
BrandFactory Danmark A/S

Måløv Teknikerby 2, DK-2760 Måløv

Annual Report for 1 January - 31 December 2017

CVR No 15 13 44 88

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29/5 2018

René Rafn Hansen
Chairman



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	8
Balance Sheet 31 December	9
Statement of Changes in Equity	11
Notes to the Financial Statements	12

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of BrandFactory Danmark A/S for the financial year 1 January - 31 December 2017.

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 31 December 2017 of the Company and of the results of the Company operations for 2017.

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.

Måløv, 29 May 2018

Executive Board

Jesper Christensen
Executive Officer

Anders Vangsgaard
Executive Officer

René Rafn Hansen
Executive Officer

Nicolai Juul Falkenlund

Board of Directors

Annica Elisabeth Axelsson
Chairman

Claes Oscar Claeson

René Rafn Hansen

Independent Auditor's Report

To the Shareholder of BrandFactory Danmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of BrandFactory Danmark A/S for the financial year 1 January - 31 December 2017, 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Independent Auditor's Report

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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, 29 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Susanne Varrisboel

statsautoriseret revisor

mne21408

Company Information

The Company

BrandFactory Danmark A/S
Måløv Teknikerby 2
DK-2760 Måløv

CVR No: 15 13 44 88
Financial period: 1 January - 31 December
Municipality of reg. office: Ballerup

Board of Directors

Annica Elisabeth Axelsson, Chairman
Claes Oscar Claeson
René Rafn Hansen

Executive Board

Jesper Christensen
Anders Vangsgaard
René Rafn Hansen
Nicolai Juul Falkenlund

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Financial Highlights

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

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Key figures					
Profit/loss					
Gross profit/loss	69.973	59.729	62.508	53.085	64.409
Profit/loss before financial income and expenses	8.245	7.801	13.168	6.298	14.931
Net financials	-632	321	70	-179	70
Net profit/loss for the year	5.842	6.188	9.991	4.526	11.061
Balance sheet					
Balance sheet total	75.080	67.120	70.485	54.148	64.779
Equity	27.817	27.975	21.786	21.796	25.270
Investment in property, plant and equipment	6.855	4.362	1.547	4.569	1.147
Number of employees	122	106	100	106	105
Ratios					
Solvency ratio	37,0%	41,7%	30,9%	40,3%	39,0%
Return on equity	20,9%	24,9%	45,8%	19,2%	44,4%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

In September 2017 we changed our name and brand from Vangsgaard A/S to BrandFactory Danmark A/S.

BrandFactory Danmark A/S is the leading Danish company in the field of branding and visual communication and a part of BrandFactory Group AB.

Together with our colleagues in Sweden and Norway we are the Nordic leader in visual communication with a total turnover above SEK 1 mia.

Development in the year

The income statement of the Company for 2017 shows a profit of TDKK 5,842, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 27,817.

The result for the year meet the budget and our expectations.

Management expectations for the coming year is a result around same level.

External environment

BrandFactory cares about the environment. We prioritize our responsibilities in terms of sustainability, quality and environment. Our sustainability activities involve ambitious goals and actions to secure high quality, social responsibility, good business ethics and environmental considerations.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

Numbers in the annual report includes nonrecurring costs related to Colorgruppen acquisition and costs regarding change of name and brand. In addition, there are no unusual events.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
Gross profit/loss		69.973	59.729
Staff expenses	1	-57.141	-49.748
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-4.587	-2.180
Profit/loss before financial income and expenses		8.245	7.801
Financial income	2	90	794
Financial expenses	3	-722	-473
Profit/loss before tax		7.613	8.122
Tax on profit/loss for the year	4	-1.771	-1.934
Net profit/loss for the year		5.842	6.188

Balance Sheet 31 December

Assets

	Note	2017 TDKK	2016 TDKK
Completed development projects		1.540	0
Goodwill		3.411	30
Intangible assets	5	4.951	30
Plant and machinery		8.217	7.251
Other fixtures and fittings, tools and equipment		12	10
Leasehold improvements		582	0
Property, plant and equipment	6	8.811	7.261
Other investments		776	764
Fixed asset investments	7	776	764
Fixed assets		14.538	8.055
Raw materials and consumables		1.552	1.462
Work in progress		2.350	2.660
Finished goods and goods for resale		3.831	3.888
Inventories		7.733	8.010
Trade receivables		50.571	37.624
Receivables from group enterprises		243	5.832
Other receivables		658	872
Deferred tax asset	8	0	44
Prepayments		856	911
Receivables		52.328	45.283
Cash at bank and in hand		481	5.772
Current assets		60.542	59.065
Assets		75.080	67.120

Balance Sheet 31 December

Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		1.000	1.000
Reserve for development costs		1.201	0
Retained earnings		19.816	20.975
Proposed dividend for the year		5.800	6.000
Equity	9	27.817	27.975
Provision for deferred tax	8	100	0
Provisions		100	0
Lease obligations		3.859	4.518
Long-term debt	11	3.859	4.518
Credit institutions		1.280	583
Lease obligations	11	1.603	1.492
Prepayments received from customers		4.730	3.922
Trade payables		17.585	16.362
Payables to group enterprises		3.236	284
Corporation tax		784	672
Other payables		14.086	11.312
Short-term debt		43.304	34.627
Debt		47.163	39.145
Liabilities and equity		75.080	67.120
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Subsequent events	14		
Accounting Policies	15		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.000	0	20.975	6.000	27.975
Ordinary dividend paid	0	0	0	-6.000	-6.000
Development costs for the year	0	1.235	-1.235	0	0
Depreciation, amortisation and impairment for the year	0	-34	34	0	0
Net profit/loss for the year	0	0	42	5.800	5.842
Equity at 31 December	1.000	1.201	19.816	5.800	27.817

Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
1 Staff expenses		
Wages and salaries	52.137	45.117
Pensions	4.147	3.647
Other social security expenses	712	762
Other staff expenses	145	222
	<u>57.141</u>	<u>49.748</u>
 Including remuneration to the Executive Board of: Executive Board	 <u>4.261</u>	 <u>4.315</u>
	<u>4.261</u>	<u>4.315</u>
 Average number of employees	 <u>122</u>	 <u>106</u>
 2 Financial income		
Interest received from group enterprises	86	791
Other financial income	4	3
	<u>90</u>	<u>794</u>
 3 Financial expenses		
Interest paid to group enterprises	24	0
Other financial expenses	698	473
	<u>722</u>	<u>473</u>
 4 Tax on profit/loss for the year		
Current tax for the year	1.627	1.898
Deferred tax for the year	144	36
	<u>1.771</u>	<u>1.934</u>

Notes to the Financial Statements

5 Intangible assets

	Completed development projects <u>TDKK</u>	Goodwill <u>TDKK</u>	Total <u>TDKK</u>
Cost at 1 January	0	493	493
Additions for the year	1.584	3.789	5.373
Cost at 31 December	<u>1.584</u>	<u>4.282</u>	<u>5.866</u>
Impairment losses and amortisation at 1 January	0	463	463
Amortisation for the year	44	408	452
Impairment losses and amortisation at 31 December	<u>44</u>	<u>871</u>	<u>915</u>
Carrying amount at 31 December	<u>1.540</u>	<u>3.411</u>	<u>4.951</u>
Amortised over		<u>5 - 10 years</u>	

Development project relate to the acquisition of a new IT system. The system has been completed and is expected to support the Company's operations in the years ahead. The IT system has been recognised at cost and is amortised on a current basis in accordance with the Company's accounting policies. Based on the nature of the item, recognition and measurement of the expenses are not assessed to be subject to any special conditions.

Notes to the Financial Statements

6 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	15.429	391	0	15.820
Additions for the year	6.116	60	679	6.855
Disposals for the year	-2.585	-40	0	-2.625
Cost at 31 December	<u>18.960</u>	<u>411</u>	<u>679</u>	<u>20.050</u>
Impairment losses and depreciation at 1 January	8.178	381	0	8.559
Depreciation for the year	4.015	23	97	4.135
Impairment and depreciation of sold assets for the year	-1.450	-5	0	-1.455
Impairment losses and depreciation at 31 December	<u>10.743</u>	<u>399</u>	<u>97</u>	<u>11.239</u>
Carrying amount at 31 December	<u>8.217</u>	<u>12</u>	<u>582</u>	<u>8.811</u>
Including assets under finance leases amounting to	<u>5.840</u>	<u>0</u>	<u>0</u>	<u>5.840</u>
7 Fixed asset investments			Other investments	
			TDKK	
Cost at 1 January				764
Additions for the year				<u>12</u>
Cost at 31 December				<u>776</u>
Carrying amount at 31 December				<u>776</u>

Notes to the Financial Statements

	2017 TDKK	2016 TDKK
8 Provision for deferred tax		
Provision for deferred tax at 1 January	-44	-80
Amounts recognised in the income statement for the year	144	36
Provision for deferred tax at 31 December	100	-44
Intangible assets	375	0
Property, plant and equipment	-309	-62
Amortization	34	18
Transferred to deferred tax asset	0	44
Deferred tax asset	100	0
Calculated tax asset	0	44
Carrying amount	0	44

9 Equity

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

10 Distribution of profit

Proposed dividend for the year	5.800	6.000
Retained earnings	42	188
	5.842	6.188

Notes to the Financial Statements

11 Long-term debt

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:

	<u>2017</u> TDKK	<u>2016</u> TDKK
Lease obligations		
Between 1 and 5 years	3.859	4.518
Long-term part	<u>3.859</u>	<u>4.518</u>
Within 1 year	<u>1.603</u>	<u>1.492</u>
	<u>5.462</u>	<u>6.010</u>

12 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	4.307	4.165
Between 1 and 5 years	11.947	11.946
After 5 years	<u>2.545</u>	<u>4.990</u>
	<u>18.799</u>	<u>21.101</u>

Notes to the Financial Statements

13 Related parties

Basis

Controlling interest

Brand Factory Group AB, Fryksdalsbacken 40, S-12343
Farsta, Sweden

Other related parties comprise the other group companies, the Company's Management and the Board of Directors.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Brand Factory Group AB, Fryksdalsbacken 40, S-12343 Farsta, Sweden

www.brandfactory.se

The Financial statements of BrandFactory Danmark A/S are included in the consolidated financial statements of Brand Factory Group AB, which may be obtained from the company.

14 Subsequent events

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

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of BrandFactory Danmark A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in TDKK.

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 Brand Factory Group AB, the Company has not prepared a cash flow statement.

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.

Income Statement

Revenue

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

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

Other external expenses

Other external expenses comprise expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operation leases, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

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 are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 - 10 years.

Addition of goodwill in 2017 is amortised on a straight-line basis over its useful life, which is assessed at 10 years by management. The depreciation period is based on the addition of know how, the history and expectations of customer retention.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Notes to the Financial Statements

15 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

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

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Notes to the Financial Statements

15 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial years.

Equity

Dividend

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

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. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans 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.

Notes to the Financial Statements

15 Accounting Policies (continued)

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

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