Phase One A/S

Roskildevej 39, DK-2000 Frederiksberg

CVR no. 17 88 96 99

Annual Report 2017

Approved at the Company's annual general meeting on 30 April 2018

Chairman:

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Building a better working world

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Phase One A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2017.

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

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

Copenhagen, 30 April 2018
Executive Board:

Henrik Ole Håkonsson

Board of Directors:

Gareth Ridgwell Whiley Chairman	Robert Ian Knight	James Patrick Howaldt

Independent auditors' report

To the shareholders of Phase One A/S

Opinion

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 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as a consolidated statement of cash flows. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities 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 as 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.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 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 consolidated financial statements and parent company financial statements.

Independent auditors' report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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. ·
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Independent auditors' report

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 30 April 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jan C. Olsen
State Authorised
Public Accountant
MNE no.: mne33717

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 36 46 01 11
Fax:	+45 36 46 02 22
Board of Directors	Gareth Ridgwell Whiley, Chairman Robert Ian Knight 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	2017	2016	2015	2014	2013
Key figures					
Revenue	495.6	495.4	428.5	418.9	426.7
Gross margin	283.7	275.4	227.9	235.8	236.6
Operating profit	59.9	67.1	43.4	80.2	84.6
Profit/loss from financial income and expenses	-7.5	-5.7	-4.9	-0.1	-2.1
Profit for the year	**39.5**	**44.9**	**2.3**	**62.0**	**64.2**
Cash flows from operating activities	87.6	115.8	109.9	48.4	68.5
Net cash flows from investing activities	-51.0	-41.7	-70.3	-43.8	-29.0
Cash flows from financing activities	-61.5	-34.3	-18.7	-14.1	-22.2
Total cash flow	-24.9	39.8	20.9	-9.5	17.3
Total assets	**291.0**	**327.0**	**306.2**	**251.3**	**218.3**
Portion relating to investment in property, plant and equipment	7.2	8.2	1.4	5.2	7.2
Equity	**164.7**	**175.6**	**161.2**	**173.7**	**115.6**
Financial ratios					
Gross margin ratio	57%	56%	53%	56%	55%
Solvency ratio	57%	54%	53%	69%	53%

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

Financial highlights for 2013-2016 has been corrected due to material misstatement for 2016 and prior years.

Management's review

Operating review for the group

Main activities

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

I. The world's most demanding professional photographers, serious private photo enthusiasts, production studios and cultural heritage applications. This segment comprise both customers buying our full camera systems and customers looking for our highly appraised image workflow software, Capture One Pro.

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

It is our goal to be the worldwide 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 2017 overall shows satisfactory results. Phase One A/S continued to strengthen its market position in existing as well as in new segments by introduction of new innovative solutions, and by servicing our target customers better using modern marketing tools and a stronger distribution. The Group's revenue amounted to DKK 496 million in 2017 (DKK 495 million in 2016). The Group's profit after tax amounted to DKK 39 million in 2017 (DKK 45 million in 2016).

During the year it was established that valuation of inventory has been incorrect, which impacts the Group's previous annual reports. This has been corrected as a material misstatement. Reference is made to note 1 for a more detailed description, including effect on prior year results and equity.

The Group continued to invest heavily in 2017. 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 camera solutions, lenses, backs and software.

The Group employed an average of 296 employees in 2017 against 258 in 2016. The increase is primarily a result of investing in building an even stronger Sales & Marketing and R&D organisation.

New products

For the Specialty Photography business, Phase One launched new revolutionary versions of the XF 100MP camera system incl. Trichromatic and achromatic solutions. New lenses, as well as a dedicated camera system for Cultural heritage. The new camera system's have been extremely well received and consolidates Phase One's position as the market leader within the high-end Specialty Photography business. The lenses were developed and 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 shooter.

For the Software business, Phase One has in 2017 launched a major update of the award winning Capture One RAW processing workflow software, as well as new styles and special application Sw solutions. 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, quality and productivity. Our Software business has grown significantly in 2017.

Management's review

Operating review for the group

The Industrial business of Phase One continued to innovate its ultra durable high resolution IX aerial camera systems as well as the best performance lens and shutter systems. In addition, the Phase One IX software solution was upgraded, including adding much better connectivity to other industrial workflow software. Phase One continue to invest and grow this business segment, which is becoming an increasingly important part of the company's total sales. Camera systems for oblique imaging, 4 band and complete solutions for Aerial mapping up to 190 Megapixels were added in Q4.

Outlook

The demand for best in class imaging workflow software, commercial drones and self-driving cars are important overall growth trends, which will benefit Phase One in the coming years, on top of the general positive outlook for high-end digital imaging.

Phase One will continue to innovate and invest in new imaging systems across all targeted market segments. In addition Phase One will increase investments in building or leveraging world-class distribution systems.

As a result Phase One expects continued growth in both revenue and earnings in 2018 and 2019.

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 many and fast growing industrial imaging market segments

Phase One will continue to pursue acquisitions as well as adding new strategic partnerships to serve customers better.

Balance sheet

The Group's balance sheet total amounted to DKK 291 million (2016: DKK 327 million), of which current assets constitute 71% (2016: 75%).

Equity in Phase One amounted to DKK 165 million at 31 December 2017 (31 December 2016: DKK 176 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 imaging systems, lenses, workflow software, etc.

In order to ensure premium 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.

Management's review

Operating review for the group

Corporate Social Responsibility

Phase One is a knowledge intensive group and its staff is considered the most important resource and 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 2017, the Work Environment Committee held several meetings evaluating and optimizing the work environment. The Work Environment Committee is carrying out periodical measurements of employee satisfaction and historically these show a high degree of satisfaction in line with the Group's goal. Next survey is scheduled to be carried out during 2018.

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 2015. 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 code of conduct is communicated to employees and available on the company intranet. The code of conduct has also been communicated to suppliers, who are all required to provide signed confirmation that they are complying with the Groups 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 an environment policy or a climate policy.

Other leadership posts comprise the Executive Board, middle managers and team 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, there are no female leaders in the Executive Board, which is unchanged compared to last year. For 2018, the aim is, to at least add one female leader to the Executive Board.

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. 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. As there has not been any election for the board in 2017, there are at present still no female members of the Board of Directors.

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 2017.

Management's review

Operating review for the parent company

The parent company's revenue amounted to DKK 485 million in 2017 (DKK 510 million in 2016). The parent company's profit after tax amounted to DKK 39 million in 2017 (DKK 45 million in 2016).

The parent company's equity amounted to DKK 165 million at 31 December 2017 (DKK 176 million at 31 December 2016).

Besides the above mentioned no other issues regarding the parent company are relevant, which are not already mentioned in the operating review for the Group.

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

Income statement

		Consolidated		Parent company	
Note	DKK'000	2017	2016	2017	2016
2	Revenue	495,620	495,376	485,236	510,168
	Production costs	-211,949	-219,913	-288,017	-318,718
	Gross margin	283,671	275,463	197,219	191,450
3	Distribution costs	-99,415	-95,530	-67,886	-62,156
3	Development costs	-58,410	-73,062	-45,966	-57,667
3,4	Administrative expenses	-65,948	-39,756	-46,916	-27,668
	Operating profit	59,898	67,115	36,451	43,959
5	Share of profit in subsidiaries after tax	0	0	17,068	13,671
6	Financial income	1,994	4,887	1,463	7,208
7	Financial expenses	-9,546	-10,629	-4,662	-10,070
	Profit before tax	52,346	61,373	50,320	54,768
8	Tax on profit for the year	-12,886	-16,448	-10,860	-9,843
	Profit for the year	39,460	44,925	39,460	44,925

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

Balance sheet

Note	DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
	ASSETS				
	Non-current assets				
9	**Intangible assets**				
	Completed development projects	27,421	38,491	16,321	24,778
	Patents and licences	18,250	19,834	9,085	10,837
	Development projects under construction	26,528	8,277	26,528	8,277
		72,199	66,602	51,934	43,892
10	**Property, plant and equipment**				
	Leasehold improvements	486	0	486	0
	Fixtures and fittings, tools and equipment	11,338	13,589	4,506	6,347
		11,824	13,589	4,992	6,347
	Investments				
5	Investments in group enterprises	0	0	79,475	69,769
	Amounts owed by group enterprises	0	0	40,978	38,907
		0	0	120,453	108,676
	Total non-current assets	84,023	80,191	177,379	158,915
	Current assets				
11	**Inventories**	86,282	105,886	44,183	61,877
	Receivables				
	Trade receivables	49,119	43,667	24,698	20,818
	Income tax receivables	4,698	2,298	0	362
	Amounts owed by group enterprises	151	675	26,835	26,268
12	Deferred tax assets	3,632	2,649	0	0
	Other receivables	7,042	3,511	1,493	1,398
	Prepayments	695	939	665	437
		65,337	53,739	53,691	49,283
	Cash at bank and in hand	55,380	87,220	33,591	68,895
	Total current assets	206,999	246,845	131,465	180,055
	TOTAL ASSETS	291,022	327,036	308,844	338,970

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

Balance sheet

Note	DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
	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	69,028	51,800
	Reserve for development costs	0	0	33,422	17,900
	Retained earnings	128,906	114,818	26,456	45,118
	Proposed dividend	20,000	45,000	20,000	45,000
	Total equity	164,660	175,572	164,660	175,572
	Provisions				
14	Deferred tax	12,400	11,577	10,609	8,217
15	Other provisions	6,673	5,564	6,287	5,050
	Total provisions	19,073	17,141	16,896	13,267
16	**Non-current liabilities other than provisions**				
	Credit institutions	8,837	22,215	8,837	22,215
	License commitments	6,508	7,049	6,508	7,049
	Lease commitments	1,392	5,886	280	1,996
		16,737	35,150	15,625	31,260
	Current liabilities				
16	Credit institutions	4,419	4,223	4,419	4,223
16	License commitments	1,022	1,179	1,022	1,179
16	Lease commitments	3,013	1,176	1,152	1,176
	Trade payables	27,824	23,917	20,168	14,618
	Amounts owed to group enterprises	20,778	15,051	61,918	59,493
	Income tax payables	6,584	18,019	6,584	15,568
	Other payables	26,913	35,608	16,400	22,614
		90,553	99,173	111,663	118,871
	Total liabilities other than provisions	107,290	134,323	127,288	150,131
	TOTAL EQUITY AND LIABILITIES	291,022	327,036	308,844	338,970

1 **Accounting policies**
17 **Contractual obligations and contingencies**
18 **Staff costs**
19 **Related party disclosures**

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

Statement of changes in equity

Note	DKK'000	Consolidated: Share capital	Retained earnings	Proposed dividends	Total
	Equity at 1 January 2016	15,754	111,061	34,350	161,165
	Dividend distribution	0	0	-34,350	-34,350
	Transferred, see profit appropriation	0	-75	45,000	44,925
	Foreign currency translation adjustments, foreign subsidiaries	0	4,021	0	4,021
	Tax on changes in equity	0	-189	0	-189
	Equity at 1 January 2017	15,754	114,818	45,000	175,572
	Dividend distribution	0	0	-45,000	-45,000
	Transferred, see profit appropriation	0	19,459	20,000	39,459
	Foreign currency translation adjustments, foreign subsidiaries	0	-5,758	0	-5,758
	Tax on changes in equity	0	387	0	387
	Equity at 31 December 2017	15,754	128,906	20,000	164,660

Note	DKK'000	Parent company: Share capital	Reserve for net revalua-tion under the equity method	Reserve for develop-ment costs	Retained earnings	Proposed dividends	Total
	Equity at 1 January 2016	15,754	34,969	0	76,092	34,350	161,165
	Dividend distribution	0	0	0	0	-34,350	-34,350
20	Transferred	0	0	17,900	-17,900	0	0
	Transferred, see profit appropriation	0	13,671	0	-13,746	45,000	44,925
	Foreign currency translation adjustments, foreign subsidiaries	0	3,160	0	0	0	3,160
	Foreign currency transaction, loan to subsidiary	0	0	0	861	0	861
	Tax on changes in equity	0	0	0	-189	0	-189
	Equity at 1 January 2017	15,754	51,800	17,900	45,118	45,000	175,572
	Dividend distribution	0	0	0	0	-45,000	-45,000
20	Transferred	0	0	15,522	-15,522		0
	Transferred, see profit appropriation	0	18,922	0	537	20,000	39,459
	Foreign currency translation adjustments, foreign subsidiaries	0	-1,694	0	0	0	-1,694
	Foreign currency transaction, loan to subsidiary	0	0	0	-4,064	0	-4,064
	Tax on changes in equity	0	0	0	387	0	387
	Equity at 31 December 2017	15,754	69,028	33,422	26,456	20,000	164,660

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

Cash flow statement

Note	DKK'000	Consolidated 2017	Consolidated 2016
	Cash flows from operating activities		
	Profit for the year	39,460	44,925
21	Adjustments	65,782	75,477
22	Changes in working capital	12,328	18,204
	Cash generated from operating activities before financial items	117,570	138,606
	Interest received	1,985	423
	Interest paid	-5,459	-3,772
	Cash generated from operating activities before tax	114,096	135,257
	Taxes paid	-26,495	-19,456
		87,601	115,801
	Cash flows from investing activities		
	Acquisition of property, plant and equipment	-7,192	-8,174
	Acquisition of intangible assets	-43,807	-33,490
		-50,999	-41,664
	Cash flows from financing activities		
	Increase/decrease in amounts owed to credit institutions and instalments on lease commitments	-16,537	-29
	Dividends paid	-45,000	-34,350
		-61,537	-34,379
	Cash flows from operating, investing and financing activities	-24,935	39,758
	Cash and cash equivalents at 1 January	87,220	46,879
	Foreign exchange adjustments etc.	-6,905	583
	Cash and cash equivalents at 31 December	55,380	87,220

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

Notes

1 **Accounting policies**

The annual report for 2017 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 financial statements are consistent with those of last year, besides a reclassification of deferred tax assets. Comparative figures has been updated to reflect the reclassification.

Material misstatements

During the year, it was established that valuation of inventory has been incorrect, which impacts the Group's previous annual reports. As a result of this, the Group's production costs in prior financial years are recognised at too high amounts, and inventory in prior financial years are recognised at too low amounts, and the financial statements for 2016 do not give a true and fair view. Therefore, the error has been corrected as a material misstatement by restating comparatives and opening equity figures in the current-year financial statements.

In consequence of the restatement in the Group, production costs for 2016 decreased by DKK 3,617 thousand (DKK 2,821 thousand after tax), inventory at 31 December 2016 increased by DKK 11,549 thousand, and deferred tax increased by DKK 2,541 thousand. In total, the balance sheet total at 31 December 2016 increased by DKK 11,549 thousand, and equity increased by DKK 9,008 thousand. The opening equity at 1 January 2016 increased by DKK 6,187 thousand.

In consequence of the restatement in the parent company, production costs for 2016 decreased by DKK 3,617 thousand (DKK 2,821 thousand after tax), inventory at 31 December 2016 increased by DKK 11,549 thousand, and deferred tax increased by DKK 2,541 thousand. In total, the balance sheet total at 31 December 2016 increased by DKK 11,549 thousand, and equity increased by DKK 9,008 thousand. The opening equity at 1 January 2016 increased by DKK 6,187 thousand.

Reference is also made to the comments in the Management's review.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

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.

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains in so far as they do not reflect impairment.

Business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

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

Notes

1 **Accounting policies (continues)**

The date of acquisition is the date when the Group actually obtains control of the acquiree.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognised in the income statement at the date of acquisition.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the consolidated financial statements are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The consideration paid for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement.

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

Where, at the date of acquisition, the identification or measurement of acquired assets, liabilities, contingent liabilities or the determination of the consideration is associated with uncertainty, initial recognition will take place on the basis of provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Hereafter, any adjustments are recognised as misstatements.

Gains or losses from divestment or winding-up of subsidiaries which imply that control is no longer maintained are calculated as the difference between, on the one hand, the selling price less selling expenses and, on the other hand, the proportionate share of the carrying amount of net assets. If the entity still holds equity investments in the divested entity, the remaining proportionate share of the carrying amount forms the basis for the measurement of equity investments in associates or securities and equity investments.

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.

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

Notes

1 Accounting policies (continued)

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.

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.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity must be transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity must be transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustment of derivative financial instruments that are not classified and/or do not qualify for hedge accounting are recognised in the income statement on a current basis.

Fair value adjustments of derivative financial instruments held to hedge net investments in separate foreign subsidiaries or associates 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.

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Notes

1 **Accounting policies (continued)**

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.

Profit/loss from investments in subsidiaries

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.

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.

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

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Development projects, patents and licences

On initial recognition, intangible assets are measured at cost.

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.

On the completion of the development projects, 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 on a straight-line basis over the remaining term of the patent, and licenses are amortised over the term of license, however not exceeding 10 years.

The basis of amortisation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The amortisation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

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.

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

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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

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

Notes

1 **Accounting policies (continued)**

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

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

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

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries 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 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 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.

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.

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

Notes

1 **Accounting policies (continued)**

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

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries 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.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

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

Notes

1 Accounting policies (continued)

Dividend

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.

Income tax and deferred tax

Current tax receivable and payable 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.

Joint taxation contribution receivables and payables and foreign tax receivables and payables are re recognised in the balance sheet as "Income tax receivables" or "Income tax payables".

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Provisions for warranty commitments are measured at net realisable value and recognised based on past experience. Liabilities that are expected to be settled after one year after the balance sheet date are discounted at average bond yields.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, 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.

Other liabilities are measured at net realisable value.

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

Notes

1 **Accounting policies (continued)**

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

2 **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.

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

Notes

3 Depreciation and amortisation

DKK'000	Consolidated		Parent company	
	2017	2016	2017	2016
Intangible assets	35,896	47,173	27,523	35,661
Property, plant and equipment	8,338	6,505	4,720	4,482
	44,234	53,678	32,243	40,143
Depreciation and amortisation are recognised as follows:				
Development costs	38,262	43,991	26,463	34,295
Administration costs	5,972	9,687	5,780	5,848
	44,234	53,678	32,243	40,143

4 Fees paid to auditors appointed at the annual general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for XPP TopCo ApS.

5 Investments in group enterprises

DKK'000	Parent company	
	2017	2016
Cost at 1 January	10,447	10,447
Additions	0	0
Cost at 31 December	10,447	10,447
Adjustment to net asset value at 1 January	53,654	36,823
Profit for the year	17,068	13,671
Foreign exchange adjustments	-1,694	3,160
Adjustment to net asset value at 31 December	69,028	53,654
	79,475	64,101
Set off against amounts owed by group enterprise	0	5,668
Carrying amount at 31 December	79,475	69,769

	Reg. office	Ownership share
Phase One United States Inc.	USA	100%
Leaf Imaging Ltd.	Israel	100%
Phase One Japan Co. Ltd.	Japan	100%

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

Notes

6 Financial income

DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
Interest income	122	3	26	0
Interest income from subsidiaries	0	0	913	1,957
Foreign exchange gain	9	4,464	0	5,251
Other	1,863	420	524	0
	1,994	4,887	1,463	7,208

7 Financial expenses

	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
Interest expenses	925	1,683	1,124	1,683
Fair value adjustments of derivative financial instruments	1,145	6,564	1,145	6,564
Amortisation of loan costs	317	293	317	293
Foreign exchange losses	4,088	0	1,628	0
Other	3,071	2,089	448	1,530
	9,546	10,629	4,662	10,070

8 Tax on profit for the year

	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
Current joint taxation contribution	8,378	11,729	8,378	11,729
Adjustment of deferred tax	2,501	-2,333	2,392	-1,633
Current tax	1,917	7,509	0	204
Adjustment of current tax relating to previous years	90	-457	90	-457
	12,886	16,448	10,860	9,843

9 Intangible assets

	Consolidated			
DKK'000	Develop-ment completed	Patents and licences	Develop-ment in progress	Total
Cost at 1 January 2017	230,611	37,449	8,278	276,338
Foreign exchange adjustments	-2,316	0	0	-2,316
Additions	21,143	2,257	18,793	42,194
Disposals	-74,542	0	0	-74,542
Transferred	543	0	-543	0
Cost at 31 December 2017	175,439	39,706	26,528	241,674
Amortisation at 1 January 2017	192,120	17,615	0	209,735
Foreign exchange adjustments	-1,614	0	0	-1,614
Amortisation	32,055	3,841	0	35,896
Depreciation relating to disposals	-74,542	0	0	-74,542
Amortisation at 31 December 2017	148,019	21,456	0	169,475
Carrying amount at 31 December 2017	27,421	18,250	26,528	72,199
Amortised over	2 years	5-10 years	-	

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9 Intangible assets (continued)

	Parent company			
DKK'000	Development completed	Patents and licences	Development in progress	Total
Cost at 1 January 2017	185,384	26,843	8,278	220,505
Additions	16,399	372	18,794	35,565
Disposals	-74,542	0	0	-74,542
Transferred	543	0	-543	0
Cost at 31 December 2017	127,784	27,215	26,529	181,528
Amortisation at 1 January 2017	160,606	16,006	0	176,612
Amortisation	25,399	2,124	0	27,523
Amortisation relating to disposals	-74,542	0	0	-74,542
Amortisation at 31 December 2017	111,463	18,130	0	129,593
Carrying amount at 31 December 2017	16,321	9,085	26,528	51,934
Amortised over	2 years	5-10 years	-	

Completed development projects

Completed development projects include development of software and new products.

Management has not identified any evidence of impairment relative to the carrying amount of the completed development projects.

Development projects in progress

Development projects in progress include development and test of new software and products. The relating expenses primarily consist of internal expenses in the form of payroll costs and production overheads, which are recorded through the Company's internal project module.

The carrying amount totalled DKK 26,528 thousand at 31 December 2017. The development projects is expected to be complete in 2018 after which time marketing and selling efforts will be made.

Management has not identified any evidence of impairment relative to the carrying amount of development projects in progress.

10 Property, plant and equipment

	Consolidated		
DKK'000	Leasehold improvements	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	4,282	38,690	42,972
Foreign exchange adjustments	0	-1,081	-1,081
Additions	701	6,492	7,192
Disposals	0	-781	-781
Cost at 31 December 2017	4,983	43,320	48,302

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10 Property, plant and equipment (continued)

DKK'000	Consolidated		
	Leasehold improve-ments	Fixtures and fittings, tools and equipment	Total
Depreciation at 1 January 2017	4,283	25,100	29,383
Foreign exchange adjustments	0	-462	-462
Depreciation	214	8,124	8,338
Depreciation relating to disposals	0	-781	-781
Depreciation at 31 December 2017	4,497	31,981	36,478
Carrying amount at 31 December 2017	486	11,338	11,824
Hereof finance leased assets	0	3,815	3,815
Depreciated over	3 years	3 years	

DKK'000	Parent company		
	Leasehold improve-ments	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	4,282	27,048	31,330
Foreign exchange adjustments	0	3	3
Additions	701	2,665	3,366
Disposals	0	-781	-781
Cost at 31 December 2017	4,983	28,935	33,918
Depreciation at 1 January 2017	4,282	20,701	24,983
Foreign exchange adjustments	0	3	3
Depreciation for the year	214	4,506	4,720
Depreciation relating to disposals	0	-781	-781
Depreciation at 31 December 2017	4,497	24,429	28,926
Carrying amount at 31 December 2017	486	4,506	4,992
Hereof finance leased assets	0	1,046	1,046
Depreciated over	3 years	3 years	

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11 Inventories

DKK'000	Consolidated		Parent company	
	2017	2016	2017	2016
Raw materials and consumables	23,564	41,275	14,447	25,199
Work in progress	14,711	20,568	1,755	3,342
Finished goods and goods for resale	48,007	44,043	27,981	33,336
	86,282	105,886	44,183	61,877

12 Deferred tax assets

At 31 December 2017, the Group recognised an asset totalling DKK 3,632 thousand. The tax asset consists of non-utilised tax deductions in the form of timing differences.

Based on the budgets for 2018, Management considers it likely that there will be future taxable income against which non-utilised tax losses and tax deductions can be offset.

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	2017	2016	2015	2014	2013
Share capital at 1 January	15,754	15,754	15,754	15,540	15,527
Capital increase	0	0	0	214	13
Share capital at 31 December	15,754	15,754	15,754	15,754	15,540

14 Deferred tax

DKK'000	Consolidated		Parent company	
	2017	2016	2017	2016
Deferred tax at 1 January	-8,928	-11,225	-8,217	-9,850
Foreign currency adjustments	12	-36	0	0
Adjustment of deferred tax, previous years	2,649	0	0	0
Adjustment for the year of deferred tax	-2,501	2,333	-2,392	1,633
Deferred tax at 31 December	-8,768	-8,928	-10,609	-8,217
Deferred tax relates to:				
Intangible assets	-10,121	-10,495	-9,422	-7,135
Property, plant and equipment	486	232	486	232
Current assets	-71	108	-2,611	-2,541
Amortisation of financing costs	-21	64	-21	64
Provisions	959	1,163	959	1,163
	-8,768	-8,928	-10,609	-8,217

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14 Deferred tax (continues)

DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
Deferred tax is recognised in the balance sheet as follows:				
Deferred tax assets	3,632	2,649	0	0
Deferred tax liabilities	-12,400	-11,577	-10,609	-8,217
	-8,768	-8,928	-10,609	-8,217

15 Other provisions

Other provisions comprise anticipated expenses relating to warranty commitments. Other provisions are expected to mature within 5 years.

16 Amounts owed to credit institutions and lease commitments

DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
The loans are recognised in the balance sheet as follows:				
Non-current liabilities other than provisions	16,737	35,150	15,625	31,260
Current liabilities other than provisions	8,454	6,578	6,593	6,578
Total loans	25,191	41,728	22,218	37,838
Non-current liabilities other than provisions falling due more than five years after the balance sheet date (carrying amount)	2,716	3,621	2,716	3,621

17 Contractual obligations and contingencies

The Group is subject to operational lease obligations which constitute DKK 9,014 thousand at 31 December 2017 (2016: DKK 9,438 thousand). The parent company's share constitutes DKK 2,077 thousand at 31 December 2017 (2016: DKK 1,716 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 2017, 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.

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18 Staff costs

DKK'000	Consolidated		Parent company	
	2017	2016	2017	2016
Wages and salaries, remuneration and emoluments	146,521	130,453	92,581	79,629
Pensions	715	566	0	0
Social security costs	3,844	3,393	313	259
	151,080	134,412	92,894	79,888
Average number of full-time employees	296	258	160	136

Remuneration of the parent company Executive Board and remuneration of the parent company Board of Directors of DKK 5,526 thousand (2016: DKK 6,300 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).

19 Related party disclosure

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.

Phase One A/S' related parties comprise the following:

Parties exercising control

XPP BidCo ApS, Roskildevej 39, 2000 Frederiksberg
XPP BidCo ApS holds the majority of the share capital in the entity.

Related party transactions

DKK'000	2017	2016
Parent		
Sale of goods to subsidiaries	175,237	177,742
Purchase of goods from subsidiaries	92,925	100,219
Interest income from subsidiaries	913	1,957
Receivables from subsidiaries	67,813	65,175
Payables to subsidiaries	61,918	59,493

Besides distribution of dividend, no other transactions were carried through with shareholders in the year.

Remuneration/fees to members of the Executive Board and the Board of Directors of the Parent Company are reflected in note 18.

Group

There has been no related party transactions, which has not been eliminated in the consolidated financial statement.

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

Notes

20 Appropriation of profit/loss

DKK'000	Parent	
	2017	2016
Recommended appropriation of profit/loss		
Reserve for net revaluation according to the equity method	18,922	13,671
Dividend proposed for the year	20,000	45,000
Transferred to retained earnings	537	-13,746
	39,459	44,925

21 Cash flow statement - adjustments

DKK'000	Consolidated	
	2017	2016
Interest income	-1,994	-4,887
Interest expenses	9,547	10,629
Amortisation and depreciation	44,234	53,678
Tax on profit for the year	12,886	15,652
Changes in other provisions	1,109	405
	65,782	75,477

22 Cash flow statement - changes in working capital

Changes in receivables	-8,215	11,697
Changes in inventories	19,604	11,033
Changes in short-term liabilities other than provisions	939	-4,526
	12,328	18,204