 | 15 |
| Carrying amount end of year | 461 | 15 |

13 Deferred tax

| | 2021 DKK'000 | 2020 DKK'000 |
|-----------------------------------|-----------------|-----------------|
| Intangible assets | 111 | (652) |
| Property, plant and equipment | (1,966) | (2,889) |
| Inventories | 31 | 353 |
| Liabilities other than provisions | 10 | 429 |
| Tax losses carried forward | 1,829 | 3,436 |
| Deferred tax | 15 | 677 |

| | 2021 DKK'000 | 2020 DKK'000 |
|------------------------------------|-----------------|-----------------|
| Changes during the year | | |
| Beginning of year | 677 | 2,114 |
| Recognised in the income statement | (718) | (1,119) |
| Other changes | 56 | (318) |
| End of year | 15 | 677 |

| | 2021 DKK'000 | 2020 DKK'000 |
|---|-----------------|-----------------|
| Deferred tax has been recognised in the balance sheet as follows | | |
| Deferred tax assets | 15 | 1,746 |
| Deferred tax liabilities | 0 | (1,069) |
| | 15 | 677 |

The Group expects to use the deferred tax asset in the coming years, due to positive profit.

14 Prepayments

Prepayments comprise prepaid expenses and royalties.

15 Contributed capital

| | Number | Par value DKK'000 | Nominal value DKK'000 |
|--------|------------|----------------------|-----------------------------|
| Shares | 500 | 1 | 500 |
| | 500 | | 500 |

16 Non-current liabilities other than provisions

| | Due within 12 months 2021 DKK'000 | Due within 12 months 2020 DKK'000 | Due after more than 12 months 2021 DKK'000 |
|-------------------|--|--|--|
| Bank loans | 30,000 | 17,150 | 120,000 |
| Lease liabilities | 778 | 0 | 5,648 |
| Other payables | 0 | 0 | 1,987 |
| | 30,778 | 17,150 | 127,635 |

In addition, the Group has short-term bank debt of DKK 70,152k consisting of overdraft facilities.

17 Changes in working capital

| | 2021 DKK'000 | 2020 DKK'000 |
|--|-----------------|-----------------|
| Increase/decrease in inventories | (27,508) | (1,834) |
| Increase/decrease in receivables | (36,843) | (40,183) |
| Increase/decrease in trade payables etc. | 33,467 | 32,952 |
| | (30,884) | (9,065) |

18 Unrecognised rental and lease commitments

| | 2021 DKK'000 | 2020 DKK'000 |
|---|-----------------|-----------------|
| Total liabilities under rental or lease agreements until maturity | 3,039 | 4,209 |

19 Contingent liabilities

The Group's Danish enterprises participate in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Group's Danish enterprises are liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

20 Assets charged and collateral

The group is joint and severally liable for its loan from Nykredit Bank for the total of DKK 226,206k.

Investments in subsidiaries pledge as security for bank debt.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on trade receivables, property, plant and equipment, inventories and intangible assets of DKK 40,000k nominal. The book value of the mortgaged assets is DKK 318,268k.

21 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

22 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Axel Pitzner Fonden, Copenhagen

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Axel Pitzner Fonden, Copenhagen

23 Subsidiaries

| | Registered in | Corporate form | Ownership % |
|--|----------------------|-----------------------|--------------------|
| Plast Team Poland Sp. Z.o.o. | Poland | Sp. Z.o.o. | 100 |
| NHG GmbH | Germany | GmbH | 100 |
| Room Copenhagen Inc. | USA | Inc. | 100 |
| Room Copenhagen GmbH | Germany | GmbH | 100 |
| Room Copenhagen Sp. Z.o.o. | Poland | Sp. Z.o.o. | 100 |
| Room Copenhagen Hong Kong Ltd. | China | Ltd. | 100 |
| Room Copenhagen Houseware (Shanghai) Co., Ltd. | China | Ltd. | 100 |

Parent income statement for 2021

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|--|-------|-----------------|-----------------|
| Revenue | 2 | 290,790 | 36,722 |
| Cost of sales | | (238,135) | 0 |
| Other external expenses | | (21,547) | (11,697) |
| Gross profit/loss | | 31,108 | 25,025 |
| Staff costs | 3 | (21,889) | (21,067) |
| Depreciation, amortisation and impairment losses | 4 | (10,500) | (985) |
| Operating profit/loss | | (1,281) | 2,973 |
| Income from investments in group enterprises | | 12,250 | 13,950 |
| Other financial income | 5 | 1,467 | 246 |
| Other financial expenses | 6 | (3,970) | (1,717) |
| Profit/loss before tax | | 8,466 | 15,452 |
| Tax on profit/loss for the year | 7 | 408 | (159) |
| Profit/loss for the year | 8 | 8,874 | 15,293 |

Parent balance sheet at 31.12.2021

Assets

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|--|-----------|-----------------|-----------------|
| Acquired licences | | 5,105 | 2,318 |
| Goodwill | | 6,000 | 0 |
| Development projects in progress | 10 | 7,585 | 0 |
| Intangible assets | 9 | 18,690 | 2,318 |
| Plant and machinery | | 23,649 | 0 |
| Other fixtures and fittings, tools and equipment | | 879 | 775 |
| Leasehold improvements | | 302 | 313 |
| Leased assets | | 6,365 | 0 |
| Property, plant and equipment in progress | | 8,701 | 6,006 |
| Prepayments for property, plant and equipment | | 890 | 0 |
| Property, plant and equipment | 11 | 40,786 | 7,094 |
| Investments in group enterprises | | 56,818 | 118,379 |
| Receivables from group enterprises | | 11,867 | 10,611 |
| Deposits | | 416 | 456 |
| Deferred tax | 13 | 172 | 0 |
| Financial assets | 12 | 69,273 | 129,446 |
| Fixed assets | | 128,749 | 138,858 |
| Manufactured goods and goods for resale | | 6,871 | 0 |
| Inventories | | 6,871 | 0 |

| | | | |
|------------------------------------|----|----------------|----------------|
| Trade receivables | | 58,682 | 0 |
| Receivables from group enterprises | | 175,660 | 68,679 |
| Other receivables | | 154 | 0 |
| Prepayments | 14 | 4,816 | 1,052 |
| Receivables | | 239,312 | 69,731 |
| <hr/> | | | |
| Cash | | 141 | 12 |
| <hr/> | | | |
| Current assets | | 246,324 | 69,743 |
| <hr/> | | | |
| Assets | | 375,073 | 208,601 |
| <hr/> | | | |

Equity and liabilities

| | Notes | 2021 DKK'000 | 2020 DKK'000 |
|--|--------------|-------------------------|-------------------------|
| Contributed capital | | 500 | 500 |
| Reserve for net revaluation according to equity method | | 43,273 | 83,927 |
| Reserve for development costs | | 7,585 | 0 |
| Retained earnings | | 63,151 | 21,725 |
| Equity | | 114,509 | 106,152 |
| Deferred tax | 13 | 0 | 335 |
| Provisions | | 0 | 335 |
| Bank loans | | 120,000 | 0 |
| Lease liabilities | | 5,648 | 0 |
| Other payables | | 1,987 | 0 |
| Non-current liabilities other than provisions | | 127,635 | 0 |
| Current portion of non-current liabilities other than provisions | | 30,778 | 0 |
| Bank loans | | 70,152 | 87,603 |
| Trade payables | | 6,964 | 1,995 |
| Payables to group enterprises | | 3,493 | 1,072 |
| Joint taxation contribution payable | | 0 | 88 |
| Other payables | | 21,542 | 11,356 |
| Current liabilities other than provisions | | 132,929 | 102,114 |
| Liabilities other than provisions | | 260,564 | 102,114 |
| Equity and liabilities | | 375,073 | 208,601 |
| Events after the balance sheet date | 1 | | |
| Unrecognised rental and lease commitments | 15 | | |
| Contingent liabilities | 16 | | |
| Assets charged and collateral | 17 | | |
| Related parties with controlling interest | 18 | | |
| Transactions with related parties | 19 | | |

Parent statement of changes in equity for 2021

| | Contributed capital DKK'000 | Reserve for net revaluation according to the equity method DKK'000 | Reserve for development costs DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---------------------------|-----------------------------------|--|--|---------------------------------|------------------|
| Equity beginning of year | 500 | 83,927 | 0 | 21,725 | 106,152 |
| Exchange rate adjustments | 0 | (517) | 0 | 0 | (517) |
| Transfer to reserves | 0 | (52,387) | 7,585 | 44,802 | 0 |
| Profit/loss for the year | 0 | 12,250 | 0 | (3,376) | 8,874 |
| Equity end of year | 500 | 43,273 | 7,585 | 63,151 | 114,509 |

Notes to parent financial statements

1 Events after the balance sheet date

The war in Ukraine which started at the end of February 2022 have initially a significant impact on availability of supplies and the price of supplies. The war has resulted in a series of precautions, that affects the daily operations, both for the Company, suppliers, customers and other business partners. The economical effect cannot be measured at this time.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

| | 2021 DKK'000 | 2020 DKK'000 |
|---|-----------------|-----------------|
| Europe | 282,131 | 36,722 |
| Other countries | 8,659 | 0 |
| Total revenue by geographical market | 290,790 | 36,722 |

3 Staff costs

| | 2021 DKK'000 | 2020 DKK'000 |
|---------------------------------------|-----------------|-----------------|
| Wages and salaries | 24,204 | 21,667 |
| Pension costs | 542 | 371 |
| Other social security costs | 255 | 164 |
| Other staff costs | 1,250 | 1,770 |
| | 26,251 | 23,972 |
| Staff costs classified as assets | (4,362) | (2,905) |
| | 21,889 | 21,067 |
| Average number of full-time employees | 35 | 26 |

4 Depreciation, amortisation and impairment losses

| | 2021 DKK'000 | 2020 DKK'000 |
|--|-----------------|-----------------|
| Amortisation of intangible assets | 5,102 | 641 |
| Depreciation on property, plant and equipment | 4,286 | 344 |
| Impairment losses on property, plant and equipment | 1,063 | 0 |
| Profit/loss from sale of intangible assets and property, plant and equipment | 49 | 0 |
| | 10,500 | 985 |

5 Other financial income

| | 2021 | 2020 |
|---|----------------|----------------|
| | DKK'000 | DKK'000 |
| Financial income from group enterprises | 1,107 | 83 |
| Other interest income | 273 | 0 |
| Exchange rate adjustments | 87 | 163 |
| | 1,467 | 246 |

6 Other financial expenses

| | 2021 | 2020 |
|---|----------------|----------------|
| | DKK'000 | DKK'000 |
| Financial expenses from group enterprises | 0 | 260 |
| Other interest expenses | 3,307 | 822 |
| Exchange rate adjustments | 0 | 165 |
| Other financial expenses | 663 | 470 |
| | 3,970 | 1,717 |

7 Tax on profit/loss for the year

| | 2021 | 2020 |
|--------------------------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| Current tax | 0 | 88 |
| Change in deferred tax | (446) | 245 |
| Adjustment concerning previous years | 38 | (174) |
| | (408) | 159 |

8 Proposed distribution of profit and loss

| | 2021 | 2020 |
|-------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| Retained earnings | 8,874 | 15,293 |
| | 8,874 | 15,293 |

9 Intangible assets

| | Acquired licences DKK'000 | Goodwill DKK'000 | Development projects in progress DKK'000 |
|---|---------------------------------|---------------------|---|
| Cost beginning of year | 9,426 | 0 | 0 |
| Addition through business combinations etc | 2,554 | 43,200 | 0 |
| Additions | 3,253 | 0 | 7,585 |
| Disposals | (5,429) | 0 | 0 |
| Cost end of year | 9,804 | 43,200 | 7,585 |
| Amortisation and impairment losses beginning of year | (7,108) | 0 | 0 |
| Addition through business combinations etc | (2,224) | (32,880) | 0 |
| Amortisation for the year | (782) | (4,320) | 0 |
| Reversal regarding disposals | 5,415 | 0 | 0 |
| Amortisation and impairment losses end of year | (4,699) | (37,200) | 0 |
| Carrying amount end of year | 5,105 | 6,000 | 7,585 |

10 Development projects

Development projects in progress relates to investments in a new ERP-system for the Group. The Group expects to increase the productivity and quality of financial reporting due to the new ERP-system.

11 Property, plant and equipment

| | Plant and machinery DKK'000 | Other fixtures and fittings, tools and equipment DKK'000 | Leasehold improvements DKK'000 | Leased assets DKK'000 | Property, plant and equipment in progress DKK'000 |
|---|-----------------------------------|--|--------------------------------------|--------------------------|---|
| Cost beginning of year | 0 | 3,823 | 440 | 0 | 6,006 |
| Addition through business combinations etc | 47,423 | 0 | 0 | 0 | 0 |
| Additions | 8,387 | 478 | 48 | 6,432 | 11,812 |
| Disposals | (7,098) | (1,491) | 0 | 0 | (9,117) |
| Cost end of year | 48,712 | 2,810 | 488 | 6,432 | 8,701 |
| Depreciation and impairment losses beginning of year | 0 | (3,048) | (127) | 0 | 0 |
| Addition through business combinations etc | (20,794) | 0 | 0 | 0 | 0 |
| Impairment losses for the year | (1,063) | 0 | 0 | 0 | 0 |
| Depreciation for the year | (3,796) | (364) | (59) | (67) | 0 |
| Reversal regarding disposals | 590 | 1,481 | 0 | 0 | 0 |
| Depreciation and impairment losses end of year | (25,063) | (1,931) | (186) | (67) | 0 |
| Carrying amount end of year | 23,649 | 879 | 302 | 6,365 | 8,701 |

| | Prepayments for property, plant and equipment DKK'000 |
|---|--|
| Cost beginning of year | 0 |
| Addition through business combinations etc | 0 |
| Additions | 890 |
| Disposals | 0 |
| Cost end of year | 890 |
| Depreciation and impairment losses beginning of year | 0 |
| Addition through business combinations etc | 0 |
| Impairment losses for the year | 0 |
| Depreciation for the year | 0 |
| Reversal regarding disposals | 0 |
| Depreciation and impairment losses end of year | 0 |
| Carrying amount end of year | 890 |

12 Financial assets

| | Investments in group enterprises DKK'000 | Receivables from group enterprises DKK'000 | Deposits DKK'000 | Deferred tax DKK'000 |
|--|---|---|-----------------------------|---------------------------------|
| Cost beginning of year | 34,452 | 10,611 | 456 | 0 |
| Addition through business combinations etc | (20,907) | 0 | 0 | 0 |
| Exchange rate adjustments | 0 | 907 | 0 | 0 |
| Additions | 0 | 349 | 2 | 172 |
| Disposals | 0 | 0 | (42) | 0 |
| Cost end of year | 13,545 | 11,867 | 416 | 172 |
| Revaluations beginning of year | 83,927 | 0 | 0 | 0 |
| Addition through business combinations etc | (52,387) | 0 | 0 | 0 |
| Exchange rate adjustments | (517) | 0 | 0 | 0 |
| Share of profit/loss for the year | 12,250 | 0 | 0 | 0 |
| Revaluations end of year | 43,273 | 0 | 0 | 0 |
| Carrying amount end of year | 56,818 | 11,867 | 416 | 172 |

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

In investments in group enterprises goodwill is included with DKK 6,000k.

13 Deferred tax

| | 2021 | 2020 |
|------------------------------------|------------|--------------|
| | DKK'000 | DKK'000 |
| Changes during the year | | |
| Beginning of year | (335) | (76) |
| Recognised in the income statement | 446 | (245) |
| Other | 61 | (14) |
| End of year | 172 | (335) |

Deferred tax relates to intangible assets, property, plant and equipment, other provisions and carry forward losses.

The recognition of the deferred tax asset is based on an expectation to use the tax advantages in future financial years.

14 Prepayments

Prepayments solely comprise prepaid expenses.

15 Unrecognised rental and lease commitments

| | 2021 | 2020 |
|---|---------|---------|
| | DKK'000 | DKK'000 |
| Total liabilities under rental or lease agreements until maturity | 1,831 | 3,124 |

16 Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Pitzner Gruppen Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

17 Assets charged and collateral

The group is joint and severally liable for its loan from Nykredit Bank for the total of DKK 226,206k.

Investments in subsidiaries pledge as security for bank debt.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on trade receivables, property, plant and equipment, inventories and intangible assets of DKK 40,000k nominal. The book value of the mortgaged assets is DKK 318,268k.

18 Related parties with controlling interest

Chest Topco ApS, Nærum
Pitzner Gruppen Holding A/S, Copenhagen
Axel Pitzner Fonden, Copenhagen

19 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Business combinations

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets

and liabilities taken over are recognised in intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

The modified uniting-of-interests method is applied to vertical mergers in which the participating entities are subject to the Parent's control. Under this method, assets and liabilities of the participating entities are recognised at the amounts at which they are recognised in the consolidated financial statements of the parent forming part of the merger. Vertical mergers are recognised at the merger date without restatement of comparative figures.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, net capital or exchange gains on payables and transactions in foreign currencies, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, net capital or exchange losses on payables and transactions in foreign currencies, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent is jointly taxed with all of its Danish group enterprises and other Danish consolidated companies. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation periods is usually 10 years based on an assessment of the long-term earnings profile.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Intellectual property rights etc. comprise intellectual property rights, acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5-7 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost with additions of revaluations and less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost plus revaluation and minus estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|--|------------|
| Plant and machinery | 3-12 years |
| Other fixtures and fittings, tools and equipment | 3-5 years |
| Leasehold improvements | 3-5 years |

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Revaluation reserve for Plant and machinery measured at fair value will be reduced with future depreciation. Depreciation from prior years of the revalued amount has been deducted from the revaluation reserve.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of

enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.