
SkyBrands Holding A/S

Roskildevej 6, DK-7100 Vejle

Annual Report for 1 January - 31 December 2019

CVR No 36 71 53 24

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
18/3 2020

Jens Jørgen Hahn-Petersen
Chairman of the General
Meeting



pwc

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SkyBrands Holding A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Vejle, 18 March 2020

Executive Board

Jesper Dahl Sommer
CEO

Board of Directors

Hans Nielsen
Chairman

Jens Jørgen Hahn-Petersen
Deputy Chairman

Stig Løkke Pedersen

Lasse Hadberg Lyng

Independent Auditor's Report

To the Shareholders of SkyBrands Holding A/S

Opinion

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 2019 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of SkyBrands Holding A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We refer to note 1 to the Financial Statements which describes the uncertainty related to the measurement of goodwill. Our opinion has not been modified in respect of this matter.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Con-

Independent Auditor's Report

olidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the 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 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 Group's and 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 Group or 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 judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report

paring 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 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 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 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.
- 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.

Trekantområdet, 18 March 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Lars Almskou Ohmeyer

state authorized public accountant

mne24817

Company Information

The Company

SkyBrands Holding A/S
Roskildevej 6
DK-7100 Vejle

CVR No: 36 71 53 24
Financial period: 1 January - 31 December
Municipality of reg. office: Vejle

Board of Directors

Hans Nielsen, Chairman
Jens Jørgen Hahn-Petersen
Stig Løkke Pedersen
Lasse Hadberg Lynge

Executive Board

Jesper Dahl Sommer

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2019	2018	2017	2016	2015
	(12 months) TDKK	(12 months) TDKK	(12 months) TDKK	(12 months) TDKK	(8,5 months) TDKK
Key figures					
Profit/loss					
EBITDA	795	7,742	8,539	24,140	7,068
Operating profit/loss	-9,509	-2,795	-2,009	14,085	903
Profit/loss before financial income and expenses	-9,510	-2,837	-2,009	14,085	935
Net financials	-2,653	-1,097	-9,788	-5,080	939
Net profit/loss for the year	-12,119	-5,107	-13,245	4,400	550
Group profit/loss (pro forma)*					
Group Gross Profit	19,198	28,254	32,141	45,420	40,433
Group EBITDA	868	8,526	9,789	20,678	19,958
Group EBITDA before special items**	3,081	11,437	10,874	23,114	26,602
Balance sheet					
Balance sheet total	194,783	216,380	239,323	261,435	244,519
Equity	113,772	129,862	134,569	95,280	90,592
Cash flows					
Cash flows from:					
- operating activities	5,722	6,527	11,431	0	-14,864
- investing activities	-128	110	433	0	-209,017
including investment in property, plant and equipment	-141	-49	0	-467	-1,108
- financing activities	-7,993	-9,257	-9,619	0	234,122
Change in cash and cash equivalents for the year	-2,399	-2,620	2,245	0	10,241
Number of employees	22	22	25	22	16
Ratios					
Return on assets	-4.9%	-1.3%	-0.8%	5.4%	0.4%
Solvency ratio	58.4%	60.0%	56.2%	36.4%	37.0%
Return on equity	-9.9%	-3.9%	-11.5%	4.7%	1.2%

Financial Highlights

* Group profit/loss figures are adjusted for minorities in SkyBrands GmbH and DreamTex. Dreamtex is recognized in the figures until october 2017.

** Group EBITDA before special items is adjusted for one-off (non-recurring) items of exceptional or extraordinary nature

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

The comparative figures for the year 2015 comprise 8,5 months, and, consequently, they are not directly comparable the year after as they cover 12 months.

Management's Review

The Annual Report of SkyBrands Holding A/S ("SkyBrands" or the "Company") for the year of 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C. The provisions governing reporting class C are applied pursuant to the amended Danish Financial Statements Act.

The private equity fund CataCap K/S I indirectly owns 96% of the shares in the Company as a result of the acquisition in the fiscal year of 2015 and 2019. CataCap is a member of DCVA. The Company has therefore chosen to follow the DCVA guidelines released in 2008, including the subsequent modifications, which can be found at DVCA's website <http://www.dvca.dk>. These guidelines recommend an extended coverage of several factors in the annual report, including corporate governance, financial risks, employee relations and strategy. As a private equity portfolio company, SkyBrands Holding must either follow the guidelines or explain why the recommendations, in whole or in part, are not followed.

Key activities

The main activity of the Company is to invest in, and own shares in companies and subsidiaries in the SkyBrands Group, which comprises SkyBrands A/S (headquartered in Denmark) and SkyBrands GmbH (headquartered in Germany) (collectively referred to as the "Group" or "SkyBrands").

The main business of the Group relates to commercial activities in branded home and apparel textile products. The Group designs, produces (through sub-suppliers) and sells branded home and apparel textile products, where brands are licensed from brand-owners such as Disney or Universal.

Development in the year

The income statement of the Group for 2019 shows a loss of TDKK 12,119, and at 31 December 2019 the balance sheet of the Group shows equity of TDKK 113,772.

The Group result for 2019 is not satisfactory and can among other factors be attributed to increased competition and price pressure in the market.

Uncertainty relating to recognition and measurement

At 31 December 2019, the carrying amount of goodwill amounts to DKK 157.5 million. While the results realised in 2019, when viewed in isolation, could raise questions as to whether this value of goodwill is supported, it is Management's expectation that results will improve in 2020 and onwards. The expected improvement, which inherently is subject to uncertainty, is a result of the organisational changes implemented in 2019 as well as improvements made to the commercial strategy, and is underpinned by a strong order backlog for 2020 vis-à-vis previous years, particularly in the important German market. On this basis, it is Management's assessment that the carrying amount of goodwill at 31 December 2019 can be maintained.

Management's Review

Special risks - market and financial

The Board of Directors of the Company and the Management of the Group continuously monitor both internal and external business risks. Below are the risks that has been assessed as being particularly important:

Market risks

The Group operates within the segments of home and apparel textiles. Generally, textile products within these segments have historically shown some resistance to business cycles, whereas individual brands can experience significant changes in consumer demand within seasons and from year to year. To mitigate these risks, the Group distributes products to customers (retailers and distributors) across Europe, thereby spreading the customer portfolio on several geographies and customer types. In addition, the Company operates with a portfolio of different brands.

Currency risk

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

Environment

SkyBrands has high standards for environmental protection, and ensures this through close collaboration with suppliers. All suppliers to the Group must meet the quality standards of Okotex 100 (www.okotex.com) and, the Group is certified GOTS. The Group conducts a high frequency of tests through recognized agencies such as SGS (www.sgs.com) to ensure that the quality of the products live up to the high standards of the Group's customers. The Group also conducts quality audits and visits to suppliers' manufacturing sites to ensure that all quality and environmental standards are adhered to.

Corporate social responsibility

Focus on CSR is a cornerstone in the way SkyBrands operates and we have developed specific CSR policies under our Code of Conduct to comply with it. The Group is a member of the Business Social Compliance Initiative and we require all our suppliers to be members as well, so our customers can trust that the products we deliver live up to the highest ethical and social responsibility standards.

Human rights

Management's Review

SkyBrands does not tolerate discrimination of any sort based on race, gender or religion. Child and forced labour as well as social dumping is not allowed, and the Group requires all suppliers to follow these policies.

Employees of the Group have the right to freely organize in trade unions and to strike in accordance with the laws of the countries where the Group operates.

Competition

The business principles are at any time compliant with the current competition laws within the areas where the Group operates.

Corruption

Employees in the Group can neither give nor receive bribery of any sort or non-approved payments neither on behalf of themselves nor on behalf of the Group. Any participation in corruption will result in disciplinary actions.

Duties of the Board of Directors

The Group strives to adhere to the principles of corporate governance, e.g. by engaging in an ongoing dialogue with its owners and other stakeholders, reporting results on a quarterly basis and maintaining an on-going strategic development process in order to create value for both owners and other stakeholders.

The Board of Directors ensures that the Executive Management complies with the objectives, strategies and procedures outlines by the Board. Information from the management of the various companies within the Group is provided systematically at meetings and through written and oral on-going reporting. This reporting includes market development, the license portfolio development, the company's development and the financial position and outlook.

The Board of Directors meets according to a set schedule at least five times per year in addition to an annual strategy meeting, where the Group's vision, goals and strategy is determined.

Board Composition

Chairman Hans Nielsen is a member of the board of the Skybrands Holding A/S. Hans Nielsen was elected as a member of the board by CataCap in 2019. Hans Nielsen serves as CEO or member of the board of:

- SkyBrands A/S, SkyBrands Holding A/S
- Suzstain A/S
- GreenGenius A/S

Board member Jens Hahn-Petersen, non-independent board member, Partner in CataCap. Jens Hahn-Petersen was elected as a member of the board by CataCap in 2019.

Management's Review

Jens Hahn-Petersen is currently also a partner at CataCap Management A/S., and serves as board member or CEO of:

- Prosperitas ApS.
- HB-Care Holding A/S, HB-Care A/S, HB-Care Leasing ApS, HB-Care Leasing 1 ApS, HB-Care 2 Leasing ApS, HB-Care 3 Leasing ApS
- SkyBrands A/S, Skybrands Holding A/S.
- CASA ManCo ApS
- TPA Green ManCo ApS.
- CataCap Management A/S, CataCap General Partners I ApS, CataCap DM ApS, CataCap OP ApS, CataCap DM II ApS, CC II Management Invest 2017 GP ApS, CataCap General Partners II ApS
- LW ManCo ApS, Languagewire Holding ApS and Languagewire A/S
- CC Explorer Invest ApS, CC Tool Invest ApS, CC Oscar Invest ApS, CC Orange Invest ApS, CC Track Invest ApS, CC Lingo Invest ApS, CC Green Wall Invest ApS and CC Sky Invest ApS.
- CC Globe Invest ApS, CC Globe Holding I ApS, CC Globe Holding II ApS, Danaweb A/S, Danaweb International A/S, Optimeo A/S
- Rekom ManCo ApS
- CC Fly Invest ApS

Board member Stig Løkke Pedersen is a member of the board of the Skybrands Holding A/S. Stig Løkke Pedersen was elected as a member of the board by CataCap in 2019.

Stig Løkke Pedersen serves as board member or CEO of:

- Skybrands Holding A/S and Skybrands A/S
- H&L Invest ApS
- Transmedica A/S, Transmedica Holding 2007 A/S
- Hasle Refractories A/S
- Union therapeutics A/S
- Ectran Holding ApS
- EC Ergo Holding ApS
- Broen-Lab A/S
- SSI Diagnostica A/S
- Hvidesten A/S
- MidCap T ApS
- CapHold T ApS
- Hellebjerg Holding ApS, Hellebjerghus ApS

Lasse Hadberg Lynge is a member of the board of Skybrands Holding A/S. Lasse Hadberg Lynge was elected as a member of the board by CataCap in 2018.

Management's Review

Lasse Hadberg Lyngé also serves as CEO, or member of the board of:

- LHLH ApS
- SkyBrands A/S, SkyBrands Holding A/S

Subsequent events

The outbreak of COVID19 on a global scale has caused unusual and extraordinary uncertainty. Due to the rapidly changing nature of the outbreak, it is difficult to accurately assess the impact of it on the business of Group. Based on current knowledge, however, it is Management's assessment that the business will most likely only experience limited impact.

Income Statement 1 January - 31 December

	Note	Group		Parent	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Gross profit/loss		14,094	21,900	-91	-39
Staff expenses	2	-13,183	-14,157	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-10,420	-10,538	0	0
Other operating expenses		-1	-42	0	0
Profit before financial income and expenses		-9,510	-2,837	-91	-39
Income from investments in subsidiaries		0	0	-10,449	-4,235
Financial income		84	1,165	0	0
Financial expenses	3	-2,737	-2,262	-1,596	-1,518
Profit before tax		-12,163	-3,934	-12,136	-5,792
Tax on profit/loss for the year	4	44	-1,173	0	343
Net profit/loss for the year		-12,119	-5,107	-12,136	-5,449

Balance Sheet 31 December

Assets

	Note	Group		Parent	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Goodwill		157,513	167,737	0	0
Intangible assets	5	157,513	167,737	0	0
Other fixtures and fittings, tools and equipment		438	507	0	0
Property, plant and equipment	6	438	507	0	0
Investments in subsidiaries	7	0	0	172,922	183,517
Deposits	8	409	406	0	0
Fixed asset investments		409	406	172,922	183,517
Fixed assets		158,360	168,650	172,922	183,517
Inventories	9	10,975	10,474	0	0
Trade receivables		16,639	27,786	0	0
Receivables from group enterprises		0	1,551	0	1,551
Other receivables		5,456	2,419	72	72
Corporation tax		1,144	973	0	343
Prepayments	10	410	329	0	0
Receivables		23,649	33,058	72	1,966
Cash at bank and in hand		1,799	4,198	0	0
Currents assets		36,423	47,730	72	1,966
Assets		194,783	216,380	172,994	185,483

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent	
		2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Share capital		1,005	1,005	1,005	1,005
Retained earnings		112,309	128,416	112,309	128,416
Equity attributable to shareholders of the Parent Company		113,314	129,421	113,314	129,421
Minority interests		458	441	0	0
Equity	11	113,772	129,862	113,314	129,421
Provision for deferred tax	13	314	422	0	0
Provisions		314	422	0	0
Credit institutions		27,000	18,000	27,000	18,000
Other payables		254	0	0	0
Long-term debt	14	27,254	18,000	27,000	18,000
Credit institutions	14	40,790	55,800	4,511	18,000
Prepayments received from customers		9	0	0	0
Trade payables		6,991	8,613	0	0
Payables to group enterprises		3,420	1,578	28,163	20,054
Other payables	14	2,233	2,105	6	8
Short-term debt		53,443	68,096	32,680	38,062
Debt		80,697	86,096	59,680	56,062
Liabilities and equity		194,783	216,380	172,994	185,483
Uncertainty relating to recognition and measurement	1				
Distribution of profit	12				
Contingent assets, liabilities and other financial obligations	17				
Related parties	18				
Accounting Policies	19				

Statement of Changes in Equity

Group

	Share capital	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1,005	128,416	129,421	441	129,862
Purchase of treasury shares	0	-3,825	-3,825	0	-3,825
Fair value adjustment of hedging instruments, beginning of year	0	-222	-222	0	-222
Fair value adjustment of hedging instruments, end of year	0	35	35	0	35
Tax on adjustment of hedging instruments for the year	0	41	41	0	41
Net profit/loss for the year	0	-12,136	-12,136	17	-12,119
Equity at 31 December	1,005	112,309	113,314	458	113,772

Parent

Equity at 1 January	1,005	128,416	129,421	0	129,421
Purchase of treasury shares	0	-3,825	-3,825	0	-3,825
Fair value adjustment of hedging instruments, beginning of year	0	-222	-222	0	-222
Fair value adjustment of hedging instruments, end of year	0	35	35	0	35
Tax on adjustment of hedging instruments for the year	0	41	41	0	41
Net profit/loss for the year	0	-12,136	-12,136	0	-12,136
Equity at 31 December	1,005	112,309	113,314	0	113,314

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2019 TDKK	2018 TDKK
Net profit/loss for the year		-12,119	-5,107
Adjustments	15	13,030	12,851
Change in working capital	16	7,663	2,835
Cash flows from operating activities before financial income and expenses		8,574	10,579
Financial income		84	1,165
Financial expenses		-2,743	-2,265
Cash flows from ordinary activities		5,915	9,479
Corporation tax paid		-193	-2,952
Cash flows from operating activities		5,722	6,527
Purchase of property, plant and equipment		-141	-49
Fixed asset investments made etc		0	-6
Sale of property, plant and equipment		13	165
Cash flows from investing activities		-128	110
Repayment of loans from credit institutions		-6,010	-18,000
Raising of loans from credit institutions		0	8,743
Raising of loans from group enterprises		1,842	0
Purchase of treasury shares		-3,825	0
Cash flows from financing activities		-7,993	-9,257
Change in cash and cash equivalents		-2,399	-2,620
Cash and cash equivalents at 1 January		4,198	6,818
Cash and cash equivalents at 31 December		1,799	4,198
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1,799	4,198
Cash and cash equivalents at 31 December		1,799	4,198

Notes to the Financial Statements

1 Uncertainty relating to recognition and measurement

At 31 December 2019, the carrying amount of goodwill amounts to DKK 157.5 million. While the results realised in 2019, when viewed in isolation, could raise questions as to whether this value of goodwill is supported, it is Management's expectation that results will improve in 2020 and onwards. The expected improvement, which inherently is subject to uncertainty, is a result of the organisational changes implemented in 2019 as well as improvements made to the commercial strategy, and is underpinned by a strong order backlog for 2020 vis-à-vis previous years, particularly in the important German market. On this basis, it is Management's assessment that the carrying amount of goodwill at 31 December 2019 can be maintained.

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
2 Staff expenses				
Wages and salaries	12,513	13,325	0	0
Pensions	354	353	0	0
Other social security expenses	111	104	0	0
Other staff expenses	205	375	0	0
	13,183	14,157	0	0
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	1,084	1,370	0	0
Supervisory Board	375	327	0	0
	1,459	1,697	0	0
Average number of employees	22	22	0	0
3 Financial expenses				
Interest paid to group enterprises	37	0	554	140
Other financial expenses	2,615	2,262	1,042	1,378
Exchange adjustments, expenses	85	0	0	0
	2,737	2,262	1,596	1,518

Notes to the Financial Statements

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
4 Tax on profit/loss for the year				
Current tax for the year	23	1,136	-41	-230
Deferred tax for the year	-108	150	0	0
	-85	1,286	-41	-230
which breaks down as follows:				
Tax on profit/loss for the year	-44	1,173	0	-343
Tax on changes in equity	-41	113	-41	113
	-85	1,286	-41	-230

5 Intangible assets

Group

	Goodwill TDKK
Cost at 1 January	204,373
Cost at 31 December	204,373
Impairment losses and amortisation at 1 January	36,636
Amortisation for the year	10,224
Impairment losses and amortisation at 31 December	46,860
Carrying amount at 31 December	157,513

Goodwill obtained in connection with strategic acquisitions and mergers with a strong market position and sustainable, long-term earnings potential is amortized over 20 years, as the value of existing customer relations, long-term customer contracts, employee competencies, know-how, industry knowledge, reputation in the market for home textiles etc., is expected to contribute positively to the Company's future earnings potential for a period of at least 20 years.

Notes to the Financial Statements

6 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	<u>TDKK</u>
Cost at 1 January	2,419
Additions for the year	141
Disposals for the year	<u>-63</u>
Cost at 31 December	<u>2,497</u>
Impairment losses and depreciation at 1 January	1,913
Depreciation for the year	194
Impairment and depreciation of sold assets for the year	<u>-48</u>
Impairment losses and depreciation at 31 December	<u>2,059</u>
Carrying amount at 31 December	<u>438</u>

Notes to the Financial Statements

	Parent	
	2019 TDKK	2018 TDKK
7 Investments in subsidiaries		
Cost at 1 January	229,765	229,765
Cost at 31 December	229,765	229,765
Value adjustments at 1 January	-46,248	-42,415
Exchange adjustment	0	2
Net profit/loss for the year	-225	5,989
Fair value adjustment of hedging instruments for the year	-146	400
Amortisation of goodwill	-10,224	-10,224
Value adjustments at 31 December	-56,843	-46,248
Carrying amount at 31 December	172,922	183,517
Remaining positive difference included in the above carrying amount at 31 December	157,513	167,737

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
SkyBrands A/S	Vejle	DKK 1,000k	100%

8 Other fixed asset investments

	Group
	Deposits TDKK
Cost at 1 January	406
Additions for the year	3
Cost at 31 December	409
Carrying amount at 31 December	409

Notes to the Financial Statements

	Group		Parent	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
9 Inventories				
Finished goods and goods for resale	10,414	10,282	0	0
Prepayments for goods	561	192	0	0
	10,975	10,474	0	0

10 Prepayments

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

11 Equity

The share capital consists of 1,004,600 shares of a nominal value of TDKK 1. No shares carry any special rights.

The share capital is broken down as follow:

	Number	Nominal value TDKK
A-shares	1,000,000	1,000,000
B-shares	4,600	4,600
		1,004,600

On 29 February 2019, the Company acquired 391.300 treasury shares, corresponding to 38.95%. The total payment for the shares amounted to kDKK 3.825, which has been transferred from retained earnings under equity. These shares have not been cancelled and are therefore held as treasury shares. The Company may choose to sell these shares at a later time. Treasury shares were acquired for capital restructuring in connection with change of Company Management.

The Company holds a total of 391.300 shares with a nominal value of DKK 1 corresponding to 38.95% of the total capital.

Notes to the Financial Statements

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
12 Distribution of profit				
Minority interests' share of net profit of subsidiaries	17	341	0	0
Retained earnings	-12,136	-5,448	-12,136	-5,449
	-12,119	-5,107	-12,136	-5,449

13 Provision for deferred tax

Provision for deferred tax at 1 January	422	272	0	0
Amounts recognised in the income statement for the year	-108	150	0	0
Provision for deferred tax at 31 December	314	422	0	0

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Credit institutions				
After 5 years	9,000	0	9,000	0
Between 1 and 5 years	18,000	18,000	18,000	18,000
Long-term part	27,000	18,000	27,000	18,000
Other short-term debt to credit institutions	40,790	55,800	4,511	18,000
	67,790	73,800	31,511	36,000

Notes to the Financial Statements

14 Long-term debt (continued)

	Group		Parent	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Other payables				
Between 1 and 5 years	254	0	0	0
Long-term part	254	0	0	0
Other short-term payables	2,233	2,105	6	8
	2,487	2,105	6	8

15 Cash flow statement - adjustments

Financial income	-84	-1,165
Financial expenses	2,737	2,262
Depreciation, amortisation and impairment losses, including losses and gains on sales	10,421	10,581
Tax on profit/loss for the year	-44	1,173
	13,030	12,851

16 Cash flow statement - change in working capital

Change in inventories	-501	4,901
Change in receivables	9,582	5,170
Change in trade payables, etc	-1,231	-7,748
Fair value adjustments of hedging instruments	-187	512
	7,663	2,835

Notes to the Financial Statements

17	Group		Parent	
	2019	2018	2019	2018
	TDKK	TDKK	TDKK	TDKK
Contingent assets, liabilities and other financial obligations				

Charges and security

The following assets have been placed as security with bankers:

Company charge of DKK 10,000k on unsecured claims, inventories, machinery and equipment, etc of a total carrying amount of	6,215	8,135	0	0
Company charge of DKK 30,000k on unsecured claims of a total carrying amount of	12,484	22,912	0	0

Contingent liabilities

The Group has assumed other contractual obligations with a minimum payment of DKK 3,831k up to June 2023.

A lease has been concluded regarding lease of the premises on Roskildevej 6, DK-7100 Vejle. The lease is interminable up to 29 May 2023. The rent obligation at 31 December 2019 is calculated at DKK 1,864k.

The Company is part of the national joint taxation with CC Sky Invest ApS as the management company and is liable for any tax liability under the joint taxation.

The Group has concluded forward exchange contracts for currency hedging of future purchased goods of USD 2,335k. Fair value of forward exchange contracts is at the balance sheet date DKK 35k.

SkyBrands Holding A/S has provided guarantees against its subsidiary SkyBrands A/S and SkyBrands GmbH's debt to credit institutions. At 31 December 2019, the debt of the subsidiaries to credit institutions amounts to DKK 36,280k.

DKK 1 million of the share capital of SkyBrands A/S has been provided as security for all accounts with the Company's bank.

DKK 0,4 million of the share capital of SkyBrands Holding A/S has been provided as security for all accounts with the Company's bank.

Notes to the Financial Statements

18 Related parties

Basis

Controlling interest

CC Sky Invest ApS, Vejle

Principal shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

No such transactions have occurred during the year.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company

Name

Place of registered office

CC Sky Invest ApS

Vejle

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of SkyBrands Holding A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2019 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, SkyBrands Holding A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

Notes to the Financial Statements

19 Accounting Policies (continued)

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

19 Accounting Policies (continued)

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Revenue

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Notes to the Financial Statements

19 Accounting Policies (continued)

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

19 Accounting Policies (continued)

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 20 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment 3-7 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend

Notes to the Financial Statements

19 Accounting Policies (continued)

distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of Deposits.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Notes to the Financial Statements

19 Accounting Policies (continued)

Equity

Treasury shares

Purchase and sales prices for treasury shares are recognised directly in retained earnings under equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares and increases retained earnings. Dividend on treasury shares is recognised directly in equity under retained earnings.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Notes to the Financial Statements

19 Accounting Policies (continued)

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$