Phase One A/S

Roskildevej 39, DK-2000 Frederiksberg

CVR no. 17 88 96 99

Annual Report 2015

Approved at the Company's annual general meeting on 28 April 2016

Chairman:

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Lars Bybjerg

Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Phase One A/S for the financial year 1 January - 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2015 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 28 April 2016
Executive Board:

Henrik Ole Håkonsson

Board of Directors:

Gareth Ridgwell Whiley Chairman	Alfa Chi Kit Chan	Rudolf H. Spiller
James Patrick Howaldt		

Independent auditors' report

To the shareholders of Phase One A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Phase One A/S for the financial year 1 January - 31 December 2015, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2015 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 28 April 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Christiansen
State Authorised
Public Accountant

Morten Bierregaard
State Authorised
Public Accountant

Management's review

Company details

Name	Phase One A/S
Address, zip code, city	Roskildevej 39, DK-2000 Frederiksberg
CVR no.	17 88 96 99
Established	1 July 1994
Registered office	Copenhagen
Financial year	1 January - 31 December
Telephone	+45 36460111
Fax:	+45 36460222
Board of Directors	Gareth Ridgwell Whiley, Chairman Alfa Chi Kit Chan Rudolf H. Spiller James Patrick Howaldt
Executive Board	Henrik Ole Håkonsson, Managing Director
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, DK-2000 Frederiksberg

Management's review

Financial highlights for the Group

DKK million	2015	2014	2013	2012	2011
Key figures					
Revenue	428,5	418.9	426.7	365.5	351.4
Gross profit	227,6	232.4	234.2	188.1	164.1
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	84,6	99,8	107,0	72,7	64,7
Operating profit	43,1	76.8	82.2	42.3	41.6
Profit/loss from financial income and expenses	-4,9	-0.1	-2.1	-1.6	-1.8
Profit for the year	22,1	59.4	62.3	30.7	30.0
Cash flows from operating activities	109,9	48.4	68.5	57.1	67.5
Net cash flows from investing activities	-70,3	-43,8	-29.0	-29.9	-25.6
Cash flows from financing activities	-18,7	-14,1	-22.2	-17.1	-55.4
Total cash flow	20,9	-9,5	17.3	10.1	-13.5
Total assets	298,3	243,6	214.0	171.3	152.5
Portion relating to investment in property, plant and equipment	1,4	5,2	7.2	4.2	4.1
Equity	155,0	167.7	112.3	69.9	60.8
Financial ratios					
Gross margin ratio	53%	55%	55%	51%	47%
Solvency ratio	52%	69%	52%	41%	40%

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Main activities for the Group

The Group's business concept is to develop and market high quality digital camera systems and software solutions. Our main customers are:

I. The World's most demanding professional photographers and serious private photo enthusiasts (WMDP).

II. Industrial imaging end-users and integrators within Aerial mapping/documentation, cultural heritage, inspection, surveillance and homeland security applications. All our customers are characterised by their need for world-class image quality and highly efficient workflow.

It is our goal to be the world-wide market leader within all our target customer groups and applications. In this way, we can ensure satisfactory earnings and at the same time attract and retain the best product developers and sales & marketing experts within digital imaging.

Development in activities and financial matters

The year 2015 overall shows satisfactory results and Phase One continued to strengthen its market position in existing as well as in new segments by introduction of new solutions and better distribution. The Group's revenue amounted to DKK 428 million in 2015 (DKK 419 million in 2014). Phase One's profit after tax amounted to DKK 22 million in 2015 (DKK 59 million in 2014). The profit after tax compared to 2014 was highly affected by non-cash amortisation of intangible assets. In addition, the operational profit was affected by increased investments in strengthening the Group's organization as well as the acquired business in Japan, as discussed below.

The Group continued to invest heavily in 2015. Phase One invests in both new market areas and distribution systems within digital photography as well as in the further development of the unique and patented series of portable digital cameras, lenses, backs and software solutions.

At December 1, 2015, Phase One succeeded in acquiring all business assets of Mamiya Digital Imaging in Japan, in which the Group has been a minority shareholder since 2009. Having full control of the development and manufacturing of high quality cameras and lenses is considered as a big strategic leap for Phase One.

The Group employed an average of 178 employees in 2015 against 163 in 2014.

New products

For the WMDP business, Phase One launched the revolutionary XF camera system - a fully integrated system comprising the new XF camera, a new digital back platform and a range of new ultra high quality 'Blue Ring' lenses. The new camera system has been extremely well received and consolidates Phase One's position as market leading within the high-end Photography business. The lenses were launched in cooperation with our strategic partner Schneider Kreuznach. Phase One offers the widest range of professional lenses on the market for the medium-format shooters.

For the Software business, Phase One has in 2015 launched a major update of the award winning Capture One RAW processing workflow software. Capture One supports the top 400 cameras shooting RAW, and has a strong and growing following among the World's most demanding photographers. Phase One is the only camera manufacturer to offer a strong application software, which helps the top photographers optimise their creativity and quality of work.

For the Industrial business, Phase One continued to develop its highly durable IXA/IXU camera systems, new simplified software and high performance lens and shutter systems. This included a range of custom lens developments.

Outlook

In January 2016, Phase One introduced the World's first 100 mega pixel camera system, including a range of new high performance lenses.

Management's review

Operating review

Based on the products and solutions introduced in 2015 and early 2016, and on the many investments in building world-class targeted distribution systems, we expect growth in both revenue and earnings in 2016.

Phase One's global market share is estimated to constitute approximately 60% of the market for high-quality digital camera systems in the Professional market. Phase One has significant growth opportunities in both the high end private photo-enthusiast market and especially in the Industrial market segments

Phase One will continue to invest in the further development and knowledge of the Group's products, targeted distribution systems as well as potential new strategic partnerships.

Balance sheet

The Group's balance sheet total amounted to DKK 298 million (2014: DKK 244 million), of which current assets constitute 70% (2014: 65%).

Equity in Phase One amounted to DKK 155 million at 31 December 2015 (31 December 2014: DKK 167 million).

Exchange rate risks

Due to the Group's activities in the USA and Asia, the profit and equity as well as cash flows are influenced by the USD and JPY exchange rate development. The Group's policy is to primarily offset the currency risk by matching purchases and sales in USD and JPY. Secondarily, Phase One partly hedges the excess exchange rate risk by means of forward exchange contracts.

In addition to the before mentioned currencies, the Group has considerable activities denominated in Euro and Israeli Shekel. Hedging is not made in respect of these currencies as it is not considered optimal from a risk and cost point-of-view.

Knowledge resources

It is essential for the future growth of the Group to attract and retain highly skilled and qualified professionals, including employees with expertise in development and sales & marketing of digital camera systems, camera lenses, workflow software, etc.

In order to ensure a high and competitive product quality, the Group uses modern production processes. This requires a high competence level, and considerable resources are invested in development of the Group's products and in maintaining the skills of the Group's employees.

Corporate Social Responsibility

Phase One is a knowledge intensive group and its staff is considered an important resource and as an important part of the Group's corporate social responsibility. Phase One wants to be an attractive place to work which can attract and maintain qualified and dedicated employees. In 2015, the Work Environment Committee held several meetings, and evaluated the employee satisfaction measurement conducted in late 2014. The satisfaction measurement showed a high degree of satisfaction, which is in line with the Group's goal. Next survey is scheduled to be carried out during 2016.

The Group perceives human rights as closely linked to employee rights in the Group's enterprises and at the Group's suppliers. Consequently, the Group adopted a Code of Conduct for Employee Rights by end of 2014. Among other things, the Code of Conduct includes elimination of discrimination with respect to employment based on age, gender, religion or race. The Group has not measured the effect of the implementation of said Code of Conduct.

The Group does not carry out production activities which has a significant impact on the environment. Therefore the Group has not prepared a climate policy.

Management's review

Operating review

Other leadership posts comprise the Executive Board, middle managers and department managers. The policy of the Group for women in other leadership roles is to have the best qualified candidates and at the same time enhance the qualifications of talented female leaders. The Group aims that at least one male and one female candidate are among the top-three candidates for other leadership roles. At present, the number of female leaders is unchanged compared to last year.

Goals and policies for the underrepresented gender

Phase One believes that diversity among its employees, including gender balance, contributes positively to the work environment and strengthens the Group's performance and competitiveness.

In connection with the change of ownership of the Group in March 2014, a new Board of Directors was elected which consisted of three men. Today the Board of Directors comprise of 4 members. Phase One aims that at least one male and one female leader must be represented in the Board of Directors appointed at the general meeting by the end of 2018. At present there are no female members of the Board of Directors. During 2015 Phase One has not been able to find qualified female members for the Board of Directors. Phase One strives to increase the number of female leaders in the Group.

Anti-corruption

The Group policy related to anti-corruption, secures that we act according to high ethical standard forbid the participation in any kind of bribery. The policy was adopted in the last part of 2014 and implemented in the early part of 2015. Management are not aware of any violation of the policy.

Subsequent events

No events have occurred which affect the consolidated financial statements and the parent company financial statements for 2015.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

The annual report for 2015 has been prepared in accordance with the provisions applying to class C enterprises (large) under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Phase One A/S, and subsidiaries in which Phase One A/S directly or indirectly holds more than 50 % of the voting rights. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or expenses.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of the intra-group balance with independent foreign subsidiary which is considered part of the investment in the subsidiary are recognised directly in equity.

Income statement

Revenue

Revenue is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties and discounts granted in connection with the sale.

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns etc. during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions, etc.

Development costs

Development costs comprise costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for Group management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation.

Other operating income and other operating costs

Other operating income and other operating costs comprise items secondary to the principal activities of the enterprises, including gains and losses on disposal of intangible assets and property, plant and equipment.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated and the parent company income statement after elimination of the proportionate share of intra-group profits/losses.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on receivables and payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Company is comprised by the joint taxation of the Danish XPP TopCo ApS group companies.

XPP TopCo ApS is the administrative company under the joint taxation and accordingly pays all Danish corporation taxes to the tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint taxation contributions from other companies that have used the tax losses to reduce their own taxable profit.

The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Development projects, patents and licences

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to the Group's development activities.

Development projects that are clearly defined and identifiable, where the technical utilisation degree, sufficient resources and a potential future market or development opportunities in the Group are evidenced, and where the Group intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Development costs that are recognised in the balance sheet are measured at the lower of cost less accumulated amortisation and impairment and the recoverable amount.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually two years.

Patents and licences are measured at cost less accumulated amortisation and impairment. Patents are amortised over the estimated useful lives, usually 5-10 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains and losses are recognised in the income statement as other operating income and other operating costs, respectively.

Property, plant and equipment

Leasehold improvements as well as plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful life is 2-3 years.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income and other operating costs, respectively.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Group (finance leases) are initially measured in the balance sheet at the lower of fair value and the net present value of the future lease payments. In calculating the net present value of future lease payments, the discount factor is the interest rate implicit in the lease or an alternative rate. Assets held under finance leases are subsequently treated as the Group's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability and the interest implicit in the lease is recognised in the income statement over the lease term.

All other leases are defined as operating leases. Operating lease payments and other lease payments are recognised in the income statement over the lease term. The Group's total liabilities relating to operating leases and other leases are disclosed in the notes under contingent liabilities.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Phase One A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the purchase method is applied, see Consolidated financial statements above.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired according to an individual assessment.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Treasury shares

Total acquisition and disposal cost of treasury shares is recognised directly in retained earnings under equity.

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

In accordance with the joint taxation rules, the liability of the subsidiaries for payment of corporation taxes to the tax authorities is settled as the joint taxation contributions are paid to the administrative company.

Receivable and payable joint taxation contributions are recognised in amount owed from group enterprises and amounts owed to group enterprises.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised under other non-current assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Other provisions

Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Other provisions comprise obligations to make good any defects within the warranty period of up to three years. Provisions for warranties are measured and recognised based on past experience.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment, investments and securities.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans and repayment of interest-bearing debt.

Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin ratio $\dfrac{\text{Gross margin x 100}}{\text{Revenue}}$

Equity ratio $\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Income statement

		Consolidated		Parent company	
Note	DKK'000	2015	2014	2015	2014
1	Revenue	428,502	418,876	412,567	384,559
	Production costs	-200,867	-186,467	-244,482	-212,523
	Gross margin	227,635	232,409	168,085	172,036
	Distribution costs	-82,218	-81,674	-52,667	-54,405
	Development costs	-69,972	-44,292	-60,122	-33,071
2	Administrative expenses	-32,326	-29,641	-25,679	-23,800
	Operating profit	43,119	76,802	29,617	60,760
4	Share of profit in subsidiaries after tax	0	0	6,693	12,205
5	Share of profit in associates after tax	-3,057	1,446	-3,057	1,446
6	Financial income	250	1,525	949	953
7	Financial expenses	-5,154	-1,571	-3,294	-1,250
	Profit before tax	35,158	78,202	30,908	74,114
8	Tax on profit for the year	-13,094	-18,832	-8,844	-14,744
	Profit for the year	22,064	59,370	22,064	59,370

	Proposed profit				
	Appropriation				
	Reserve for net revaluation according to the equity method			3,636	13,651
	Extraordinary dividend			42,535	6,000
	Proposed dividend			34,350	0
	Retained earnings			-58,457	39,719
				22,064	59,370

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

		Consolidated		Parent company	
Note	DKK'000	2015	2014	2015	2014
	ASSETS				
	Non-current assets				
9	**Intangible assets**				
	Completed development projects	49,967	24,956	38,498	18,778
	Patents and licences	23,393	2,814	12,987	2,814
	Development projects under construction	6,022	33,073	5,120	30,232
		79,382	60,843	56,605	51,824
10	**Property, plant and equipment**				
	Leasehold improvements	201	643	201	643
	Fixtures and fittings, tools and equipment	11,468	9,459	7,172	9,459
		11,669	10,102	7,373	10,102
	Investments				
4	Investments in group enterprises	0	0	57,174	39,286
5	Investments in associates	0	15,406	0	15,406
11	Amounts owed by group enterprises	0	0	58,028	21,800
		0	15,406	115,202	76,492
	Total non-current assets	91,051	86,351	179,180	138,418
	Current assets				
12	**Inventories**	105,441	76,289	56,865	45,157
	Receivables				
	Trade receivables	45,856	51,437	30,884	37,889
	Company tax receivable	1,552	492	0	0
	Amounts owed by group enterprises	0	0	6,554	6,846
	Other receivables	6,376	2,278	1,318	872
	Prepayments	1,116	1,181	797	1,181
		54,900	55,386	39,553	46,788
	Cash at bank and in hand	46,879	25,568	33,652	11,805
	Total current assets	207,220	157,243	130,070	103,750
	TOTAL ASSETS	298,271	243,594	309,250	242,168

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Balance sheet

		Consolidated		Parent company	
Note	DKK'000	2015	2014	2015	2014
	EQUITY AND LIABILITIES				
13	**Equity**				
	Share capital	15,754	15,754	15,754	15,754
	Reserve for net revaluation according to the equity method	0	0	34,969	28,309
	Retained earnings	104,874	151,686	69,905	123,377
	Proposed dividend	34,350	0	34,350	0
	Total equity	154,978	167,440	154,978	167,440
	Provisions				
14	Deferred tax	9,480	8,597	6,251	8,063
	Other provisions	5,135	5,650	4,178	3,658
	Total provisions	14,615	14,247	10,429	11,721
15	**Non-current liabilities other than provisions**				
	Credit institutions	26,146	0	26,146	0
	License commitments	8,189	0	8,189	0
	Lease commitments	4,757	4,003	2,533	4,003
		39,092	4,003	36,868	4,003
	Current liabilities				
15	Current portion of non-current liabilities other than provisions	2,666	1,243	2,666	1,243
	Trade payables	34,181	30,277	29,419	27,281
	Amounts owed to group enterprises	25,364	5,730	56,042	13,931
	Corporation tax	1,995	0	650	0
	Other payables	25,380	20,654	18,198	16,549
		89,586	57,904	106,975	59,004
	Total liabilities other than provisions	128,678	61,907	143,843	63,007
	TOTAL EQUITY AND LIABILITIES	298,271	243,594	309,250	242,168

16 **Contractual obligations and contingencies**
17 **Staff costs**
18 **Related party disclosures**

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Statement of changes in equity

	Consolidated			
DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2014	15,540	96,712	0	112,252
Capital increase	214	170	0	384
Extraordinary dividend	0	-6,000	0	-6,000
Transferred, see profit appropriation	0	59,370	0	59,370
Foreign currency translation adjustments, foreign subsidiaries	0	2,347	0	2,347
Tax on changes in equity	0	-913	0	-913
Equity at 1 January 2015	15,754	151,686	0	167,440
Extraordinary dividend	0	-42,535	0	-42,535
Transferred, see profit appropriation	0	-12,286	34,350	22,064
Foreign currency translation adjustments, foreign subsidiaries	0	8,743	0	8,743
Tax on changes in equity	0	-734	0	-734
Equity at 31 December 2015	15,754	104,874	34,350	154,978

	Parent company				
DKK'000	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividends	Total
Equity at 1 January 2014	15,540	16,038	80,674	0	112,252
Capital increase	214	0	170	0	384
Extraordinary dividend	0	0	-6,000	0	-6,000
Transferred, see profit appropriation	0	13,651	45,719	0	59,370
Foreign currency translation adjustments, foreign subsidiaries	0	-1,380	0	0	-1,380
Foreign currency transaction, loan to subsidiary	0	0	3,727	0	3,727
Tax on changes in equity	0	0	-913	0	-913
Equity at 1 January 2015	15,754	28,309	123,377	0	167,440
Extraordinary dividend	0	0	-42,535	0	-42,535
Transferred, see profit appropriation	0	3,636	-15,922	34,350	22,064
Transferred	0	-2,594	2,594	0	0
Foreign currency translation adjustments, foreign subsidiaries	0	5,618	0	0	5,618
Foreign currency transaction, loan to subsidiary	0	0	3,125	0	3,125
Tax on changes in equity	0	0	-734	0	-734
Equity at 31 December 2015	15,754	34,969	69,905	34,350	154,978

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Cash flow statement

Note	DKK'000	Consolidated 2015	Consolidated 2014
	Cash flows from operating activities		
	Profit for the year	22,064	59,370
19	Adjustments	61,888	40,587
20	Changes in working capital	45,935	-31,280
	Cash generated from operating activities before financial items	129,887	68,677
	Interest received	250	1,525
	Interest paid	-5,154	-1,571
	Cash generated from operating activities before tax	124,983	68,631
	Taxes paid	-15,034	-20,236
		109,949	48,395
	Cash flows from investing activities		
	Acquisition of property, plant and equipment	-1,376	-5,177
	Acquisition of intangible assets	-38,041	-39,198
	Acquisition of subsidiaries and activities	-44,846	0
	Disposal of associates	13,994	0
	Disposal of property, plant and equipment	0	571
		-70,269	-43,804
	Cash flows from financing activities		
	Capital increase	0	384
	Increase/decrease in amounts owed to credit institutions and instalments on lease commitments	23,778	-8,499
	Dividends paid	-42,535	-6,000
		-18,757	-14,115
	Cash flows from operating, investing and financing activities	20,923	-9,524
	Cash and cash equivalents at 1 January	25,568	33,745
	Foreign exchange adjustments etc.	388	1,347
	Cash and cash equivalents at 31 December	46,879	25,568

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1 **Segment information**

The Group has not disclosed segment information cf. section 96(1) of the Danish Financial Statements Act.

The market for medium format camera solutions consists of very few competitors. On this basis, specific segment information is not disclosed as this could have a negative impact on the company's competitive position.

2 **Fees paid to auditors appointed at the annual general meeting**

	Consolidated		Parent company	
DKK'000	2015	2014	2015	2014
Fee regarding statutory audit	532	527	310	300
Tax assistance	669	530	608	454
Assurance engagements	0	147	10	142
Other assistance	168	6	168	6
	1,369	1,210	1,096	902

3 **Depreciation and amortisation**

Intangible assets	37,037	18,567	30,017	14,259
Property, plant and equipment	4,445	4,465	4,304	4,465
	41,482	23,032	34,321	18,724

Depreciation and amortisation are recognised as follows:

Distribution costs	450	640	450	640
Development costs	37,037	18,567	30,017	14,259
Administration costs	3,995	3,825	3,854	3,825
	41,482	23,032	34,321	18,724

4 **Investments in group enterprises**

	Parent company	
DKK'000	2015	2014
Cost at 1 January	137	137
Additions	10,310	0
Cost at 31 December	10,447	137
Adjustment to net asset value at 1 January	24,303	13,358
Profit for the year	6,693	12,205
Foreign exchange adjustments	3,973	-1,260
Adjustment to net asset value at 31 December	34,969	24,303
Set off against amounts owed by group enterprise	11,758	14,846
Carrying amount at 31 December	57,174	39,286

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4 Investments in group enterprises, continued

	Reg. office	Ownership share	Phase One A/S' share Equity DKK'000	Phase One A/S' share Results DKK'000
Phase One United States Inc.	USA	100%	-3,332	4,169
Intra-group gain on inventories at 1/1 2015			-8,148	0
Change in intra-group gain on inventories			-278	-278
Leaf Imaging Ltd.	Israel	100%	46,131	1,962
Phase One Japan Co. Ltd.	Japan	100%	11,043	840
			45,416	6,693

5 Investments in associates

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
Cost at 1 January	11,400	11,400	11,400	11,400
Disposals	-11,400	0	-11,400	0
Cost at 31 December	0	11,400	0	11,400
Value adjustments at 1 January	4,006	2,680	4,006	2,680
Profit for the year	-444	1,446	-444	1,446
Foreign exchange adjustments	1,645	-120	1,645	-120
Reversal of value adjustments	-5,207	0	-5,207	0
Value adjustments at 31 December	0	4,006	0	4,006
Carrying amount at 31 December	0	15,406	0	15,406

Name	Vote and ownership share 2015	Vote and ownership share 2014
Mamiya Digital Imaging Co., Ltd., Tokyo, Japan *)	0%	45%

*) The shares in Mamiya Digital Imaging Co. Ltd. were sold at 1 December 2015. A loss of DKK 2,613 thousand has been recognised in the income statement.

6 Financial income

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
Interest income	39	42	0	0
Interest income from subsidiaries	0	0	949	953
Foreign exchange gain	211	1,483	0	0
	250	1,525	949	953

7 Financial expenses

Interest expenses	2,281	1,263	1,940	940
Foreign exchange losses	2,873	308	1,354	310
	5,154	1,571	3,294	1,250

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8 Tax on profit for the year

	Consolidated		Parent company	
DKK'000	2015	2014	2015	2014
Current joint taxation contribution	9,532	11,748	9,532	11,748
Adjustment of deferred tax	-1,087	2,522	-1,961	2,996
Other current tax	4,026	4,562	650	0
Adjustment of current tax relating to previous years	474	0	474	0
Adjustment of deferred tax relating to previous years	149	0	149	0
	13,094	18,832	8,844	14,744

9 Intangible assets

	Consolidated			
DKK'000	Development completed	Patents and licences	Development in progress	Total
Cost at 1 January 2015	133,217	15,493	33,073	181,783
Foreign exchange adjustments	1,873	0	639	2,512
Acquisition of subsidiaries and activities	0	8,279	0	8,279
Additions	0	13,477	32,753	46,230
Transferred	60,443	0	-60,443	0
Cost at 31 December 2015	195,533	37,249	6,022	238,804
Amortisation at 1 January 2015	108,261	12,679	0	120,940
Foreign exchange adjustments	1,445	0	0	1,445
Amortisation	35,860	1,177	0	37,037
Amortisation at 31 December 2015	145,566	13,856	0	159,422
Carrying amount at 31 December 2015	49,967	23,393	6,022	79,382
Amortised over	2 years	5-10 years	-	

	Parent company			
DKK'000	Development completed	Patents and licences	Development in progress	Total
Cost at 1 January 2015	117,034	15,493	30,232	162,759
Additions	0	11,350	23,447	34,797
Transferred	48,559	0	-48,559	0
Cost at 31 December 2015	165,593	26,843	5,120	197,556
Amortisation at 1 January 2015	98,256	12,679	0	110,935
Amortisation	28,839	1,177	0	30,017
Amortisation at 31 December 2015	127,095	13,856	0	140,951
Carrying amount at 31 December 2015	38,498	12,987	5,120	56,605
Amortised over	2 years	5-10 years	-	

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10 Property, plant and equipment

DKK'000	Consolidated: Leasehold improve-ments	Consolidated: Fixtures and fittings, tools and equipment	Consolidated: Total
Cost at 1 January 2015	4,498	27,065	31,563
Acquisition of subsidiaries and activities	0	4,636	4,636
Additions	0	1,376	1,376
Disposals	0	-5,427	-5,427
Cost at 31 December 2015	4,498	27,650	32,148
Depreciation at 1 January 2015	3,855	17,606	21,461
Depreciation	442	4,003	4,445
Depreciation relating to disposals	0	-5,427	-5,427
Depreciation at 31 December 2015	4,297	16,182	20,479
Carrying amount at 31 December 2015	201	11,468	11,669
Hereof finance leased assets	0	5,941	5,941
Depreciated over	3 years	3 years	

DKK'000	Parent company: Leasehold improve-ments	Parent company: Fixtures and fittings, tools and equipment	Parent company: Total
Cost at 1 January 2015	4,283	25,043	29,326
Additions	0	1,575	1,575
Disposals	0	-5,427	-5,427
Cost at 31 December 2015	4,283	21,191	25,474
Depreciation at 1 January 2015	3,640	15,584	19,224
Depreciation for the year	442	3,862	4,304
Depreciation relating to disposals	0	-5,427	-5,427
Depreciation at 31 December 2015	4,082	14,019	18,101
Carrying amount at 31 December 2015	201	7,172	7,373
Hereof finance leased assets	0	3,841	3,841
Depreciated over	3 years	3 years	

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11 Amounts owed by group enterprise

DKK'000	Parent company 2015	Parent company 2014
Amounts owed by group enterprise	69,786	36,646
Negative equity in group enterprise	-11,758	-14,846
	58,028	21,800

12 Inventories

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
Raw materials and consumables	31,993	31,374	24,512	23,351
Work in progress	25,110	1,402	6,036	1,402
Finished goods and goods for resale	48,338	43,513	26,317	20,404
	105,441	76,289	56,865	45,157

13 Share capital

The share capital comprises:

15,753.784 shares of DKK 1 each.

Each share carries one vote.

Changes in share capital

DKK'000	2015	2014	2013	2012	2011
Share capital at 1 January	15,754	15,540	15,527	15,477	15,241
Capital increase	0	214	13	50	236
Share capital at 31 December	15,754	15,754	15,540	15,527	15,477

14 Deferred tax

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
Deferred tax at 1 January	-8,597	-6,075	-8,063	-5,067
Acquisition of subsidiaries and activities	-1,821	0	0	0
Adjustment of deferred tax, previous years	-149	0	-149	0
Adjustment for the year of deferred tax	1,087	-2,522	1,961	-2,996
Deferred tax at 31 December	-9,480	-8,597	-6,251	-8,063

Deferred tax relates to:

Intangible assets	-13,141	-12,646	-9,912	-12,112
Property, plant and equipment	76	1,376	76	1,376
Current assets	1,854	1,915	1,854	1,915
Provisions	1,731	68	1,731	68
Tax deficit from branch in Germany	0	690	0	690
	-9,480	-8,597	-6,251	-8,063

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Notes

15 **Amounts owed to credit institutions and lease commitments**

	Consolidated		Parent company	
DKK'000	2015	2014	2015	2014
The loans are recognised in the balance sheet as follows:				
Non-current liabilities other than provisions	39,092	4,003	36,868	4,003
Current liabilities other than provisions	2,666	1,243	2,666	1,243
Total loans	41,758	5,246	39,534	5,246
Non-current liabilities other than provisions falling due more than five years after the balance sheet date (carrying amount)	3,877	0	3,877	0

16 **Contractual obligations and contingencies**

The Group is subject to lease obligations which constitute DKK 9,244 thousand at 31 December 2015 (2014: DKK 6,794 thousand). The parent company's share constitutes DKK 3,440 thousand (2014: DKK 3,513 thousand).

The parent company is jointly taxed with the Danish group enterprises in the XPP TopCo Group. As a group enterprise, together with the parent companies, the Company has joint and several unlimited liability for Danish corporation taxes in the joint taxation unit. At 31 December 2015, the net taxes payable to SKAT by the companies included in the joint taxation is disclosed in the consolidated financial statements for the administrative company for the jointly taxed companies (XPP TopCo ApS, CVR no. 32 30 87 40) Any subsequent corrections of the taxable income subject to joint taxation may entail that the companies' liability will increase. The Group as a whole is not liable to others.

17 **Staff costs**

	Consolidated		Parent company	
DKK'000	2015	2014	2015	2014
Wages and salaries, remuneration and emoluments	107,037	99,087	78,869	76,492
Pensions	523	449	0	0
Social security costs	3,408	3,354	238	223
	110,968	102,890	79,107	76,715
Average number of full-time employees	178	163	129	124

Remuneration of the parent company Executive Board and remuneration of the parent company Board of Directors of DKK 4,850 thousand (2014: DKK 4,996 thousand) are included in staff costs. The Group has decided to disclose the remuneration of the Executive Board and the Board of Directors collectively, cf. section 98(b).

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18 Related party disclosure

Ownership

The following shareholder are registered in the Company's register as owning minimum 5 % of the votes or minimum 5 % of the share capital:

- XPP BidCo ApS, c/o Phase One A/S, Roskildevej 39, DK-2000 Frederiksberg

Parties exercising control comprise Phase One Imaging Holdings Ltd., 5 Fleet Place, London EC4M 7RD, England, and funds advised by Silverfleet Capital Partners LLP.

The consolidated financial statements are comprised in the consolidated financial statements for XPP BidCo ApS (smallest group) and Phase One Imaging Holdings Ltd. (largest group). The consolidated financial statements can be retrieved by contacting the Company.

19 Cash flow statement - adjustments

	Consolidated	
DKK'000	2015	2014
Interest income	-250	-1,525
Interest expenses	5,154	1,571
Amortisation and depreciation	41,482	23,032
Gain on disposal of fixed assets	0	-394
Tax on profit for the year	13,094	18,832
Changes in other provisions	-649	517
Profit in associates	3,057	-1,446
	61,888	40,587

20 Cash flow statement - changes in working capital

Changes in receivables	19,446	-661
Changes in inventories	-3,015	-11,143
Changes in short-term liabilities other than provisions	29,504	-19,476
	45,935	-31,280