
Pack Tech A/S

Virkeholm 3B, 2., DK-2730 Herlev

Annual Report for 1 July 2022 - 30 June 2023

CVR No 37 14 41 18

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
1/11 2023

Peter Skau-Andersen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Pack Tech A/S for the financial year 1 July 2022 - 30 June 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 30 June 2023 of the Company and of the results of the Company operations for 2022/23.

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

Herlev, 1 November 2023

Executive Board

Mikkel Ibsen
CEO

Board of Directors

Peter Skau-Andersen
Chairman

Christian Loumann Severin

Henrik Breck

Independent Auditor's Report

To the Shareholder of Pack Tech A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2023 and of the results of the Company's operations for the financial year 1 July 2022 - 30 June 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Pack Tech A/S for the financial year 1 July 2022 - 30 June 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on 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 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.

Independent Auditor's Report

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 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- 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.

Hellerup, 1 November 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Lunden
statsautoriseret revisor
mne32209

Mads Blichfeldt Fjord
statsautoriseret revisor
mne46065

Company Information

The Company

Pack Tech A/S
Virkeholm 3B, 2.
DK-2730 Herlev

CVR No: 37 14 41 18
Financial period: 1 July - 30 June
Municipality of reg. office: Herlev

Board of Directors

Peter Skau-Andersen, Chairman
Henrik Breck
Christian Loumann Severin

Executive Board

Mikkel Ibsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	<u>2022/23</u>	<u>2021/22</u>	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	68.794	72.831	125.939	101.412	64.478
Operating profit/loss	19.893	23.047	45.096	38.894	15.181
Profit/loss before financial income and expenses	19.893	23.047	45.096	38.894	15.181
Net financials	-122	-15	60	448	385
Net profit/loss for the year	14.808	17.572	35.072	30.728	11.782
Balance sheet					
Balance sheet total	112.282	126.101	139.108	101.179	75.982
Equity	86.168	88.604	84.047	64.507	48.646
Ratios					
Return on assets	17,7%	18,3%	32,4%	38,4%	20,0%
Solvency ratio	76,6%	70,3%	60,4%	63,8%	64,0%
Return on equity	16,9%	20,4%	47,2%	54,3%	24,2%
Average number employees	53	52	64	54	52

Management's Review

Key activities

The company's purposes are packaging, trade, industry, publishing and research.

Development in the year

The income statement of the Company for 2022/23 shows a profit of DKK 14,808,042 and at 30 June 2023 the balance sheet of the Company shows equity of DKK 86,167,552.

The profit shows a decrease from last year which can be ascribed to lower revenue on covid-19 related products and a general market demand which was a little lower than expected due to customers that filled up their stocks when deliveries during Covid-19 was limited. Although the revenue and profit were a little below our expectations, the year has still shown a satisfactory development in our target end markets with continued focus on the Ocean Waste Plastic strategy.

The strategic choice of keeping a relatively high stock level has continued this year with the purpose of ensuring timely deliveries to our customers.

Covid-19

The effects of Covid-19 are mainly related to a lower turnover on packaging for disinfection as well as customers holding a high stock level due to extra purchases when deliveries of packaging from Asia was difficult. This scenario now seems to be gradually stabilizing back to "normal".

Management's Review

Strategy and objectives

Pack Tech's business strategy focuses on development and sales of sustainable packaging solutions to our key target groups - hair care and personal care. The Ocean Waste Plastic concept remains a key driver in the strategy offering our customers an opportunity to participate in the removal of plastic from ocean and rivers in Indonesia.

Pack Tech continues to focus more on customized packaging rather than standard packaging enabling our customers to obtain their "own" design and the share of customized packaging increases on a yearly basis.

Even though, acquisition opportunities are being considered on an ongoing basis, we believe that strong organic growth is a corner stone of our value creation. The profitable growth will keep creating strong value for the shareholders while removing the world's oceans of plastic. Our ambition is to become the leading company in this field. Relentlessly, we will keep challenging the industry and ourselves to develop solutions to problems that couldn't be solved yesterday. This is a driving force for our continued success.

OWP – Ocean Waste Plastic

OWP is a strategic cornerstone of the company. Beginning 2023/24 significant investments in the Indonesian set-up have been made. We have expanded the sorting station moving to a new and bigger location as well as we have initiated investments in in-sourcing the washing and shredding of the sorted plastic

Our ongoing investments has increased the quality of our operation and ensured a maximum degree of the recycling of all plastic collected from the ocean and rivers.

The OWP concept provides full transparency and all processes and several processes are now certified by a third party – DNV. This secures full control and compliance of our processes. The focus on these processes and the striving for continued improvements are key to our strategy and our growth plans.

For the coming fiscal year, it is planned to continue the investments in the OWP concept with the intention of striving towards the highest possible quality, transparency and documentation

Management's Review

Market risks

In order to reduce the effect of a possible risk from individual markets (political, currency, etc.), there is still a focus on sales in several markets.

Foreign exchange risks

Activities abroad mean that profit and equity are affected by exchange rate and interest rate developments for a number of currencies. It is the company's monetary policy partly to hedge commercial currency risks when beneficial and increasingly seek against exchange rate neutrality against primarily the USD.

Liquidity risks

No liquidity risks are assessed

Uncertainty relating to recognition and measurement

There has been no uncertainty in recognition and measurement in the annual report. The company's assets, liabilities and financial position per June 30, 2023 as well as the result of the company's activities for 2022/23 are not affected by unusual circumstances.

Expectations for the coming year

Pack Tech is truly dedicated to be best-in-class in areas like quality, documentation and customer service. This has requested considerable investments and we are still investing building a foundation for an expected future growth. We expect the coming year to show a stable trend in revenue and profits allowing us to finalize our investments as well as strengthening the organization which will result in a profit before tax in the range of DKK 10 – 15 million.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 July - 30 June

	<u>Note</u>	<u>2022/23</u> DKK	<u>2021/22</u> DKK
Gross profit/loss		68.794.458	72.831.137
Distribution expenses	1	-21.947.886	-23.778.005
Administrative expenses	1	-26.953.519	-26.006.294
Operating profit/loss		19.893.053	23.046.838
Profit/loss before financial income and expenses		19.893.053	23.046.838
Income from investments in subsidiaries		-815.127	-85.552
Financial income	2	693.591	89.286
Financial expenses		-879	-74.270
Profit/loss before tax		19.770.638	22.976.302
Tax on profit/loss for the year	3	-4.962.596	-5.403.896
Net profit/loss for the year		14.808.042	17.572.406

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	23.600.000	13.000.000
Reserve for net revaluation under the equity method	163.215	
Retained earnings	-8.955.173	4.572.406
	<u>14.808.042</u>	<u>17.572.406</u>

Balance Sheet 30 June

Assets

	<u>Note</u>	<u>2022/23</u> DKK	<u>2021/22</u> DKK
Plant and machinery		866.787	1.127.468
Other fixtures and fittings, tools and equipment		541.850	418.334
Leasehold improvements		120.269	306.199
Property, plant and equipment	4	<u>1.528.906</u>	<u>1.852.001</u>
Intangible assets	5	0	510.605
Intangible assets		<u>0</u>	<u>510.605</u>
Investments in subsidiaries	6	497.706	187.060
Other receivables	7	78.797	57.504
Fixed asset investments		<u>576.503</u>	<u>244.564</u>
Fixed assets		<u>2.105.409</u>	<u>2.607.170</u>
Raw materials and consumables		16.058.572	13.820.518
Finished goods and goods for resale		35.548.003	45.403.790
Prepayments for goods		2.391.762	7.330.816
Inventories		<u>53.998.337</u>	<u>66.555.124</u>
Trade receivables		24.202.911	28.451.400
Receivables from group enterprises		10.362.032	14.114.846
Receivables from associates		33.085	31.177
Other receivables		124.903	725.213
Deferred tax asset	8	806.142	590.166
Prepayments	9	283.252	125.263
Receivables		<u>35.812.325</u>	<u>44.038.065</u>
Cash at bank and in hand		<u>20.366.008</u>	<u>12.901.547</u>
Currents assets		<u>110.176.670</u>	<u>123.494.736</u>
Assets		<u>112.282.079</u>	<u>126.101.906</u>

Balance Sheet 30 June

Liabilities and equity

	Note	2022/23	2021/22
		DKK	DKK
Share capital	10	500.000	500.000
Reserve for currency adjustment		-120.706	-14.955
Reserve for net revaluatin under equity method		163.215	0
Retained earnings		62.025.043	75.119.206
Proposed dividend for the year		23.600.000	13.000.000
Equity		86.167.552	88.604.251
Other provisions	12	1.673.032	1.673.032
Provisions		1.673.032	1.673.032
Payables to group enterprises relating to corporation tax		4.757.612	3.873.856
Long-term debt	13	4.757.612	3.873.856
Credit institutions		0	1.909.428
Prepayments received from customers		0	3.532.104
Trade payables		5.132.026	7.344.931
Payables to group enterprises		1.560.334	2.967.396
Payables to group enterprises relating to corporation tax	13	3.873.842	11.182.622
Other payables		9.117.681	5.014.286
Short-term debt		19.683.883	31.950.767
Debt		24.441.495	35.824.623
Liabilities and equity		112.282.079	126.101.906
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
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Statement of Changes in Equity

	Share capital	Reserve for currency adjustment	Reserve for net revaluation under equity method	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 July	500.000	-14.955	0	75.119.206	13.000.000	88.604.251
Ordinary dividend paid	0	0	0	0	-13.000.000	-13.000.000
Currency exchange adjustment	0	-105.751	0	0	0	-105.751
Other equity movements	0	0	0	-4.138.990	0	-4.138.990
Net profit/loss for the year	0	0	163.215	-8.955.173	23.600.000	14.808.042
Equity at 30 June	500.000	-120.706	163.215	62.025.043	23.600.000	86.167.552

Notes to the Financial Statements

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
1 Staff		
Wages and Salaries	24.255.778	23.685.805
Pensions	1.314.538	1.177.519
Other social security expenses	256.317	215.594
Other staff expenses	822.002	812.250
	<u>26.648.635</u>	<u>25.891.168</u>
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognized in the following items:		
Cost of sales	338.439	212.155
Distribution expenses	9.056.214	6.567.210
Administrative expenses	17.253.982	19.111.803
	<u>26.648.635</u>	<u>25.891.168</u>
Including remuneration to the Executive and Supervisory Boards of:		
Executive Board	2.032.452	3.046.320
Supervisory Board	5.003.486	4.919.208
	<u>7.035.938</u>	<u>7.965.528</u>
Average number of employees	<u>53</u>	<u>52</u>

Notes to the Financial Statements

	<u>2022/23</u> DKK	<u>2021/22</u> DKK	
2 Financial income			
Interest received from group enterprises	517.247	64.485	
Other financial income	176.344	24.801	
	<u>693.591</u>	<u>89.286</u>	
3 Tax on profit/loss for the year			
Current tax for the year	4.757.612	3.873.856	
Deferred tax for the year	-215.976	1.201.135	
Adjustment of tax concerning previous years	420.960	328.905	
	<u>4.962.596</u>	<u>5.403.896</u>	
4 Property, plant and equipment			
	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK	DKK
Cost at 1 July	3.865.337	1.044.208	1.286.707
Additions for the year	35.285	1.138.448	0
Disposals for the year	-52.040	-528.953	0
Cost at 30 June	<u>3.848.582</u>	<u>1.653.703</u>	<u>1.286.707</u>
Impairment losses and depreciation at 1 July	2.737.869	439.082	980.509
Depreciation for the year	243.926	489.548	185.929
Reversal of impairment and depreciation of sold assets	0	-308.333	0
	<u>2.981.795</u>	<u>620.297</u>	<u>1.166.438</u>
Carrying amount at 30 June	<u>866.787</u>	<u>1.033.406</u>	<u>120.269</u>
Depreciated over	<u>5 years</u>	<u>3.5 years</u>	<u>10 years</u>

Notes to the Financial Statements

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
5 Intangible assets		
Cost at 1 July	510.605	0
Additions for the year	0	510.605
Disposals for the year	<u>-510.605</u>	<u>0</u>
Cost at 30 June	<u>0</u>	<u>510.605</u>
Carrying amount at 30 June	<u>0</u>	<u>510.605</u>
6 Investments in subsidiaries		
Cost at 1 July	150.000	150.000
Additions for the year	<u>184.491</u>	<u>0</u>
Cost at 30 June	<u>334.491</u>	<u>150.000</u>
Value adjustments at 1 July	-576.917	-476.410
Net profit/loss for the year	-815.127	-85.552
Currency exchange adjustment	-105.751	-14.955
Capital increase	5.800.000	0
Reversals for the year of revaluations in previous years	<u>-4.138.990</u>	<u>0</u>
Value adjustments at 30 June	<u>163.215</u>	<u>-576.917</u>
Equity investments with negative net asset value amortized over receivables	<u>0</u>	<u>613.977</u>
Carrying amount at 30 June	<u>497.706</u>	<u>187.060</u>

Investments in subsidiaries are specified as follows:

<u>Name</u>	<u>Place of registered office</u>	<u>Share capital</u>	<u>Votes and ownership</u>	<u>Equity</u>	<u>Net profit/loss for the year</u>	
Responseability ApS	Herlev Harrislee,	50.000	100%	164.747	-	21.275
PG Verpackung UG	Germany	1.494	100%	335.843	-	36.128
Green Solution Investment	Herlev	50.000	100%	373.110	-	2.121.977
ReSea Project Sales ApS	Herlev	50.000	100%	- 375.994	-	3.655.868

All foreign subsidiaries are recognized and measured as separate entities.

Notes to the Financial Statements

	<u>2021/22</u> DKK	<u>2021/22</u> DKK
7 Other fixed asset investments		
Cost at 1 July	57.504	50.556
Addition for the year	<u>21.293</u>	<u>6.948</u>
Cost at 30 June	<u>78.797</u>	<u>57.504</u>
8 Deferred tax asset		
Deferred tax asset at 1 July	590.166	1.791.301
Amounts recognized in the income statement for the year	<u>215.976</u>	<u>-1.201.135</u>
Deferred tax asset at 30 June	<u>806.142</u>	<u>590.166</u>

Deferred tax assets mainly consist of non tax deductible provisions. The deferred tax asset is expected to be utilized within two years.

9 Prepayments

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

10 Equity

The share capital consists of 500,000 shares of a nominal value of DKK 1. No shares carry any special rights

Notes to the Financial Statements

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
10 Equity		
The company has issued warrants to employees as part of an incentive payment.		
The employees have the right to subscribe for 23,500 shares in the company, corresponding to 4.7% of the share capital.		
The subscription rights can be used until 30 June 2026 at a subscription price of DKK 15.500. Employees must be employed by the company on 30 June 2026 in order to use the subscription rights. There are no additional conditions attached to this.		

11 Distribution of profit

Proposed dividend for the year	23.600.000	13.000.000
Reserve or net revaluation under equity method	163.215	0
Retained earnings	<u>-8.955.173</u>	<u>4.572.406</u>
	<u>14.808.042</u>	<u>17.572.406</u>

12 Other provisions

Other provisions	<u>1.673.032</u>	<u>1.673.032</u>
	<u>1.673.032</u>	<u>1.673.032</u>

Other provisions mainly consist of remaining costs expensed to cover for disadvantages for Pack Tech A/S customers and securing the future OWP set up.

13 Long-term debt

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

The debt falls due for payment as specified below:

Payables to group enterprises relating to corporation tax

Between 1 and 5 years	<u>4.758.422</u>	<u>3.873.032</u>
Long-term part	<u>4.758.422</u>	<u>3.873.032</u>
Within 1 year	<u>3.873.032</u>	<u>11.182.622</u>
	<u>8.631.454</u>	<u>15.055.654</u>

Notes to the Financial Statements

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
14 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with mortgage credit institutes: Corporate mortgage with a nominal TDKK 15,000 Mortgage in simple receivables / goods receivables, inventory and operating equipment / equipment.		
The following assets have been placed as security with bankers: A bank guarantee has been provided as a deposit for rent, a total of DKK 181.200.		

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

1 year	914.247	963.499
Between 1 and 5 years	<u>309.680</u>	<u>254.803</u>
	<u>1.223.927</u>	<u>1.218.302</u>

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of BE Loumann Holding ApS, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The company has submitted a statement of support to the subsidiary.

Notes to the Financial Statements

15 Related parties

Basis _____

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.

There has been no such transaction in the financial year.

Consolidated Financial Statements

Selskabet indgår i koncernregnskabet for moderselskabet

Name _____

Place of registered office _____

BE Loumann Holding ApS

Herlev

The consolidated financial statements for BE Loumann Holding ApS can be requested at the following address: Virkeholm 3B,2., 2730 Herlev

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Pack Tech A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Apart from reclassification in the presentation of expenses in the profit and loss statement, which have no effect on profit or equity, the accounting policies used are unchanged compared to last year.

The reclassification concerns cost expensed under Gross Profit/loss, Distribution expenses and administrative expenses.

The Financial Statements for 2022/23 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of BE Loumann Holding ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of BE Loumann Holding ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

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

Assets are recognized 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 recognized 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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 recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized 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 recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

16 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognized when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labor costs and indirect production costs such as maintenance and depreciation, 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 and cost of sales.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Income from investments in subsidiaries and associates

Dividends from associates are recognized as income in the income statement when adopted at the General Meeting of the associate. However, dividends relating to earnings in the associate before it was acquired by the Parent Company are set off against the cost of the associate.

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

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognized 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 recognized in the income statement, whereas the tax attributable to equity transactions is recognized 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 enterprises in proportion to their taxable incomes.

Balance Sheet

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognized in cost over the period of construction.

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:

Plant and machinery	5	years
Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	10	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

16 Accounting Policies (continued)

Intangible assets

Patent and designs 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:

Patents and designs	5 years
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The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed and intangible assets

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

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

Investments in subsidiaries and associates

The item "Investments in subsidiaries" 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.

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

Notes to the Financial Statements

16 Accounting Policies (continued)

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

Investments in associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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

Other fixed asset investments

Other fixed asset investments consist of deposit.

Inventories

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

The net realizable 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 realizable 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labor with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labor 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 amortized cost and net realizable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognized when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of . Provisions are measured and recognized based on experience with guarantee work.

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 realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Notes to the Financial Statements

16 Accounting Policies (continued)

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement or in equity if the deferred tax relates to items recognized in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognized 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 recognized in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognized initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortized cost; the difference between the proceeds and the nominal value is recognized as an interest expense in the income statement over the loan period.

Other debts are measured at amortized cost, substantially corresponding to nominal value.

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

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$