Ecooking A/S

Gl. Skartved 11
6091 Bjert
CVR No. 38271725

Annual report 2022

The Annual General Meeting adopted the annual report on 21.06.2023

Henning Bröchner
Chairman of the General Meeting

Contents

Entity details

Entity

Ecooking A/S

Gl. Skartved 11

6091 Bjert

Business Registration No.: 38271725

Registered office: Kolding

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Tina Søgaard, chairman
Henning Bröchner
Mads Jomo Elg

Executive Board

Mads Jomo Elg
Andreas Haugsted Outzen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Ecooking A/S for the financial year 01.01.2022 - 31.12.2022.

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 Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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

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

Bjert, 21.06.2023

Executive Board

Mads Jomo Elg

Andreas Haugsted Outzen

Board of Directors

Tina Søgaard
chairman

Henning Bröchner

Mads Jomo Elg

Independent auditor's report

To the shareholders of Ecooking A/S

Opinion

We have audited the financial statements of Ecooking A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including 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 Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Auditor's responsibilities for the audit of the 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 Entity's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary

Management is responsible for the management commentary.

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

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

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

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

Kolding, 21.06.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Ørum Nielsen
State Authorised Public Accountant
Identification No (MNE) mne26771

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Gross profit/loss	(975)	13,120	19,505	10,243	4,212
Operating profit/loss	(50,396)	(25,777)	9,051	6,984	2,354
Net financials	(2,924)	(2,762)	(752)	(326)	(358)
Profit/loss for the year	(41,694)	(22,315)	6,437	5,181	1,543
Total assets	106,870	129,437	45,580	21,349	9,775
Investments in property, plant and equipment	1,758	7,681	541	650	258
Equity	12,558	11,777	13,617	7,180	2,000
Ratios					
Return on equity (%)	(342.67)	(175.75)	61.90	112.88	125.60
Equity ratio (%)	11.75	9.10	29.87	33.63	20.46

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

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Total assets

Primary activities

When Tina Søgaard started to blend her own skincare, she did not realize that this was the beginning of a new skincare brand and a new business adventure. At that time, she had just been through a difficult divorce, which had a negative effect on her skin which was looking tired and pale. With her profound experience within skincare, she knew which ingredients to use to give her skin the necessary booster.

She started to blend creams and serums and oils in her own kitchen. It did not take long until the family and friends of Tina noticed the improvement with her skin, and therefore wanted to test the products themselves. They brought all possible sorts of containers to be able to sample the products for their own use.

Helping family and friends with their skin problems became therapeutical for Tina. It was never the intention to market the products commercially. However, the effectiveness soon became well known among cosmetologists and beauty retailers, who wanted to carry Tina's products as part of their assortment. From there the rest is history, as ECOOKING as a brand was born. A Danish skincare brand which first and foremost has focus on effectiveness and secondly on as much natural and ecologic ingredients as possible.

"Our ambition is, that we will be the leading Danish skincare brand internationally. We aim for being the best at combining effective skincare with natural and organic ingredients, never compromising on effectiveness or content. We call it "Problem Solved". We always base our work on our values of Transparency, Honesty, Decency".

Development in activities and finances

The ECOOKING organization has been strengthened considerably during 2022 to support future national and international growth as well as creating stronger internal support functions. The focus on stronger international growth will be maintained in the coming years.

A primary focus area has been to build our own web-shop; www.ecooking.dk and www.ecooking.com and the supporting organization.

The focus in the coming period is to continue the growth journey as well as supporting the international brand-building and expansion of ECOOKING. Additionally, there are many activities geared towards strengthening the internal structure to support the customer experience in this important field.

In 2022 there were several important product launches in ECOOKING both within skincare and makeup. The makeup line, which was launched in fall 2021 proved its relevance by steep growth and by taking a good market share with the customers selling it.

On 24 February 2022 ECOOKING closed operations in Russia with immediate effect. Further, in the beginning of 2022, the Board of Directors and Management decided to discontinue the private label business in House of Cosmetics A/S due to limited growth perspectives and a decision to reduce complexity. Consequently, ECOOKING A/S and House of Cosmetics A/S were merged with ECOOKING A/S as the continuing entity. The implementation of this decision has caused a significant write-down of old inventory, primarily of raw materials and components.

Profit/loss for the year in relation to expected developments

The net result for 2022 is a loss of tDKK 41,693 (2021: tDKK -22,315), which is in line with expectations.

The equity of ECOOKING A/S is tDKK 12,558 (2021: tDKK 11,777).

Outlook

2023 will be another transition year for Ecooking. Focus will be to expand our international and Danish business as well as while we prepare the organization for sustained growth outside of Scandinavia. This involves building a stronger commercial organization as well as building robust internal processes. In the beginning of 2023, there has been a number of important nominations to support the future growth agenda:

- Mads Jomo Elg has joined the company as new CEO
- Andreas Haugsted Outzen has been promoted to the role of CFO

Use of financial instruments

Business risks

The Group's key business risks are related to its ability to maintain a strong position in the markets in which the ECOOKING brand is sold. Throughout 2022, ECOOKING has continued the work to strengthen the brands' DNA and design as well as physical presence.

This process will continue in the coming years with a view to strengthen ECOOKING's profile and enhance the international commercial aspects of the concept, and thus develop and reinforce the brand's position.

Financial risks

Given its operations, investments and financing structure, ECOOKING is exposed to changes in exchange and interest rates. The Group pursues a low-risk financial policy approved by the Board of Directors in order to ensure that currency risks arise only as a result of commercial conditions. The Group has not applied derivative financial instruments in 2022.

Knowledge resources

In order to be able to continuously strengthen its international profile and supply competitive products at the right price and quality, it is essential that the Group can recruit and retain the most talented employees. The Group is to some extent still dependent on product and brand development by the founder. There are activities planned to reduce this dependency.

Environmental performance

Needs and requirements for reporting on environmental performance and ESG are increasing. European legislation as well as customers' demands for insights has motivated the company to streamline ESG-initiatives and 2022 was the first year in a five-year strategy for sustainability. Focus is primarily on energy consumption and climate impact, and on packaging and social impacts; internally and externally.

2021 has been chosen as baseline year for a wide range of KPI's – some already defined and some which will be implemented in the coming years. An up-to-date Code of Conduct for suppliers has been implemented, and there are plans for enhancing the amount of organic and / or natural ingredients are in place, most packaging solution has been revisited and plans has been developed for improvements as part of new product launches.

Research and development activities

The Company develops and maintains products internally, and thus owns IP rights to the formulas. There is an internal laboratory with experienced employees who develop and test all formulas before manufacturing takes place. Most of the production takes place with skilled external suppliers. The Company has a variety of sourcing alternatives, which reduces the dependency on single suppliers.

Events after the balance sheet date

There were no events after the balance sheet date.

Income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		**(974,768)**	**13,120,109**
Staff costs	3	(45,339,414)	(36,885,632)
Depreciation, amortisation and impairment losses	4	(3,616,890)	(2,011,447)
Other operating expenses		(464,587)	0
Operating profit/loss		**(50,395,659)**	**(25,776,970)**
Other financial income	5	4,260	60,842
Other financial expenses	6	(2,928,435)	(2,822,601)
Profit/loss before tax		**(53,319,834)**	**(28,538,729)**
Tax on profit/loss for the year	7	11,626,207	6,223,631
Profit/loss for the year	8	**(41,693,627)**	**(22,315,098)**

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	10	0	0
Acquired intangible assets		525,300	879,810
Acquired patents		0	16,000
Acquired licences		0	1,130
Acquired rights		1,489,266	1,411,234
Goodwill		1,825,422	4,577
Development projects in progress	10	200,000	0
Intangible assets	9	**4,039,988**	**2,312,751**
Other fixtures and fittings, tools and equipment		4,977,765	6,521,777
Leasehold improvements		1,560,092	1,120,879
Property, plant and equipment	11	**6,537,857**	**7,642,656**
Investments in group enterprises		35,845	35,845
Deposits		892,654	603,729
Financial assets	12	**928,499**	**639,574**
Fixed assets		**11,506,344**	**10,594,981**
Raw materials and consumables		0	32,233,116
Work in progress		0	532,367
Manufactured goods and goods for resale		39,690,005	39,958,613
Prepayments for goods		0	260,425
Inventories		**39,690,005**	**72,984,521**
Trade receivables		34,454,276	27,697,657
Receivables from group enterprises		963,769	846,145
Deferred tax	13	17,993,207	6,367,000
Other receivables		679,960	5,047,857
Receivables from owners and management		0	5,765
Prepayments	14	850,974	1,619,200
Receivables		**54,942,186**	**41,583,624**
Cash		**731,601**	**4,274,161**

Current assets	**95,363,792**	**118,842,306**
Assets	**106,870,136**	**129,437,287**

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital	15	400,000	400,000
Retained earnings		12,158,335	11,376,895
Equity		**12,558,335**	**11,776,895**
Other payables	16	1,056,915	1,035,176
Non-current liabilities other than provisions	17	**1,056,915**	**1,035,176**
Bank loans		73,061,055	82,415,839
Deposits		0	1,006,517
Prepayments received from customers		0	75,701
Trade payables		16,399,195	25,379,433
Payables to group enterprises		2,022,364	1,520,901
Payables to shareholders and management		569,349	23,317
Joint taxation contribution payable		0	546,369
Other payables	18	1,202,923	5,657,139
Current liabilities other than provisions		**93,254,886**	**116,625,216**
Liabilities other than provisions		**94,311,801**	**117,660,392**
Equity and liabilities		**106,870,136**	**129,437,287**
Unusual circumstances	1		
Events after the balance sheet date	2		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Assets charged and collateral	21		
Related parties with controlling interest	22		
Transactions with related parties	23		
Group relations	24		

Statement of changes in equity for 2022

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	400,000	11,376,895	11,776,895
Group contributions etc	0	42,475,067	42,475,067
Profit/loss for the year	0	(41,693,627)	(41,693,627)
Equity end of year	**400,000**	**12,158,335**	**12,558,335**

Notes

1 Unusual circumstances

Ecooking A/S has with effect from 01.01.2022 merged with House of Cosmetics A/S and CSR by Ecooking ApS. Ecooking A/S is the continuing company.

2 Events after the balance sheet date

No events have occured af the balance sheet date, which would influence the evaluation of this annual report.

3 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	41,163,010	34,614,391
Pension costs	2,026,038	1,253,065
Other social security costs	692,211	744,673
Other staff costs	1,458,155	273,503
	45,339,414	**36,885,632**

Average number of full-time employees	**75**	**69**

With reference to the Danish Financial Statements Act §98b, subsection 3, point 2 remuneration to the management is not disclosed.

4 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Amortisation of intangible assets	1,079,993	401,180
Depreciation of property, plant and equipment	2,536,897	1,599,440
Profit/loss from sale of intangible assets and property, plant and equipment	0	10,827
	3,616,890	**2,011,447**

5 Other financial income

	2022 DKK	2021 DKK
Financial income from group enterprises	0	2,014
Other interest income	4,260	58,828
	4,260	**60,842**

6 Other financial expenses

	2022 DKK	2021 DKK
Other interest expenses	2,698,093	1,447,955
Exchange rate adjustments	230,342	155,874
Other financial expenses	0	1,218,772
	2,928,435	**2,822,601**

7 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	0	546,369
Change in deferred tax	(11,626,207)	(6,770,000)
	(11,626,207)	**(6,223,631)**

8 Proposed distribution of profit and loss

	2022 DKK	2021 DKK
Retained earnings	(41,693,627)	(22,315,098)
	(41,693,627)	**(22,315,098)**

9 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Acquired patents DKK	Acquired licences DKK	Acquired rights DKK
Cost beginning of year	300,435	1,187,234	80,000	69,249	1,878,209
Additions	0	2,375	0	0	582,364
Cost end of year	**300,435**	**1,189,609**	**80,000**	**69,249**	**2,460,573**
Amortisation and impairment losses beginning of year	(300,435)	(307,424)	(64,000)	(68,119)	(466,975)
Amortisation for the year	0	(356,885)	(16,000)	(1,130)	(504,332)
Amortisation and impairment losses end of year	**(300,435)**	**(664,309)**	**(80,000)**	**(69,249)**	**(971,307)**
Carrying amount end of year	**0**	**525,300**	**0**	**0**	**1,489,266**

	Goodwill DKK	Development projects in progress DKK
Cost beginning of year	285,000	0
Additions	2,022,491	200,000
Cost end of year	**2,307,491**	**200,000**
Amortisation and impairment losses beginning of year	(280,423)	0
Amortisation for the year	(201,646)	0
Amortisation and impairment losses end of year	**(482,069)**	**0**
Carrying amount end of year	**1,825,422**	**200,000**

10 Development projects

Regards devolopment cost for the entitys website.

11 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	8,646,374	1,247,777
Additions	1,138,528	619,704
Disposals	(416,342)	0
Cost end of year	**9,368,560**	**1,867,481**
Depreciation and impairment losses beginning of year	(2,124,597)	(126,898)
Depreciation for the year	(2,356,406)	(180,491)
Reversal regarding disposals	90,208	0
Depreciation and impairment losses end of year	**(4,390,795)**	**(307,389)**
Carrying amount end of year	**4,977,765**	**1,560,092**

12 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	35,845	603,729
Additions	0	288,925
Cost end of year	**35,845**	**892,654**
Carrying amount end of year	**35,845**	**892,654**

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity DKK	Profit/loss DKK
Ecooking NO AS	Ytre Enebakk, Norway	AS	100.00	(835,528)	(871,373)

13 Deferred tax

	2022 DKK	2021 DKK
Intangible assets	167,352	8,269
Property, plant and equipment	836,974	245,376
Receivables	(187,332)	(356,768)
Liabilities other than provisions	327,343	327,348
Tax losses carried forward	16,848,870	6,142,775
Deferred tax	**17,993,207**	**6,367,000**

Changes during the year	2022 DKK	2021 DKK
Beginning of year	6,367,000	(403,000)
Recognised in the income statement	11,626,207	6,770,000
End of year	**17,993,207**	**6,367,000**

Deferred tax assets
The deferred tax asset is recognized on the expectation that it can be used within a maximum of 3-5 years, based on prepared budgets and strategic plans. Since the use depends on future earnings of 3-5 years the recognition is associated with a certain uncertainty.

14 Prepayments

Prepayments relate to various prepaid items.

15 Share capital

	Number	Par value DKK	Nominal value DKK	Recorded par value DKK
Shares	400,000	1.00	400,000	400,000
	400,000		**400,000**	**400,000**

16 Other payables

	2022 DKK	2021 DKK
Holiday pay obligation	1,056,915	1,035,176
	1,056,915	**1,035,176**

17 Non-current liabilities other than provisions

	Due after more than 12 months 2022 DKK	Outstanding after 5 years 2022 DKK
Other payables	1,056,915	1,056,915
	1,056,915	**1,056,915**

18 Other payables

	2022 DKK	2021 DKK
VAT and duties	0	790,366
Wages and salaries, personal income taxes, social security costs, etc payable	111,042	1,152,223
Holiday pay obligation	1,037,772	974,123
Other costs payable	54,109	2,740,427
	1,202,923	**5,657,139**

19 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Liabilities under rental or lease agreements until maturity in total	**5,003,741**	**3,834,893**

20 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Terzo D Holdco ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

21 Assets charged and collateral

Bank loans are secured by the way of mortgage deed of DKK 101,500k nominal total. The carrying amount of mortgaged assets is DKK 75,555k.

22 Related parties with controlling interest

Bluegem III, SCSp Luxembourg owns 70% of the shares in the Entity, thus exercising control.

23 Transactions with related parties

The annual report discloses only transactions with related parties that have not been conducted on arms length terms. No such transactions have been carried out during the financial year.

24 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Terzo D Holdco ApS, 6091 Bjert, CVR no. 42156647.

Accounting policies

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

Certain reclassifications have been made in the comparative figures without having effect on profit or equity.

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

Consolidated financial statements
Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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

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

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

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

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

Business combinations
The uniting-of-interests method is applied on mergers of assets and exchanges of shares, etc where the enterprises concerned are controlled by the Parent. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity. The comparative figures are restated.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been

purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of raw materials and consumables and external expenses.

Revenue

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on transactions in foreign currencies and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 years.

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

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and acquired intellectual property rights.

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

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

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

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

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

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

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

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

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

	Useful life
Other fixtures and fittings, tools and equipment	3-10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

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

The accounting policies applied to material financial statement items of group enterprises are:

Other investments comprising listed securities and unlisted investments are measured at fair value.

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

Cost consists of purchase price plus delivery costs.

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

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

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

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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

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

Cash
Cash comprises cash in hand and bank deposits.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable
Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Terzo D Holdco ApS, Business Reg. No. 42156647.