

ANNUAL GENERAL MEETING

21 October 2009

Directors' Report

Chairman of the Board of Directors: Niels Martinsen

Good afternoon and welcome to IC Companys' Annual General Meeting 2009.

2008/09 was a momentous year for IC Companys. At the onset of the year, a new Executive Board set out with a determined ambition to increase the Group's growth and earnings capacity.

Shortly after, the world economy was struck by a massive economic crisis. For a period, the primary focus of the Executive Board became to weather this crisis. In spite of initiatives already launched, the scope of the economic crisis warranted further cost base cuts. Consequently, IC Companys had to part with a considerable number of employees.

However, the Group came through the difficult process. The economic crisis and the initiatives carried through contributed to a more focused and efficient company. As such, the Executive Board carried out cost base rationalisations in the amount of DKK 200-250 million relative to the financial year 2007/08.

The number of own retail stores and concessions was increased by 25% at the same time as controlled wholesale and order suggestions were in progress.

Furthermore, a value chain optimisation was continuously in progress focusing on best practice in the collection development, reduction of styles and the Group's sourcing.

In order to support all these initiatives, the new Executive Board also aims to build a performance culture, in which all employees are motivated through the opportunity to make a considerable difference.

IC Companys published its annual report on 10 September 2009.

Seen in the light of the difficult market conditions, the Group recorded satisfactory revenue and operating profit. Revenue saw a setback of 4% to reach DKK 3.6 billion, whereas operating profit came to DKK 162 million after non-recurring costs of DKK 115 million. The results were achieved on the basis of the line of initiatives launched by the Executive Board to ensure healthy operations.

Set against the economic crisis it is furthermore very satisfactory that the Group reported a cash inflow of DKK 116 million and reduced short-term debt by DKK 106 million. At the same time and in spite of the discontinuation of the sales activities in China, the Group increased the number of own retail and concession stores by 67.

As appears from the income statement, we have had a cost increase of 3%. Excluding non-recurring costs throughout the year amounting to a total of DKK 80 million, costs in the third and fourth quarter were reduced relative to last year. In addition, the cost base rationalisations carried out will not take full effect until 2009/10. We are therefore pleased with this cost development, but further reduction is expected in 2009/10.

The result of the year saw a setback of 51% to DKK 109 million, which predominantly is a reflection of the dramatic events, which marked the financial year 2008/09.

The Group's balance sheet shows that our inventories were reduced by 17% to DKK 440 million. Trade receivables decreased by 11% relative to last year. To some extent, this development is attributable to the setback in revenue, which was 4% relative to last year. The major part of the reduction is, however, a consequence of a number of initiatives, which the Executive Board has carried out with a view to reducing the working capital.

2008/09 was characterised by a noticeably high oversupply throughout the industry.

In addition to the conventional write-down principles, the Group made extra inventory write-downs of DKK 35 million. The Group did not see dramatic changes in the payment patterns of our wholesale customers, but obviously, our wholesale customers are also affected by the decrease in demand. Based on this, at the end of 2008/09 provisions for bad debts amounting to DKK 82 million were made, which is an increase of DKK 31 million relative to last year.

The Group's equity increase DKK 35 million to DKK 509 million. Against the background of the economic crisis, we have decided to reduce the Group's debts rather than initiating share buyback programmes and that no dividend is paid to the shareholders.

The Group's interest-bearing debt is consequently reduced DKK 156 million and constitutes DKK 615 million. On closing day, the Group had further credit facilities of DKK 580 million.

We have just embarked on the new financial year 2009/10, in which the market development is very uncertain. Against this background, we expect a revenue setback relative to 2008/09. We expect operating profit to be in the region of DKK 150-200 million.

Investments in the region of DKK 100-120 million are expected to be carried through, primarily for an expansion of the distribution and sales promoting improvements of the IT platform.

As a consequence of the situation in the financial markets, the Executive Board decided to allocate any cash in excess generated in 2009/10 to further reduce short-term debt. As a result, no share buyback programmes are planned for 2009/10, nor will dividend be paid to the shareholders.

In order to build congruence of interests between shareholders, the Executive Board and executive employees and to encourage a shared focus on reaching the Group's objectives, IC Company uses bonus and sharebased incentive plans.

As previously announced in the Annual Report, the Board of Directors therefore granted 30,000 stock options to the Group's Chief Executive Officer, Niels Mikkelsen. The share options granted give admittance to buy 30,000 shares over the next 3 years.

Further, the Board of Directors granted Chris Bigler, Chief Financial Officer, Anders Cleemann, Executive Brand Officer, and Peter Fabrin, Executive Sales Officer, 10,000 stock options each. These stock options give admittance to buy 10,000 shares over the next 3 years. Further details of all these programmes are included in the Annual Report.

The Board of Directors ensures that the individual remuneration of the members of the Executive Board reflects their performance and the value added to the company. The remuneration paid to the members of the Executive Board consists of a cash salary, an annual bonus, a company car, stock option plans, and the usual other benefits. Remuneration and incentive plans for the Group's Executive Board comply with the guidelines adopted on the annual general meeting in 2008.

In addition to the Executive Board, the Board of Directors granted 173,500 stock options to 32 executive employees. These stock options give admittance to, after 2 years, to buy 173,500 stock options over the next 3 years. Further details of all these programmes are included in the annual report.

In the financial year 2008/09, remuneration of the Board of Directors constituted DKK 1.8 million. Remuneration of the audit committee of DKK 0.1 million is included. For the present financial year, remuneration of the Board of Directors is proposed to be DKK 1.9 million, which includes remuneration of the audit committee of DKK 0.2 million.

The remuneration of the audit committee is increased DKK 0.1 million in 2009/10, as the committee started in 2008/09 and therefore only had meetings in half of the financial year. As such, the individual remuneration per board member is maintained at the level of last year.

In accordance with Nasdaq OMX Copenhagen's recommendations for corporate governance, the Board of Directors resolved to set up a permanent Audit Committee as at 1 January 2009. The committee consists of deputy chairman Henrik Heideby, who is chairman of the committee, and deputy chairman, Ole Wengel, and myself (Niels Martinsen). The Group's CFO, Chris Bigler, is a permanent participant in the meetings in the audit committee. The members of the audit committees receive separate remuneration for this work.

Currently, the Board of Directors is undertaking a self-evaluation, which will be reviewed during the next months.

As at 1 August 2008 Niels Hermansen retired from the Board of Directors. The Board of Directors therefore plan to recruit a new member to the Board. In our opinion, the current Board of Directors possess a broad spectrum of competences. It is, however, our wish that the future member of the Board is an addition to these competences. We are therefore prepared to use the time required to find a candidate, who offers the right competences.

In conclusion, the Board of Directors would like to thank the employees and their families for the commitment they have shown in the past year.

We would also like to take this opportunity to thank our shareholders, who have shown patience and perseverance in an uncertain period characterised by considerable market uncertainty.

Finally, I would also like to thank my colleagues in the Board of Directors for our working relationship.

I shall now ask CEO Niels Mikkelsen to elaborate on the future development of the company.

Chief Executive Officer: Niels Mikkelsen

Thank you.

When I took up my position in August 2008, I had the clear objective of increasing growth and earnings. Shortly after, the crisis turned the world upside down. As Niels mentioned earlier, the result for IC Companys was a shift in focus and more crisis management.

An upside was that I was actually hired to change the company. Change is always easier in times of crisis than when things appear to be going

Crisis management was, however, not the only item on the agenda. Throughout 2008/09, our goal was to build a strong foundation for future growth. We have spent a lot of time on "best practice" processes and efficient organisational structures.

The subject matters were development of our distribution strategy and optimisation of the wholesale business and the value chain. To use a popular turn of phrase, one could say that today most of the foundation is in place, but it has yet to harden.

Many of the structures are in place, but we do need time to allow our employees and customers to familiarise themselves with them. Going forward, we need to continuously relay these things to our employees and our customers with a view to generating actual growth in 2010/11. In effect, we should be able to see our order intake stabilise at the end of 2010.

Our industry has an almost unlimited growth potential. We have a great number of opportunities and our limitations are confined to our ability to focus. If we know how to focus and generate growth, the earnings potential in our business is enormous. This is what we see in other players, who have understood how to harness the growth potential.

Our country focus defines us as a European fashion company based in Scandinavia. Therefore, we need to fully exploit our markets, before we cross any borders. Prioritisation and clustering are important in our retail channel. We need to concentrate on our different concepts on the markets, in which they have the best effect.

In the prioritisation of investments in new stores, the return on investment must be the definitively decisive factor. In this aspect, we are currently carrying out a strategy process for all our brands, in which we take our point of departure in their current position and where we would like them to be in 5 years.

In general, one could say that we want to be good at developing brands. Therefore, we have changed a small part of our vision from best owner to best developer of international fashion brands. It may appear to be a small change, but over time I have come to realise that its significance is anything but small. Again, the key word is focus. We cannot treat all our brands equally, as if they had the same opportunities. I believe that all our brands hold a growth potential – but they are on very different levels of development, and therefore they have different needs in terms of input to their further development.

Finally, I would like to mention our work with e-commerce. We believe that e-commerce will become an important distribution channel. Therefore, we have chosen to work with GSI Commerce Inc., who is one of the biggest players globally and we are proud of the potential they see in the partnership with us. Peak Performance netstore was launched on 28 September and during the next year, most other brands are to follow.

I believe that the potential for growth and earnings in our company is quite big. Many companies in our business have reached their potential and we have a vast untapped potential, but we must remember that it takes time – which we have embarked on a journey.

Thank you.