



Puori ApS

Havnegade 41, 1058 København K

Company reg. no. 32 56 67 31

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 7 June 2023.

Oliver Amdrup-Chamby
Chairman of the meeting

Contents

	<u>Page</u>
Reports	
Management's statement	1
Independent auditor's report	2
Management's review	
Company information	5
Group overview	6
Management's review	7
Consolidated financial statements and financial statements 1 January - 31 December 2022	
Income statement	8
Balance sheet	9
Consolidated statement of changes in equity	12
Statement of changes in equity of the parent	12
Notes	13
Accounting policies	15

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the board of directors and the managing director have presented the annual report of Puori ApS for the financial year 1 January - 31 December 2022.

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

We consider the accounting policies appropriate and, in our opinion, the consolidated financial statements and the financial statements provide a fair presentation of the assets, equity and liabilities, and the financial position, consolidated and for the company, respectively, at 31 December 2022, and of the result of the activities, consolidated and of the company, respectively, during the financial year 1 January – 31 December 2022.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 7 June 2023

Managing Director

Oliver Amdrup-Chamby

Board of directors

Kasper Mule Scott Struve
Chairman

John David Shulman

Alexander William Deegan

Hans-Julius Wikke Heslet

Oliver Amdrup-Chamby

Sarah Creal

Independent auditor's report

To the Shareholders of Puori ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Puori ApS for the financial year 1 January to 31 December 2022, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group the Parent Company. The consolidated financial statements and the parent company financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022, and of the results of the Group and the Company's operations for the financial year 1 January - 31 December 2022 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 Consolidated Financial Statements and the Parent Company Financial Statements" section of our 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 Company Financial Statements

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

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 company 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 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 consolidated financial statements and the parent company 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 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 consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

- 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 Management's Review

Management is responsible for Management's Review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 7 June 2023

Grant Thornton

State Authorised Public Accountants
Company reg. no. 34 20 99 36

Claus Koskelin

State Authorised Public Accountant
mnc30140

Company information

The company

Puori ApS
Havnegade 41
1058 København K

Company reg. no. 32 56 67 31
Established: 12 November 2009
Domicile: Copenhagen
Financial year: 1 January - 31 December

Board of directors

Kasper Mule Scott Struve, Chairman
John David Shulman
Alexander William Deegan
Hans-Julius Wikke Heslet
Oliver Amdrup-Chamby
Sarah Creal

Managing Director

Oliver Amdrup-Chamby

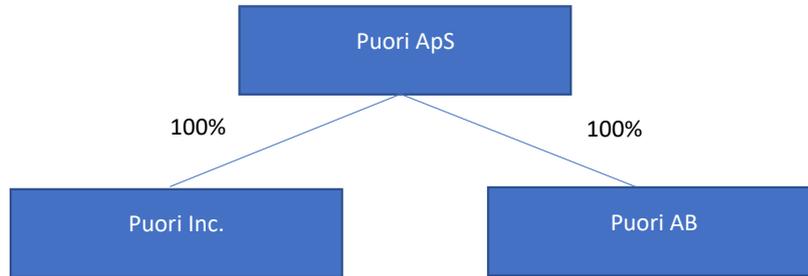
Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø

Subsidiaries

Puori Inc., California
Puori AB, Malmö

Group overview



Management's review

The principal activities of the group

Puori is specialized in nutritional supplements based on a core of scientific research and 3rd party testing. Our production is a unique implementation of technology, innovation, and sustainability to create Clean & Superior products and our range is designed to improve health and athletic performance.

The Puori group consists of three entities, Puori ApS in Denmark and the wholly owned subsidiary Puori Inc., a registered Delaware company, located in California, USA & Puori AB, a registered company located in Malmø.

Development in activities and financial matters

The development in 2022 has been better than planned. The company has a clear plan and secured capital to support the future growth of the company.

The company has lost more than 50% of the contributed capital and therefore the company is a subject to the capital loss provisions. The management is aware of this, they expect a positive development in the future and that the company capital will be re-established by the own operation and the activity in equity investments.

Expected developments

The management expect the result in 2023 to be a small minus but closer to a breakeven from operation activities. The focus is to continue investing in growth activities to further grow the amount of loyal customers, develop the transparency project and expanding sales channels, which will continue during the year.

Events occurring after the end of the financial year

After the end of the financial year in 2022 a cash capital increase has been made totaling tDKK 10.972. Herof has tDKK 7.893 been injected into the company and tDKK 3.079 have been converted by loan.

Income statement 1 January - 31 December

All amounts in DKK.

Note	Group		Parent	
	2022	2021	2022	2021
Gross profit	7.476.095	3.799.832	4.908.811	3.764.660
1 Staff costs	-12.899.119	-11.670.418	-12.141.391	-11.050.103
Depreciation, amortisation, and impairment	-364.992	-736.043	-364.992	-736.043
Operating profit	-5.788.016	-8.606.629	-7.597.572	-8.021.486
Income from equity investments in subsidiaries	0	0	1.751.465	-576.139
Other financial income	18.974	634.951	0	614.168
Other financial costs	-3.406.975	-1.904.451	-3.329.910	-1.897.720
Pre-tax net profit or loss	-9.176.017	-9.876.129	-9.176.017	-9.881.177
Tax on net profit or loss for the year	0	-5.048	0	0
Net profit or loss for the year	-9.176.017	-9.881.177	-9.176.017	-9.881.177
Proposed distribution of net profit:				
Allocated from retained earnings			-9.176.017	-9.881.177
Total allocations and transfers			-9.176.017	-9.881.177

Balance sheet at 31 December

All amounts in DKK.

Assets

Note	Group		Parent	
	2022	2021	2022	2021
Non-current assets				
2				
Completed development projects, including patents and similar rights arising from development projects	0	106.506	0	106.506
Concessions, patents, licenses, trademarks, and similar rights acquired	273.704	422.996	273.704	422.996
Total intangible assets	273.704	529.502	273.704	529.502
Other fixtures and fittings, tools and equipment	399.482	508.676	399.482	508.676
Total property, plant, and equipment	399.482	508.676	399.482	508.676
Investments in group enterprises	0	0	0	0
Other receivables	399.883	381.292	399.883	381.292
Total investments	399.883	381.292	399.883	381.292
Total non-current assets	1.073.069	1.419.470	1.073.069	1.419.470

Balance sheet at 31 December

All amounts in DKK.

Assets

Note	Group		Parent	
	2022	2021	2022	2021
Current assets				
Raw materials and consumables	388.954	1.129.348	388.954	1.129.348
Manufactured goods and goods for resale	6.666.213	6.311.928	5.923.639	3.864.003
Total inventories	7.055.167	7.441.276	6.312.593	4.993.351
Trade receivables	6.966.768	5.044.676	5.839.468	4.086.913
Receivables from group enterprises	0	0	3.028.841	3.225.323
Deferred tax assets	1.019.538	959.438	0	0
Other receivables	166.484	90.687	0	0
Prepayments and accrued income	31.655	76.166	31.655	76.166
Total receivables	8.184.445	6.170.967	8.899.964	7.388.402
Cash on hand and demand deposits	2.455.705	1.694.624	1.252.825	871.141
Total current assets	17.695.317	15.306.867	16.465.382	13.252.894
Total assets	18.768.386	16.726.337	17.538.451	14.672.364

Balance sheet at 31 December

All amounts in DKK.

Note	Group		Parent	
	2022	2021	2022	2021
Equity and liabilities				
Equity				
Contributed capital	260.362	254.196	260.362	254.196
Reserve for development costs	0	0	0	83.075
Reserve for foreign currency translation	-581.799	139.732	-581.799	139.732
Retained earnings	-25.481.001	-20.300.552	-25.481.001	-20.383.627
Total equity	-25.802.438	-19.906.624	-25.802.438	-19.906.624
Long term liabilities other than provisions				
Convertible and profit sharing debt instruments	17.500	17.500	17.500	17.500
Payables to equity interests	18.053.757	7.610.144	18.053.757	7.610.144
Other payables	8.395.243	8.887.938	8.395.243	8.887.938
3 Total long term liabilities other than provisions	26.466.500	16.515.582	26.466.500	16.515.582
3 Current portion of long term liabilities	1.200.030	1.792.000	1.200.030	1.792.000
Bank loans	6.894.785	5.551.009	6.894.785	5.551.009
Trade payables	3.293.090	5.406.053	2.823.150	4.057.779
Other payables	6.716.419	7.368.317	5.956.424	6.662.618
Total short term liabilities other than provisions	18.104.324	20.117.379	16.874.389	18.063.406
Total liabilities other than provisions	44.570.824	36.632.961	43.340.889	34.578.988
Total equity and liabilities	18.768.386	16.726.337	17.538.451	14.672.364
4 Charges and security				
5 Contingencies				

Consolidated statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for development costs	Reserve for foreign currency translation	Retained earnings	Total
Equity 1 January 2021	254.196	0	1.034.194	-10.419.375	-9.130.985
Profit or loss for the year brought forward	0	0	0	-9.881.177	-9.881.177
Exchange rate adjustments	0	0	-894.462	0	-894.462
Equity 1 2022	254.196	0	139.732	-20.300.552	-19.906.624
Cash capital increase	6.166	0	0	3.995.568	4.001.734
Profit or loss for the year brought forward	0	0	0	-9.176.017	-9.176.017
Exchange rate adjustments	0	0	-721.531	0	-721.531
	260.362	0	-581.799	-25.481.001	-25.802.438

Statement of changes in equity of the parent

All amounts in DKK.

	Contributed capital	Reserve for development costs	Reserve for foreign currency translation	Retained earnings	Total
Equity 1 January 2021	254.196	468.571	1.034.194	-10.887.946	-9.130.985
Profit or loss for the year brought forward	0	0	0	-9.881.177	-9.881.177
Allocated result for development expenditure	0	-385.496	0	385.496	0
Exchange rate adjustments	0	0	-894.462	0	-894.462
Equity 1 January 2022	254.196	83.075	139.732	-20.383.627	-19.906.624
Cash capital increase	6.166	0	0	3.995.568	4.001.734
Profit or loss for the year brought forward	0	0	0	-9.176.017	-9.176.017
Allocated result for development expenditure	0	-83.075	0	83.075	0
Exchange rate adjustments	0	0	-721.531	0	-721.531
	260.362	0	-581.799	-25.481.001	-25.802.438

Notes

All amounts in DKK.

	Group		Parent	
	2022	2021	2022	2021
1. Staff costs				
Salaries and wages	12.185.434	10.840.485	11.427.706	10.240.163
Pension costs	616.361	695.631	616.361	695.631
Other costs for social security	97.324	134.302	97.324	114.309
	12.899.119	11.670.418	12.141.391	11.050.103
Average number of employees	18	17	17	16

2. Completed development projects, including patents and similar rights arising from development projects

Completed development projects

Completed development projects comprise the development of nutritional supplements based on a core of scientific research. The total product portfolio consists of 7 products of which all products are launched. The products are depreciated over a period of 5 years.

The completed development projects are essential for maintenance of the turnover.

The management has not identified indication of impairment in proportion to the book value.

3. Long term liabilities other than provisions

Group and parent

	Total payables 31 Dec 2022	Current portion of long term payables	Long term payables 31 Dec 2022	Outstanding payables after 5 years
Convertible and profit sharing debt instruments	17.500	0	17.500	0
Payables to equity interests	18.053.757	0	18.053.757	0
Other payables	9.595.273	1.200.030	8.395.243	0
	27.666.530	1.200.030	26.466.500	0

Notes

All amounts in DKK.

4. Charges and security

For bank loans, tDKK 6.895 and other debts tDKK 8.810, the company has provided security in company assets representing a nominal value of tDKK 7.500 & tDKK 11.000. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Intangible assets	274
Tangible assets	399
Inventories	6.314
Trade receivables	5.839

5. Contingencies

Contingent assets

The company has an unrecognized deferred tax asset of tDKK 13.262.

Contingent liabilities

The company has entered into lease agreements with a term of 41 months authorizing commitment of tDKK 2.395

Accounting policies

The annual report for Puori ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the group and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the group and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Accounting policies

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve in the Consolidated Financial Statement. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or write-down for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

The consolidated financial statements

The consolidated income statements comprise the parent company Puori ApS and those group enterprises of which Puori ApS directly or indirectly owns more than 50 % of the voting rights or in other ways exercise control.

Consolidation policies

The consolidated financial statements have been prepared as a summary of the parent company's and the group enterprises' financial statements by adding together uniform accounting records calculated in accordance with the group's accounting policies.

Investments in group enterprises are eliminated by the proportionate share of the group enterprises' fair value of net assets and liabilities at the acquisition date.

In the consolidated financial statements, the accounting records of the group enterprises are recognised by 100%. The minority interests' share of the profit for the year and of the equity in the group enterprises, which are not 100% owned, is included in the group's profit and equity, but presented separately.

Purchases and sales of minority interests under continuing control are recognised directly in equity as a transaction between shareholders.

Investments in associates are measured in the statement of financial position at the proportionate share of the enterprises' equity value i calculated in accordance with the parent company's accounting policies and with proportionate elimination of unrealised intercompany gains and losses. In the income statement, the proportional share of the associates' results is recognised after elimination of the proportional share of intercompany gains and losses.

Accounting policies

The group activities in joint operations are recognised in the consolidated financial statements record by record.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation, amortisation, and writedown for the year and profit and loss on the disposal of intangible and tangible assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from equity investments in subsidiaries

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement of the parent as a proportional share of the group enterprises' post-tax profit or loss.

Accounting policies

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and writedowns for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 5 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement under amortisation and writedown for impairment.

Purchased rights

Purchased rights is measured at cost with deduction of accumulated amortisation. Purchased rights is amortised on a straight-line basis over the estimated financial life which is 5 years.

Property, plant, and equipment

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Accounting policies

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement under depreciation.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The group's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Investments

Investments in subsidiaries

Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a measurement method.

Investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Investments in subsidiaries with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover a negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in subsidiaries are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

Accounting policies

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Inventories

Inventories are measured at cost on the basis of weighted measured average prices. In cases when the net realisable value is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

Accounting policies

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Reserve for foreign currency translation

The reserve for foreign currency translation arises when translating accounting items in foreign currency.

The reserve is dissolved once the value adjustments have been applied or reversed.

The reserve is distributable.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

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

Accounting policies

Convertible and profit sharing debt instruments

Convertible bonds are issued at a fixed conversion price and is regarded as composite instruments comprising a financial liability measured at amortised cost and an equity instrument in the form of the integral conversion right. Fair value of the financial liability is determined on the date of issue by applying a market rate for a similar non-convertible debt instrument. The difference between the proceeds from issuing the convertible debt instrument and the fair value of the financial liability, corresponding to the integral option to convert the liability to shareholders' equity, is recognised directly in the shareholders' equity. The value of the financial liability is recognised as long-term debts and subsequently measured at amortised cost. When extending convertible bonds, a calculation is made at amortised cost relative to the extension. Any difference is recognised in the income statement.