WODEN®

WODEN A/S

BALTICAGADE 12 A, 8000 AARHUS C

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2021

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 25 April 2022

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Carl Erik Skovgaard

CVR NO. 35 24 03 49

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COMPANY DETAILS

Company	Woden A/S Balticagade 12 A 8000 Aarhus C	
	CVR No.:	35 24 03 49
	Established:	1 May 2013
	Municipality:	Aarhus
	Financial Year:	1 January - 31 December
Board of Directors	Carl Erik Skovgaard, chairman Kathrine Merete Vester Holm Carsten Vester Holm Thomas Tygesen Claus Tygesen	
Executive Board	Carsten Vester Holm	
Auditor	BDO Statsautoriseret revisionsaktieselskab Kystvejen 29 8000 Aarhus C	
Bank	Sydbank Peberlyk 4 6200 Aabenraa	
Law Firm	DLA Piper Denmark Advokatpartnerselskab Hack Kampmanns Plads 2 8000 Aarhus C	

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Woden A/S for the financial year 1 January - 31 December 2021.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Aarhus C, 22 April 2022

Executive Board

Carsten Vester Holm

Board of Directors

Carl Erik Skovgaard Chairman	Kathrine Merete Vester Holm	Carsten Vester Holm
Thomas Tygesen	Claus Tygesen	

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Woden A/S

Opinion
We have audited the Financial Statements of Woden A/S for the financial year 1 January - 31 December 2021, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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

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

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management Commentary
Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Aarhus, 22 April 2022

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Morten Trap Olesen
State Authorised Public Accountant
MNE no. mne35625

MANAGEMENT COMMENTARY

Principal activities
WODEN is headquartered in Aarhus, Denmark, where 35 employees handle sales, logistics, customer service, design, marketing, finance, and digital activities. With three subsidiaries, WODEN A/S operates in thirty markets, including a sourcing setup in Asia and South Europe, from where sourcing, production flows and quality control is handled. As a result, WODEN shoes can be found in more than 1.000 stores worldwide.

Development in activities and financial and economic position
In 2020, we concluded as follows:

'2020 was a good year for WODEN with difficult times. There are many challenges in the horizon, and we know that hard work is needed to achieve our goals for 2021. WODEN is on the right track, and we believe in continued growth and a positive 2021.'

Based on the strength of our existing business, the continued execution of our growth strategy and the actions we took because of the pandemic, we can conclude that year 2021 lived up to our expectations. With a revenue growth of 26% this fiscal year we continue to emphasize that WODEN A/S continues to be a globally scalable business. With a strategic focus on solid cost management, investments for the future, sustainable initiatives, and development of a strong organizational foundation, 2021 proved to be profitable.

Our financial performance for 2021 also remained strong amid Covid-19. Due to pandemic restrictions, we experienced capacity challenges and retails lockdowns. In addition, logistical obstacles introduced further delays to our supply chains processes, as we managed to overcome unpredictable hurdles. Despite the continued uncertainty, we were able to take the necessary actions to handle the impact of such complex challenges, make rapid decisions and adapt to new market situations. The uncertainty surrounding the potential outcomes from Covid-19 remains for the foreseeable future.

For 2021, our focus has been to ensure that our strong growth continues so that we can fully exploit our market potential. One of our main focuses has been on successfully incorporating and relaunching SHOE THE BEAR as an integrated part of our business. Additionally, we have invested significantly in expanding our organizational structure to reflect our growing position in the market, including a higher focus and development of our online presence and business. Finally, we have continued to invest heavily in our own logistic set up with WODEN logistics, where increased delivery efficiency and effective capacity remains our focal point.

The result is by the management categorized as satisfactory.

Financial position
Due to WODEN'S accounting policy, all pre-payments are considered a part of the balance. Due to the global logistics crisis extraordinary many shoes at a value of 11,2 mill DKK were on the sea by year-end. If we correct for this and calculate WODEN's Solvency ratio without pre-payments, the corrected ratio will be 34,4.

Significant events after the end of the financial year
No events have occurred after the end of the financial year of material importance for the company's financial position.

MANAGEMENT COMMENTARY

Future expectations

Our main goal is to build an even stronger presence in our main markets, both online and through our existing sales set up. At the same time, we will again try to push the barrier for sustainable footwear with a continued focus on sustainable initiatives.

SHOE THE BEAR will in 2022 be fully integrated in the WODEN value chain and will follow all WODEN standards, including design and sourcing principles, as we continue to grow the brand in all our key markets.

Despite challenges, 2021 was a positive year for WODEN. There are more obstacles to come in the horizon, and we know that hard work is needed to achieve our goals for 2022. Despite the economic conditions resulting from the pandemic, we managed to deliver solid results. We believe in continued growth and a positive 2022.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2021 DKK	2020 DKK
GROSS PROFIT		**17.766.463**	**15.425.474**
Staff costs	1	-15.524.626	-8.998.231
Depreciation, amortisation and impairment losses		-778.207	-471.029
OPERATING PROFIT		**1.463.630**	**5.956.214**
Income from investments in subsidiaries and associates	2	782.423	-454.376
Other financial income	3	-24.220	161.785
Other financial expenses		-803.126	-641.108
PROFIT BEFORE TAX		**1.418.707**	**5.022.515**
Tax on profit/loss for the year	4	-150.534	-1.214.213
PROFIT FOR THE YEAR		**1.268.173**	**3.808.302**

PROPOSED DISTRIBUTION OF PROFIT

Proposed dividend for the year		0	500.000
Allocation to reserve for net revaluation according to equity va		782.423	0
Retained earnings		485.750	3.308.302
TOTAL		**1.268.173**	**3.808.302**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2021 DKK	2020 DKK
Intangible fixed assets acquired		365.517	258.414
Intangible assets	5	**365.517**	**258.414**
Other plant, fixtures and equipment		1.184.797	1.079.214
Leasehold improvements		1.363.908	1.548.476
Property, plant and equipment	6	**2.548.705**	**2.627.690**
Equity investments in group enterprises		4.939.824	3.901.200
Equity investments in associated enterprises		0	67.738
Rent deposit and other receivables		1.572.116	736.599
Financial non-current assets	7	**6.511.940**	**4.705.537**
NON-CURRENT ASSETS		**9.426.162**	**7.591.641**
Finished goods and goods for resale		19.461.450	15.632.008
Prepayments		11.256.499	12.455.759
Inventories		**30.717.949**	**28.087.767**
Trade receivables		5.992.294	9.773.204
Receivables from group enterprises		2.622.572	0
Receivables from associated enterprises		446.373	149.025
Provision for deferred tax		0	101.887
Derivative financial instruments	8	815.149	0
Other receivables		85.615	41.231
Corporation tax receivable		20.778	218.789
Prepayments and accrued income		766.328	505.586
Receivables		**10.749.109**	**10.789.722**
Cash and cash equivalents		**4.045.706**	**100.974**
CURRENT ASSETS		**45.512.764**	**38.978.463**
ASSETS		**54.938.926**	**46.570.104**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2021 DKK	2020 DKK
Share capital		501.000	501.000
Reserve for net revaluation according to equity va		159.276	0
Retained earnings		8.349.571	6.023.337
Proposed dividend		0	500.000
EQUITY		**9.009.847**	**7.024.337**
Provision for deferred tax		152.143	0
PROVISIONS		**152.143**	**0**
Subordinate loan capital		6.000.000	6.000.000
Rent deposita		79.500	0
Non-current liabilities	9	**6.079.500**	**6.000.000**
Bank debt		22.085.167	15.531.932
Prepayments received from customers		0	249.606
Trade payables		13.455.708	9.967.705
Payables to group enterprises		129.574	1.873.661
Corporation tax		0	1.119.580
Joint tax contribution payable		104.709	0
Derivative financial instruments	8	0	541.339
Other liabilities		3.922.278	4.261.944
Current liabilities		**39.697.436**	**33.545.767**
LIABILITIES		**45.776.936**	**39.545.767**
EQUITY AND LIABILITIES		**54.938.926**	**46.570.104**

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EQUITY

	Share capital	Reserve for net revaluation according to equity va	Retained earnings	Proposed dividend	Total
Equity at 1 January 2021	501.000	0	6.023.337	500.000	7.024.337
Proposed profit allocation		782.423	485.750		1.268.173
Transactions with owners					
Dividend paid				-500.000	-500.000
Other legal bindings					
Foreign exchange adjustments		159.276			159.276
Net regulation of hedging instruments			1.058.061		1.058.061
Transfers					
Receiv./decl. dividend		-782.423	782.423		0
Equity at 31 December 2021	**501.000**	**159.276**	**8.349.571**	**0**	**9.009.847**

NOTES

	2021 DKK	2020 DKK	Note
Staff costs			1
Average number of employees	33	18	
Wages and salaries	13.226.860	7.728.838	
Pensions	1.744.940	996.709	
Social security costs	266.163	128.574	
Other staff costs	286.663	144.110	
	15.524.626	**8.998.231**	
Income from investments in subsidiaries and associates			2
Income from investments in subsidiaries	850.161	-372.720	
Result of equity investments in associates enterprises	-67.738	-81.656	
	782.423	**-454.376**	
Other financial income			3
Group enterprises	18.511	0	
Other interest income	-42.731	161.785	
	-24.220	**161.785**	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year	194.931	1.119.580	
Adjustment of deferred tax	-44.397	94.633	
	150.534	**1.214.213**	

Intangible assets 5

	Intangible fixed assets acquired
Cost at 1 January 2021	407.568
Additions	200.875
Cost at 31 December 2021	**608.443**
Amortisation at 1 January 2021	149.154
Amortisation for the year	93.772
Amortisation at 31 December 2021	**242.926**
Carrying amount at 31 December 2021	**365.517**

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Property, plant and equipment 6

	Other plant, fixtures and equipment	Leasehold improvements
Cost at 1 January 2021	1.456.051	2.345.170
Additions	519.928	111.886
Disposals	-238.012	0
Cost at 31 December 2021	**1.737.967**	**2.457.056**
Depreciation and impairment losses at 1 January 2021	376.837	796.694
Reversal of depreciation of assets disposed of	-211.648	0
Depreciation for the year	387.981	296.454
Depreciation and impairment losses at 31 December 2021	**553.170**	**1.093.148**
Carrying amount at 31 December 2021	**1.184.797**	**1.363.908**

Financial non-current assets 7

	Equity investments in group enterprises	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 1 January 2021	4.273.921	149.394	736.599
Additions	29.187	0	835.517
Cost at 31 December 2021	**4.303.108**	**149.394**	**1.572.116**
Revaluation at 1 January 2021	-363.388	-70.712	0
Exchange adjustment	159.276	0	0
Profit/loss for the year	970.618	-56.794	0
Revaluation at 31 December 2021	**766.506**	**-127.506**	**0**
Impairment losses and amortisation of goodwill at 1 January 2021	9.333	10.944	0
Amortisation of goodwill	120.457	10.944	0
Impairment losses and amortisation of goodwill at 31 December 2021	**129.790**	**21.888**	**0**
Carrying amount at 31 December 2021	**4.939.824**	**0**	**1.572.116**

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Derivative financial instruments 8

As part of hedging recognized and unrecognized transactions, the company uses hedging instruments such as forward foreign exchange contracts. The company has entered into forward exchange contracts for hedging future purchases in USD for a total of tDKK 18.813. In relation to the forward rate at the balance sheet date, the contracts have a postive value of tDKK 815. The capital profit is recognized in equity with tDKK 1.058. The forward exchange contracts expires within 8 months from the balance sheet date. It is hedging of future cash flows, why the amount is recognized under equity.

The hedging instuments impact the Balance Sheet, Income Statement and Equity as follows:

	Hedging tDKK
Fair value at 31 December 2021	
Assets	815
	815
Value adjustment in the year recognised in Equity	1.058

Long-term liabilities 9

	31/12 2021 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2020 total liabilities
Subordinate loan capital	6.000.000	0	6.000.000	6.000.000
Rent deposita	79.500	0	79.500	0
	6.079.500	**0**	**6.079.500**	**6.000.000**

Contingencies etc. 10

Contingent liabilities

Operational lease

The company has entered into lease contracts with a residual term of up to 3 months with a total tesidual lease payment of tDKK 29.

Rent obligations

The company has entered into rent commitments, which at the balance sheet date amount to tDKK 5.169 during the period of notice, which latest expires on april 31ht 2026

Joint liabilities

The Danish companies of the group is jointly and severally liable for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group's jointly taxed income amounts to DKK ('000) 208 at the balance sheet date.

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Charges and securities 11

As security for the bank debt at tDKK 22.085 the company has provided a floating charge af a nominal amount af tDKK 6,000 with security in inventory and trade receivables with a booked amount 31rd December 2021 on tDKK 30.718.

Special items 12

In the previous financial year, the company has received Govermental compensation as a consequence of the outbreak of COVID-19.

Received wage compensation...	0	134.466
	0	**134.466**

ACCOUNTING POLICIES

The Annual Report of Woden A/S for 2021 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Other operating income

Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Income from investments in subsidiaries and associates

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

In connection with transfers, potential profits are recognised when the economic rights related to the sold equity interests are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets
Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 7 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific conditions.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets
Machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment..	3-5 years	0 %
Leasehold improvements...	5-10 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments
Investments in Equity interests in subsidiaries and associates are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

Equity investments in subsidiaries and associates are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the Parent Company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill calculated according to the acquisition method. Negative goodwill is recognised in the Income Statement when the equity interest is acquired. Where the negative goodwill is related to acquired contingent liabilities, the negative goodwill will be recognised as income when the contingent liabilities have been settled or cease.

Acquired enterprises are subject to the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation models.

Net revaluation of equity interests in subsidiaries is transferred under equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries and associates with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the Company has a legal or actual liability to cover the subsidiary's subsidiaries and associates deficit.

ACCOUNTING POLICIES

Impairment of fixed assets
The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the carrying amount.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories
Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

ACCOUNTING POLICIES

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

Amortised cost for short-term liabilities usually corresponds to the nominal value.

Derivative financial instruments
Derivative financial instruments are initially recognised in the Balance Sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under receivables and payables, respectively.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under the initial cost of the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the Income Statement for the period where the Income Statement was affected by the hedged amount.

Foreign currency translation
Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.