

ANNUAL REPORT 2023



The Annual General Meeting adopted
the annual report on 21.02.2024

The Army-Painter ApS
Christiansmindevej 12
8660 Skanderborg
CVR No. 30720121

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Line Nymann Penstoft
Chairman of the General Meeting

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ENTITY DETAILS

Entity

The Army Painter ApS
Christiansmindevej 12
8660 Skanderborg

Business Registration No.: 30720121
Registered office: Skanderborg
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Søren Torp Laursen, Chairman
Lars Prisak
Line Nymann Penstoft
Lasse Hadberg Lyngø, Deputy chairman
Jeppe Kallesøe Odefey
Jens Jørgen Hahn-Petersen

Executive Board

Henning Nielsen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C



STATEMENT BY MANAGEMENT

The Board of Directors and the Executive Board have today considered and approved the annual report of The Army Painter ApS for the financial year 01.01.2023 – 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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.

Skanderborg, 21.02.2024

Executive Board

Henning Nielsen
CEO

Board of Directors

Søren Torp Laursen
Chairman

Line Nymann Penstoft

Jeppe Kallesøe Odefey

Lars Prisak

Lasse Hadberg Lyngø
Deputy chairman

Jens Jørgen Hahn-Petersen



INDEPENDENT AUDITOR'S REPORT

To the shareholders of The Army Painter ApS

Opinion

We have audited the financial statements of The Army Painter ApS for the financial year 01.01.2023 – 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 – 31.12.2023 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 skepticism throughout the audit. We also:

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

Aarhus, 21.02.2024

Deloitte.

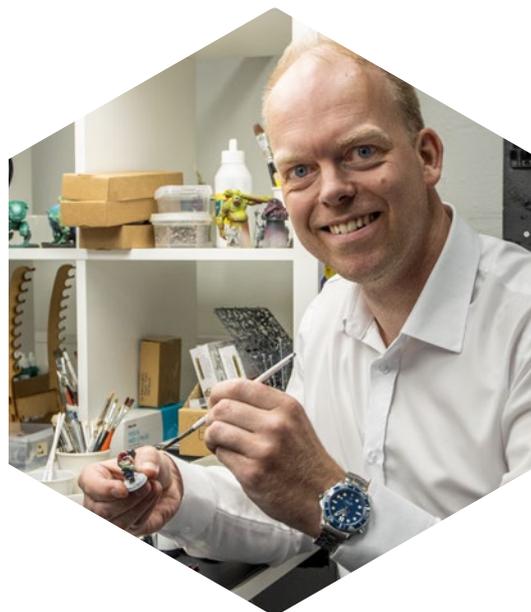
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mads Fauerskov

State Authorised Public Accountant
Identification No (MNE) mne35428

Marie Louise Vester Sørensen

State Authorised Public Accountant
Identification No (MNE) mne47319



MANAGEMENT COMMENTARY

Financial highlights

| | 2023 DKK'000 | 2022 DKK'000 | 2021 DKK'000 | 2020 DKK'000 | 2019 DKK'000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Key figures | | | | | |
| Gross profit/loss | 72,554 | 74,738 | 61,582 | 43,801 | 20,809 |
| Operating profit/loss | 41,659 | 45,050 | 34,762 | 24,543 | 5,507 |
| EBITDA † | 44,765 | 47,892 | 36,946 | 25,414 | 12,388 |
| EBITDA – adjusted ‡ | 49,582 | 47,892 | 36,946 | 25,414 | 12,388 |
| Net financials | (2,144) | 1,308 | (308) | (1,233) | (7) |
| Profit/loss for the year | 30,933 | 36,135 | 26,584 | 18,176 | 5,500 |
| Total assets | 102,255 | 68,064 | 73,799 | 52,501 | 14,213 |
| Investments in property, plant and equipment | 395 | 736 | 5,837 | 6,839 | 0 |
| Equity | 53,904 | 39,433 | 36,298 | 21,714 | 16,413 |
| Ratios | | | | | |
| EBITDA (%) | 23.70 | 30.10 | 28.91 | 25.85 | 23.91 |
| EBITDA – adjusted (%) | 26.25 | 30.10 | 28.91 | 25.85 | 23.91 |
| Equity ratio (%) | 66.28 | 95.43 | 91.65 | 95.34 | 108.61 |

There has been made a few reclassification in the presentation of the annual report in the comparative figures as mentioned in the accounting policies. This has effect on the comparative figures related to Operating profit/loss.

† EBITDA consist of gross profit/loss, staff costs and income from investments in group enterprises.

‡ EBITDA – adjusted consists of gross profit/loss, staff costs and income from investments in group enterprises excluding special items such as transaction costs related to acquisitions, severance pay, extraordinary inventory write-downs not in the ordinary course of business (e.g. from discontinued products), etc.

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

EBITDA (%):

EBITDA × 100

Revenue

EBITDA – adjusted (%):

EBITDA – adjusted × 100

Revenue

Return on equity (%):

Profit/loss for the year × 100

Average equity

Primary activities

The private equity firm CataCap has invested in The Army Painter ApS in 2023 and indirectly owns the majority of the shares in the company through their third fund, CataCap III K/S. The acquisition was completed on January 10th, 2023. CataCap is a member of 'Aktive Ejere'.

The Army Painter's primary activities are sale, marketing and production of painting kits for the miniature hobby and tabletop miniature niche as well as other accessories for wargaming. Sales are made across the world via distributors and directly to end-users through both traditional retail and digital channels. Production primarily takes place in Skanderborg, Denmark.

In 2023, The Army Painter continues the rapid growth across markets and sales channels and has almost doubled its revenue since 2020, delivering 19% growth in 2023.

Development in activities and finances

With the successful launch of the new product 'Speedpaint 2.0' replacing the previous 'Speedpaint' line in Q1 2023, The Army Painter has expanded the product offering from the traditional acrylic paint range, appealing to both the inexperienced user and veteran alike.

During 2023, The Army Painter has focused on the development of a new improved and expanded version of the existing range of acrylic paint - the core product in our paint range. The new range started shipping in Q1 24 with expected release date mid-March 2024. As a result, the stock build-up during 2023 reflects our biggest launch ever while phasing out the previous acrylic product line.

We have successfully grown the community around our brand and prepared the market for the 2024 product launch through extensive social media campaigns in Q3 and Q4, increasing our YouTube subscriber base from 36,000 to more than 220,000.

Building The Army Painter for future growth and scalability has also included an upgrade of the ERP platform to Dynamics 365 BC and the preparation of a migration of our website to the Shopify platform executed in January 2024.

To support our high ambitions, The Army Painter has throughout 2023 invested in building organizational strength and increased the workforce with 21 employees.

A board of directors was established alongside the new ownership and in August the new chairman of the board, Søren Torp Laursen, was appointed.

During Q4, management and the board have engaged in search processes to hire a new CEO and CFO. The new CEO, Henning Nielsen, started in February 2024 and we expect the new CFO to be onboarded during Q2 2024.



Risks

The Board of Directors of the Company and the Management continuously monitor both internal and external business risks. Below are the risks that have been deemed salient:

Currency risks

A significant share of the company's income is received in USD. Meanwhile, a large portion of the company's procurement takes place in Europe in EUR. The company continually monitors fluctuations in the USD/EUR exchange rate. Forward contracts or other financial instruments may be used to manage the currency-related risk.

Interest rate risks

The Army Painter group is exposed to interest rate risks on its debt financing, which consists of senior facilities and a revolving credit facility. The company monitors interest rate risks on an ongoing basis and may apply interest hedging instruments to manage the risk.

IT risks

As with other companies of a comparable size, The Army Painter is exposed to IT risks. During 2023, the company has entered an agreement with an external IT partner to minimize the risk and further develop the IT platform to be able to support the future growth.

Suppliers

Most of The Army Painter's suppliers are European, with a minor subset being Chinese. To manage the risks of an international supplier base, all new suppliers are presented with a supplier manual and code of conduct. These policies have been developed to ensure that all products have the same quality and follow the same guidelines for production.

The Army Painter maintains close relationships with its main suppliers and adjusts forecasts throughout the year to safeguard the supply of raw materials.

Profit/loss for the year in relation to expected developments

Our expectations to 2023 EBITDA, as stated in the management review in the annual report last year, was profitability in line with the result from 2022, as continued revenue growth was offset by increasing investments in the organization and the operational platform. With adjusted EBITDA reaching 49.6m these expectations were met.

Taking the investments in both product development, activities related to the product launch in 2024 and the development of the organization into account, management finds the result satisfactory.

Outlook

As a result of the strength of the current product offerings supplemented with the significant product launch in Q1 and Q2 2024, The Army Painter expects continued growth in 2024 and to solidify the position as

the independent global market leader in tabletop miniature paints and accessories.

Alongside continuing to build the community around the brand, we will invest further in market expansions, organizational growth and in securing our supply chain.

Management expects adjusted EBITDA for 2024 to increase between 25-45% compared to 2023.

Environmental performance

The Army Painter has in 2023 established a baseline and reporting for scope 1 and 2 greenhouse gas emissions. During 2024, partial reporting on scope 3 will be conducted in accordance with the guidelines for CataCap portfolio companies.

During 2024, The Army Painter will further formalize current practices and develop and implement a coherent ESG strategy.

Research and development activities

The Army Painter continuously seeks to develop both its products and the miniature hobby niche. This is done by keeping focus on both the technical aspects of our products and developing and maintaining close contact with the end-users and the community.

Group relations

Management structure

The company's principles for good corporate governance are based on rules of procedures and a management structure that consists of Board of Directors and Executive Management team. The Board of Directors meets according to a set schedule, at least 5 times a year. In addition, 10-12 chairmanship meetings are held, with participation from management, the chairman and the deputy chairman.

Governance

To provide transparency, The Army Painter now follows guidelines of "Aktive Ejere" for responsible ownership and good corporate governance. On this foundation, the Board of Directors, and the Management team have established internal procedures to ensure active, secure, and value-creating management. Likewise, the Board of Directors continuously monitors the company's management structure and control systems to ensure that they are reliable and effective. At board level, the fixed procedures include monthly reporting on relevant operational and financial parameters, including risk assessment of investments and markets.

The Army Painters' top management consists of:

Board of directors

Søren Torp Laursen
CHAIRMAN of the Board

since September 2023
Affiliation: Independent
Suggested by CataCap

OTHER MANAGEMENT DUTIES

Executive Board

Cascas Holding ApS
Cascas Invest ApS

Chairman

Filtenborg EL A/S
A/S Poul Larsen Autoriseret EL og VVS-Installatør
Michael Wulff A/S
Eiland Elinstrallation A/S
Postevand ApS
The Army Painter Group Holding
The Army Painter Group ApS
Koble ApS
A/S Aage Langkjær
Midtfjord EL A/S

Board member

Ejendomsselskabet Frederiks Alle 105 P/S
Marselisborg Alle 24 P/S
Værkstedvej 41 P/S
People2Play ApS
Koble Holding ApS

Lasse Hadberg Lynge
DEPUTY CHAIRMAN

since January 2023
Affiliation: Non-independent
Suggested by CataCap

OTHER MANAGEMENT DUTIES

Executive Board

LHLH ApS

Deputy chairman

The Army Painter Group ApS
The Army Painter Group Holding ApS

Jens Jørgen Hahn-Petersen
BOARD MEMBER

since September 2023
Affiliation: Non-independent
Suggested by CataCap

OTHER MANAGEMENT DUTIES

Executive Board

CC TAP Invest ApS
CC HoldCo ApS
CC BidCo ApS
CC TopCo Invest ApS
DAFA MIIP ApS
CC Toaster Invest ApS
CC DAFA Invest ApS
CC North Invest ApS
CataCap General Partner III ApS
CATACAP MANAGEMENT A/S
Luxplus MIIP ApS
Globe ManCo ApS
CC Globe Invest ApS
CataCap General Partner II ApS
CC Fly Invest ApS
CATACAP GENERAL PARTNER I ApS
TPA Green ManCo ApS

Rekom ManCo ApS
CataCap DM II ApS
CC II Management Invest 2017 GP ApS
CataCap DM ApS
CataCap OP ApS
PROSPERITAS ApS
CC NLM Invest ApS
CC TopCo IV Invest ApS
CC HoldCo IV ApS
CC BidCo IV ApS
TAP MIIP ApS
CC TopCo V Invest ApS
CC HoldCo V ApS
CC BidCo V ApS

Board member

CC Globe Holding II A/S
CC Globe Holding I ApS
Group Online A/S
CC Green Wall Invest ApS
NORDMARK MASKINFABRIK A/S
Nordmark Coating A/S
Nordmark Properties ApS
Nordmark Group Holding ApS
Nordmark Group ApS
The Army Painter Group Holding ApS
The Army Painter Group ApS

Jeppe Kallesøe Odefey

BOARD MEMBER

since January 2023
Affiliation: Independent
Suggested by CataCap

OTHER MANAGEMENT DUTIES

Executive Board

Rainbow BidCo ApS
Rainbow TopCo ApS
Hobbii A/S (Adm. Direktør)
Odekal management ApS

Board member

The Army Painter Group Holding ApS
The Army Painter Group ApS
G.O. Trans A/S
Holger Kristiansens Eft. Aalborg A/S

Lars Prisak

BOARD MEMBER

since January 2023
Affiliation: Independent
Suggested by Mørck Family Holding ApS

OTHER MANAGEMENT DUTIES

Executive Board

Triarca A/S
Triarca Holding Aps (adm. direktør)
AE2017 Bidco ApS (adm. direktør)
Lanpri ApS
LH Investering ApS

Chairman

B6 Nordic A/S

Board member

Hamag A/S
B6 Nordic A/S
Triarca A/S
Triarca Holding ApS
AE2017 Bidco ApS
The Army Painter Group Holding ApS
The Army Painter Group ApS

Line Nymann Penstoft
BOARD MEMBER & CFO

Since 2023
Affiliation: Non-Independent
Suggested by Mørck Family Holding ApS

OTHER MANAGEMENT DUTIES

Executive Board

Mørck Invest ApS (Adm. Direktør)
Mørck Family Holding ApS (Adm. Direktør)
Sigfred Holding ApS (Adm. Direktør)
Møljner Holding ApS (Adm. Direktør)
Aria Holding ApS (Adm. Direktør)

Board member

The Army Painter Group Holding ApS
The Army Painter Group ApS

Executive Board
Henning Nielsen

CEO
Since 2024
Affiliation: Independent

OTHER MANAGEMENT DUTIES

Executive Board

The Army Painter Group ApS (Adm. Direktør)
The Army Painter Group Holding ApS (Adm. Direktør)
MF 135 ApS (Adm. Direktør)

Board member

STATE OF WOW APS
Nailster ApS

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.



INCOME STATEMENT FOR 2023

| | Notes | 2023 DKK | 2022 DKK |
|--|-------|-------------------|-------------------|
| Gross profit/loss | | 72,554,463 | 74,737,646 |
| Staff costs | 2 | (27,789,445) | (26,845,540) |
| Depreciation, amortisation and impairment losses | 3 | (3,106,047) | (2,842,068) |
| Operating profit/loss | | 41,658,971 | 45,050,038 |
| Income from investments in group enterprises | | 131,141 | 34,640 |
| Other financial income | 4 | 1,938,677 | 5,609,036 |
| Other financial expenses | 5 | (4,082,936) | (4,301,419) |
| Profit/loss before tax | | 39,645,853 | 46,392,295 |
| Tax on profit/loss for the year | 6 | (8,712,976) | (10,257,613) |
| Profit/loss for the year | 7 | 30,932,877 | 36,134,682 |

BALANCE SHEET AT 31.12.2023

Assets

| | Note | 2023 DKK | 2022 DKK |
|--|------|--------------------|-------------------|
| Development projects in progress | 9 | 382,215 | 0 |
| Intangible assets | 8 | 382,215 | 0 |
| Other fixtures and fittings, tools and equipment | | 4,725,104 | 7,500,268 |
| Leasehold improvements | | 203,854 | 159,830 |
| Property, plant and equipment | 10 | 4,928,958 | 7,660,098 |
| Investments in group enterprises | | 164,562 | 44,776 |
| Deposits | | 836,121 | 754,965 |
| Financial assets | 11 | 1,000,683 | 799,741 |
| Fixed assets | | 6,311,856 | 8,459,839 |
| Raw materials and consumables | | 13,951,904 | 12,367,170 |
| Work in progress | | 6,637,274 | 6,125,127 |
| Manufactured goods and goods for resale | | 37,936,789 | 25,548,627 |
| Prepayments for goods | | 3,144,294 | 415,978 |
| Inventories | | 61,670,261 | 44,456,902 |
| Trade receivables | | 16,386,785 | 12,553,376 |
| Receivables from group enterprises | | 48,161 | 86,694 |
| Other receivables | | 1,275,537 | 0 |
| Joint taxation contribution receivable | | 0 | 1,816,788 |
| Prepayments | 12 | 1,088,476 | 352,898 |
| Receivables | | 18,798,959 | 14,809,756 |
| Cash | | 15,473,706 | 337,289 |
| Current assets | | 95,942,926 | 59,603,947 |
| Assets | | 102,254,782 | 68,063,786 |

Equity and liabilities

| | Notes | 2023 DKK | 2022 DKK |
|--|--------------|---------------------|---------------------|
| Contributed capital | | 125,000 | 125,000 |
| Translation reserve | | (11,355) | 0 |
| Reserve for net revaluation according to the equity method | | 165,781 | 34,640 |
| Retained earnings | | 53,624,780 | 39,273,044 |
| Equity | | 53,904,206 | 39,432,684 |
| Deferred tax | 13 | 1,137,000 | 1,030,000 |
| Provisions | | 1,137,000 | 1,030,000 |
| Lease liabilities | | 2,261,715 | 4,060,761 |
| Non-current liabilities other than provisions | 14 | 2,261,715 | 4,060,761 |
| Current portion of non-current liabilities other than provisions | 14 | 1,250,871 | 721,852 |
| Bank loans | | 689,103 | 10,600,064 |
| Prepayments received from customers | | 403,978 | 212,775 |
| Trade payables | | 7,542,470 | 5,578,444 |
| Payables to group enterprises | | 24,067,445 | 1,276,401 |
| Payables to shareholders and management | | 1,856,994 | 0 |
| Joint taxation contribution payable | | 3,605,976 | 0 |
| Other payables | | 2,260,586 | 2,710,170 |
| Deferred income | 15 | 3,274,438 | 2,440,635 |
| Current liabilities other than provisions | | 44,951,861 | 23,540,341 |
| Liabilities other than provisions | | 47,213,576 | 27,601,102 |
| Equity and liabilities | | 102,254,782 | 68,063,786 |
| Events after the balance sheet date | 1 | | |
| Contingent liabilities | 16 | | |
| Assets charged and collateral | 17 | | |
| Related parties with controlling interest | 18 | | |
| Non-arm's length related party transactions | 19 | | |
| Group relations | 20 | | |

STATEMENT OF CHANGES IN EQUITY FOR 2023

| | Contributed capital DKK | Translation reserve DKK | Reserve for net revaluation according to the equity method DKK | Retained earnings DKK | Proposed extraordinary dividend DKK |
|-----------------------------|----------------------------|----------------------------|---|--------------------------|--|
| Equity beginning of year | 125,000 | 0 | 34,640 | 39,273,044 | 0 |
| Extraordinary dividend paid | 0 | 0 | 0 | 0 | (26,000,000) |
| Exchange rate adjustments | 0 | (11,355) | 0 | 0 | 0 |
| Group contributions etc. | 0 | 0 | 0 | 9,550,000 | 0 |
| Profit/loss for the year | 0 | 0 | 131,141 | 4,801,736 | 26,000,000) |
| Equity end of year | 125,000 | (11,355) | 165,781 | 53,624,780 | 0 |

| | Total DKK |
|-----------------------------|-------------------|
| Equity beginning of year | 39,432,684 |
| Extraordinary dividend paid | (26,000,000) |
| Exchange rate adjustments | (11,355) |
| Group contributions etc. | 9,550,000 |
| Profit/loss for the year | 30,932,877 |
| Equity end of year | 53,904,206 |



NOTES

1 Events after the balance sheet date

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

2 Staff costs

| | 2023 DKK | 2022 DKK |
|---------------------------------------|-------------------|-------------------|
| Wages and salaries | 24,784,505 | 23,085,916 |
| Pension costs | 2,576,458 | 3,303,421 |
| Other social security costs | 428,482 | 456,203 |
| | 27,789,445 | 26,845,540 |
| Average number of full-time employees | 62 | 55 |

The management is compensated in The Army Painter Group ApS, which is referred to in the annual report of the Army Painter Group ApS.

3 Depreciation, amortisation and impairment losses

| | 2023 DKK | 2022 DKK |
|--|------------------|------------------|
| Depreciation of property, plant and equipment | 3,116,847 | 2,838,068 |
| Profit/loss from sale of intangible assets and property, plant and equipment | (10,800) | 4,000 |
| | 3,106,047 | 2,842,068 |

4 Other financial income

| | 2023 DKK | 2022 DKK |
|---|------------------|------------------|
| Financial income from group enterprises | 12,458 | 0 |
| Other interest income | 0 | 93,454 |
| Exchange rate adjustments | 1,926,219 | 5,515,582 |
| | 1,938,677 | 5,609,036 |

5 Other financial expenses

| | 2023 DKK | 2022 DKK |
|---|---------------------|---------------------|
| Financial expenses from group enterprises | 759,811 | 0 |
| Other interest expenses | 234,576 | 58,382 |
| Exchange rate adjustments | 2,889,776 | 4,160,197 |
| Other financial expenses | 198,773 | 82,840 |
| | 4,082,936 | 4,301,419 |

6 Tax on profit/loss for the year

| | 2023 DKK | 2022 DKK |
|--------------------------------------|---------------------|---------------------|
| Current tax | 8,605,976 | 10,405,840 |
| Change in deferred tax | 107,000 | (202,000) |
| Adjustment concerning previous years | 0 | 53,773 |
| | 8,712,976 | 10,257,613 |

7 Proposed distribution of profit and loss

| | 2023 DKK | 2022 DKK |
|--|---------------------|---------------------|
| Extraordinary dividend distributed in the financial year | 26,000,000 | 33,000,000 |
| Retained earnings | 4,932,877 | 3,134,682 |
| | 30,932,877 | 36,134,682 |

8 Intangible assets

| | Development projects in progress DKK |
|------------------------------------|---|
| Additions | 382,215 |
| Cost end of year | 382,215 |
| Carrying amount end of year | 382,215 |

9 Development projects

The company's development project consists of developing of a new webshop.

The development project is under development. Future improvements will be capitalized, while maintenance costs will be expensed in the income statement continuously. Management expects the development project to be completed by 2024.

Management has not identified any indications of impairment regarding the accounting value of DKK 382k. The development project is expected to generate positive cash flows that exceed the accounting value.

10 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment DKK | Leasehold improvements DKK |
|---|---|-------------------------------|
| Cost beginning of year | 14,678,951 | 279,672 |
| Additions | 257,350 | 137,557 |
| Disposals | (258,205) | 0 |
| Cost end of year | 14,678,096 | 417,229 |
| Depreciation and impairment losses beginning of year | (7,178,683) | (119,842) |
| Depreciation for the year | (3,023,314) | (93,533) |
| Reversal regarding disposals | 249,005 | 0 |
| Depreciation and impairment losses end of year | (9,952,992) | (213,375) |
| Carrying amount end of year | 4,725,104 | 203,854 |
| Recognised assets not owned by entity | 3,945,963 | 0 |

11 Financial assets

| | Investments in group enterprises DKK | Deposits DKK |
|------------------------------------|---|-----------------|
| Cost beginning of year | 10,136 | 754,965 |
| Additions | 0 | 81,156 |
| Cost end of year | 10,136 | 836,121 |
| Revaluations beginning of year | 34,640 | 0 |
| Exchange rate adjustments | (11,355) | 0 |
| Share of profit/loss for the year | 131,141 | 0 |
| Revaluations end of year | 154,426 | 0 |
| Carrying amount end of year | 164,562 | 836,121 |

| Investments in subsidiaries | Registered in | Corporated form | Equity interest % |
|-----------------------------|---------------|-----------------|-------------------|
| The Army Painter US, Inc | Delaware | Inc | 100.00 |

12 Prepayments

Prepayments consist of prepaid costs.

13 Deferred tax

| | 2023 DKK | 2022 DKK |
|-----------------------------------|---------------------|---------------------|
| Intangible assets | 84,000 | 0 |
| Property, plant and equipment | 765,000 | 1,338,000 |
| Inventories | 1,061,000 | 744,000 |
| Liabilities other than provisions | (773,000) | (1,052,000) |
| Deferred tax | 1,137,000 | 1,030,000 |

| Changes during the year | 2023 DKK | 2022 DKK |
|------------------------------------|---------------------|---------------------|
| Beginning of year | 1,030,000 | 1,232,000 |
| Recognised in the income statement | 107,000 | (202,000) |
| End of year | 1,137,000 | 1,030,000 |

14 Non-current liabilities other than provisions

| | Due within 12 months 2023 DKK | Due within 12 months 2022 DKK | Due after more than 12 months 2023 DKK. |
|-------------------|--|--|--|
| Lease liabilities | 1,250,871 | 721,852 | 2,261,715 |
| | 1,250,871 | 721,852 | 2,261,715 |

There is no debt due after 5 years.

15 Deferred income

Deferred Income consist of floating sales orders where the customer has paid, but the risk transfer has not occurred on the balance sheet date.

16 Contingent liabilities

| | 2023 | 2022 |
|---|-------------------|-------------------|
| | DKK. | DKK |
| Recourse and non-recourse guarantee commitments | 15,288,445 | 19,963,027 |
| Contingent liabilities | 15,288,445 | 19,963,027 |

The Entity participates in a Danish joint taxation arrangement where Mørck Invest ApS until 10.01.2023 served 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, 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.

The Entity participates in a Danish joint taxation arrangement where CC TAP Invest ApS serves as the administration company as of 11.01.2023.

17 Assets charged and collateral

As security for all the Company's and Intercompany bank debt to Nykredit, the Company has granted a floating charge of DKK 4,000k on intellectual property rights, other fixtures and fittings, tools and equipment, trade receivables and inventories.

The carrying amount of assets charged at 31.12.2023 is DKK 83,368k (31.12.2022: DKK 65,384k).

The Entity has entered into an agreement with a supplier on the minimum purchase of raw materials. The company's obligation per 31.12.2023 amounts to a total of: DKK 10,526k. (31.12.2022: DKK 14,364k).

18 Related parties with controlling interest

The Army Painter Group ApS owns all shares in the Entity, thus exercising control.

19 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. The company has received a group contribution in the financial year. No other such transactions have been conducted in the financial year.

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: The Army Painter Group ApS, Skanderborg, CVR-nr. 43 58 34 33

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: The Army Painter Group ApS, Skanderborg, CVR-nr. 43 58 34 33

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).

The accounting policies applied to these financial statements are consistent with those applied last year but with a few reclassification in the presentation of the annual report in the comparative figures.

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.

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.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

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, changes in inventories of finished goods and work in progress, other operating income, cost of sales 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 normal inventory write-downs.

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 write-downs 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 property, plant and equipment assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, and payables and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses and payables and transactions in foreign currencies.

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

Intellectual property rights etc

Intellectual property rights etc. comprise development projects in progress.

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.

Indirect 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.

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

Property, plant and equipment

Other fixtures and fittings, tools and equipment and leasehold improvements 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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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 | 3-6 years |
| Leasehold improvements | 5 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 recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

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

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. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

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.

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax.

Prepayments

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

Cash

Cash comprises cash in bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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.

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.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

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 The Army Painter Group Holding ApS, Business Reg. No. 43 58 32 04.

