



CHANGE OF SCANDINAVIA A/S

Farum Gydevej 73, DK-3520 Farum

**Annual Report for
1 July 2024 - 30 June 2025**

CVR No. 28 71 13 28

The Annual Report was presented and adopted at the
Annual General Meeting of the company on
10/01/2026

Tom Deichmann
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 CHANGE OF SCANDINAVIA A/S for the financial year 1 July 2024 - 30 June 2025.

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 2025 of the Company and of the results of the Company operations for 2024/25.

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.

Farum, 10 January 2026

Executive Board

Claus Walther Jensen
CEO

Board of Directors

Claus Walther Jensen

Gitte Breil

Julie Breil



Independent Auditor's report

To the shareholder of CHANGE OF SCANDINAVIA 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 2025 and of the results of the Company's operations for the financial year 1 July 2024 - 30 June 2025 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of CHANGE OF SCANDINAVIA A/S for the financial year 1 July 2024 - 30 June 2025, 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 Financial 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.

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.



Independent Auditor's report

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.
- 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.

Hillerød, 10 January 2026

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen
State Authorised Public Accountant
mne17120

Michael Blom
State Authorised Public Accountant
mne32797



Company information

The Company	CHANGE OF SCANDINAVIA A/S Farum Gydevej 73 DK-3520 Farum CVR No: 28 71 13 28 Financial period: 1 July 2024 - 30 June 2025 Municipality of reg. office: Furesø
Board of Directors	Claus Walther Jensen Gitte Breil Julie Breil
Executive Board	Claus Walther Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Milnersvej 43 DK-3400 Hillerød



Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

(TDKK)	2024/25	2023/24	2022/23	2021/22	2020/21
Key figures					
Profit/loss					
Revenue	340,405	397,587	400,564	354,080	342,694
Gross profit	124,673	152,369	142,387	132,375	148,156
Profit/loss of primary operations	-41,811	3,479	7,112	34,142	40,779
Profit/loss of financial income and expenses	-1,585	-11,343	13,547	-3,237	-950
Net profit/loss for the year	-43,396	-6,126	16,103	24,098	31,114
Balance sheet					
Balance sheet total	439,401	632,885	581,528	417,587	262,621
Investment in property, plant and equipment	1,291	3,689	1,863	506	1,049
Equity	94,176	144,220	143,678	141,813	111,801
Number of employees	51	55	46	44	36
Ratios					
Gross margin	36.6%	38.3%	35.5%	37.4%	43.2%
Profit margin	-12.3%	0.9%	1.8%	9.6%	11.9%
Return on assets	-9.5%	0.5%	1.2%	8.2%	15.5%
Solvency ratio	21.4%	22.8%	24.7%	34.0%	42.6%
Return on equity	-36.4%	-4.3%	11.3%	19.0%	32.8%



Management's review

Key activities

The primary activities of the Company are design, production management and distribution of lingerie, swimwear, nightwear and other associated products.

Development in the year

The income statement of the Company for 2024/25 shows a loss of DKK 43,396,010, and at 30 June 2025 the balance sheet of the Company shows a positive equity of DKK 94,176,014.

Because of the challenging market situation and the active decision to invest in gaining market share, the result of the year was a decline compared to last year. The management is overall not satisfied with the financial development.

The past year and follow-up on development expectations from last year

As a consequence of the challenging market situation and the active decision to invest in gaining market share the result of the year was a decline compared to last year.

Market risks

It is assessed that the Company is not exposed to any special business or financial risks apart from risks common to the industry.

Foreign exchange risks

The Company is exposed to general currency risks as regards its operations, however the risk mainly relates to CNY. The majority part of the Company's purchasing of goods and material is done in CNY while the Company invoices in DKK, SEK, NOK, EUR, PLN and CAD.

Targets and expectations for the year ahead

The implementation of a Profit Improvement Plan (PIP) has materially strengthened the Company's cost base and aligned it with prevailing market conditions. As a result, Management expects a substantial improvement in EBITDA in 2025/26.

Research and development

The Company's intellectual capital resources are related to the development of products and future sales activities. Good quality, production of new products and the right market approach is sufficient to ensure return on the research and development activities.

External environment

The Company's environmental impact on its surroundings is very limited. The Company strives to improve and optimize its energy consumption.

Intellectual capital resources

The Company intellectual capital resources is related to the development of products and sale activities. Development of new products and the right approach to the end user is sufficient for success.

Statement of corporate social responsibility, cf. section 99a of the Financial Statements Act

With reference to section 99a of the Danish Financial Statements Act the Statement of corporate social responsibility is included in the consolidated financial statements of Asian Import ApS and Change of Scandinavia Holding A/S.



Management's review

Statement on data ethics, cf. section 99d of the Financial Statements Act

With reference to section 99 of the Danish Financial Statements Act the Statement of corporate social responsibility and Data Ethics is included in the consolidated financial statements of Asian Import ApS and Change of Scandinavia Holding A/S.

Uncertainty relating to recognition and measurement

The measurement of certain assets and liabilities are based on accounting estimates performed by Management. The estimates are performed in accordance with the accounting policies applied and are based on assumptions and experiences considered realistic and reasonable by Management.

Unusual events

The result of the year has been affected by the overall macro-economic situation with increased inflation and interest rates which have decreased the purchase power of the consumers.

The financial position at 30 June 2025 of the Company and the results of the activities of the Company for the financial year for 2024/25 have not been affected by any other unusual events.

Subsequent events

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



Income statement 1 July 2024 - 30 June 2025

(DKK)	Note	2024/25	2023/24
Revenue	1	340,405,179	397,586,642
Work on own account recognised in assets		6,149,086	7,275,614
Other operating income		11,210,833	10,963,579
Expenses for raw materials and consumables		-160,945,582	-189,993,895
Other external expenses		-72,146,704	-73,463,422
Gross profit		124,672,812	152,368,518
Staff expenses	2	-35,097,302	-35,356,700
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-13,278,803	-13,603,381
Other operating expenses		-118,108,043	-99,929,676
Profit/loss before financial income and expenses		-41,811,336	3,478,761
Financial income	4	43,582,375	26,234,406
Financial expenses	5	-45,167,049	-37,577,180
Profit/loss before tax		-43,396,010	-7,864,013
Tax on profit/loss for the year	6	0	1,738,307
Net profit/loss for the year	7	-43,396,010	-6,125,706



Balance sheet 30 June 2025

Assets

(DKK)	Note	2024/25	2023/24
Completed development projects		4,882,112	4,066,113
Acquired licenses		26,396,196	26,600,419
Acquired other similar rights		7,049	7,049
Development projects in progress		7,082,088	10,268,328
Intangible assets	8	38,367,445	40,941,909
Other fixtures and fittings, tools and equipment		2,155,401	2,941,594
Leasehold improvements		2,652,021	2,235,296
Property, plant and equipment	9	4,807,422	5,176,890
Deposits	10	2,012,143	1,880,953
Other receivables	10	792,500	622,500
Fixed asset investments		2,804,643	2,503,453
Fixed assets		45,979,510	48,622,252
Finished goods and goods for resale		88,597,415	68,184,117
Prepayments for goods		0	1,877,486
Inventories		88,597,415	70,061,603
Trade receivables		2,786,167	2,571,388
Receivables from group enterprises		290,266,440	497,918,479
Other receivables	15	5,037,463	6,443,602
Deferred tax asset	11	2,314,509	1,512,952
Prepayments	12	4,375,701	5,124,726
Receivables		304,780,280	513,571,147
Cash at bank and in hand		43,637	629,686
Current assets		393,421,332	584,262,436
Assets		439,400,842	632,884,688



Balance sheet 30 June 2025

Liabilities and equity

(DKK)	Note	2024/25	2023/24
Share capital	13	500,000	500,000
Reserve for development costs		9,332,076	11,181,231
Reserve for hedging transactions		-6,193,593	454,306
Retained earnings		90,537,531	132,084,386
Equity		94,176,014	144,219,923
Lease obligations		47,206	92,555
Deposits		223,782	223,782
Long-term debt	14	270,988	316,337
Credit institutions		192,055,943	178,661,832
Lease obligations	14	99,253	99,253
Trade payables		25,169,345	13,155,713
Payables to group enterprises		91,386,216	259,736,995
Payables to group enterprises relating to corporation tax		33,019,473	34,092,964
Other payables	15	3,223,610	2,601,671
Short-term debt		344,953,840	488,348,428
Debt		345,224,828	488,664,765
Liabilities and equity		439,400,842	632,884,688
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Statement of changes in equity

(DKK)	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Total
Equity at 1 July	500,000	11,181,231	454,306	132,084,386	144,219,923
Fair value adjustment of hedging instruments	0	0	-8,522,947	0	-8,522,947
Tax on equity movements	0	0	1,875,048	0	1,875,048
Transfers, reserves	0	-1,849,155	0	1,849,155	0
Net profit/loss for the year	0	0	0	-43,396,010	-43,396,010
Equity at 30 June	500,000	9,332,076	-6,193,593	90,537,531	94,176,014



Notes to the Financial Statements

1. Revenue

(DKK)	2024/25	2023/24
Geographical segments		
Revenue, Denmark	91,864,441	112,543,451
Revenue, exports	248,540,738	285,043,191
	340,405,179	397,586,642

2. Staff expenses

(DKK)	2024/25	2023/24
Wages and salaries	30,597,984	30,500,201
Pensions	2,743,548	2,774,714
Other social security expenses	509,274	561,771
Other staff expenses	1,246,496	1,520,014
	35,097,302	35,356,700
Average number of employees	51	55

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

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

(DKK)	2024/25	2023/24
Amortisation of intangible assets	11,618,037	12,351,703
Depreciation of property, plant and equipment	1,660,766	1,251,678
	13,278,803	13,603,381

4. Financial income

(DKK)	2024/25	2023/24
Interest from group enterprises	814,005	2,144,164
Exchange adjustments	42,768,370	24,090,242
	43,582,375	26,234,406



Notes to the Financial Statements

5. Financial expenses

(DKK)	2024/25	2023/24
Interest to group enterprises	240,321	925,339
Other financial expenses	9,296,979	10,655,294
Exchange adjustments, expenses	35,629,749	25,996,547
	45,167,049	37,577,180

6. Income tax expense

(DKK)	2024/25	2023/24
Deferred tax for the year	0	-1,738,307
	0	-1,738,307

7. Profit allocation

(DKK)	2024/25	2023/24
Retained earnings	-43,396,010	-6,125,706
	-43,396,010	-6,125,706



Notes to the Financial Statements

8. Intangible fixed assets

(DKK)	Completed development projects	Acquired licenses	Acquired other similar rights	Development projects in progress
Cost at 1 July	4,066,113	90,153,995	656,374	10,268,328
Additions for the year	0	2,030,604	0	7,012,970
Disposals for the year	-4,066,113	0	0	0
Transfers for the year	5,086,114	5,113,096	0	-10,199,210
Cost at 30 June	5,086,114	97,297,695	656,374	7,082,088
Impairment losses and amortisation at 1 July	0	63,553,576	649,325	0
Amortisation for the year	4,270,115	7,347,923	0	0
Impairment and amortisation of sold assets for the year	-4,066,113	0	0	0
Impairment losses and amortisation at 30 June	204,002	70,901,499	649,325	0
Carrying amount at 30 June	4,882,112	26,396,196	7,049	7,082,088

Finalized development projects relate to the development of the Group's existing products and new collections for sale in the next financial year. The development of new collections are finalized or are expected to be finalized in time to go to market with the products according to the marketing plan. The new products are expected to be sold in the present market and through the Group's existing stores and web sales.

Development in progress is progressing according to plan, and sufficient resources are allocated by Management to the development activities. Development projects in progress relate to the group's new IT system and platforms. The Company expects that the new and improved systems and platforms will substantiate the processes and business.

9. Property, plant and equipment

(DKK)	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 July	11,017,686	5,243,085
Additions for the year	546,264	745,037
Cost at 30 June	11,563,950	5,988,122
Impairment losses and depreciation at 1 July	8,076,092	3,007,789
Depreciation for the year	1,332,457	328,312
Impairment losses and depreciation at 30 June	9,408,549	3,336,101
Carrying amount at 30 June	2,155,401	2,652,021



Notes to the Financial Statements

10. Other fixed asset investments

(DKK)	Deposits	Other receivables
Cost at 1 July	1,880,953	622,500
Additions for the year	131,190	170,000
Cost at 30 June	2,012,143	792,500
Carrying amount at 30 June	2,012,143	792,500

11. Deferred tax asset

(DKK)	2024/25	2023/24
Deferred tax asset at 1 July	1,512,952	1,655,154
Used in the joint taxation	-1,073,491	0
Amounts recognised in the income statement for the year	0	1,738,307
Amounts recognised in equity for the year	1,875,048	-1,880,509
Deferred tax asset at 30 June	2,314,509	1,512,952

12. Prepayments

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

13. Share capital

The share capital consists of 10 shares of a nominal value of DKK 50,000. No shares carry any special rights.



Notes to the Financial Statements

14. Long-term debt

(DKK)	2024/25	2023/24
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:		
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	47,206	92,555
Long-term part	47,206	92,555
Within 1 year	99,253	99,253
	146,459	191,808
Deposits		
After 5 years	0	0
Between 1 and 5 years	223,782	223,782
Long-term part	223,782	223,782
Within 1 year	0	0
	223,782	223,782

15. Derivative financial instruments

(DKK)	2024/25	2023/24
Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:		
Assets	0	582,443
Liabilities	7,940,504	0

Forward exchange contracts have been concluded to hedge future sale of goods and payments in USD, NOK, SEK, CNH and EUR. At the balance sheet date fair value of the forward exchange contract amounts to DKK 7,940,504 (liability). The forward exchange contracts terminates within 1-11 months.

	Value adjustment, equity	Fair value at 30 June
Forward exchange rate contracts	-8,522,947	-7,940,504



Notes to the Financial Statements

16. Contingent assets, liabilities and other financial obligations

(DKK)	2024/25	2023/24
Charges and security		
The following assets have been placed as security with bankers: Bank debts of the Company and the affiliate, Change of Scandinavia Retail A/S subsidiary are secured by way of a company charge of TDKK 80,000 thousand nominal value. The book value of the assets secured are:	131,722,285	114,302,915
Rental and lease obligations		
Rental or lease agreements until expiry in total	968,507	889,159
Rent and payment guarantees for rental agreements in subsidiaries	29,765,835	25,720,026

Other contingent liabilities

Change of Scandinavia A/S has issued a bail to Sydbank and Nykredit for loans issued to the parent companies Change of Scandinavia Holding A/S and Asian Import A/S.

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 Asian import 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.

17. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Asian Import ApS	Ultimative Parent
Other related parties	
Change of Scandinavia Holding A/S	Legal parent

Transactions

There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Asian Import ApS	Farum Gydevej 73, 3520 Farum
Change of Scandinavia Holding A/S	Farum Gydevej 73, 3520 Farum



Notes to the Financial Statements

18. Fee to auditors appointed at the general meeting

With reference to section 96(3) of the Danish Financial Statements Act and that the fee to auditors appointed at the general meeting is included in the consolidated financial statements of Change of Scandinavia Holding A/S, the Company has not included the information of the fee in the Annual Report.

19. Subsequent events

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



Notes to the Financial Statements

20. Accounting policies

The Annual Report of CHANGE OF SCANDINAVIA A/S for 2024/25 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2024/25 are presented in DKK.

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 Asian Import ApS, the Company has not prepared a cash flow statement.

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.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.



Notes to the Financial Statements

20. Accounting policies (continued)

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

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 the fair value reserve 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.

Segment information on revenue

Information on geographical segments is based on the Company's risks and returns and its internal financial reporting system.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.



Notes to the Financial Statements

20. Accounting policies (continued)

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.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

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 Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with other group Companies. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).



Notes to the Financial Statements

20. Accounting policies (continued)

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 1 - 20 year.

Other intangible fixed assets

Patents are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 3 -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.

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

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 - 8 years
Leasehold improvements	5 - 8 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.



Notes to the Financial Statements

20. Accounting policies (continued)

Impairment of fixed assets

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

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Other fixed asset investments

Other fixed asset investments consist of deposits and receivables.

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

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.

Prepayments

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

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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 crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.



Notes to the Financial Statements

20. Accounting policies (continued)

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

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

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$