Capture One A/S

Roskildevej 39, 2000 Frederiksberg

CVR no. 17 88 96 99

Annual report 2019

Approved at the Company's annual general meeting on 28 August 2020

Chairman:

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Building a better working world

Contents

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 Capture One A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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

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

Copenhagen, 28 August 2020
Executive Board:

Peter Granild Colsted Managing Director	Henrik Ole Håkonsson

Board of Directors:

Jacob Fonnesbech Aqraou Chairman	Mark Thomas Carges	Asbjørn Mosgaard Hyldgaard
Christian Bamberger Bro		

Independent auditor's report

To the shareholders of Capture One A/S

Opinion

We have audited the financial statements of Capture One A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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 the 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 financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

Independent auditor's report

- 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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the 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 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 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.

Based on the work we have performed, we conclude that the Management's review is in accordance with the 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, 28 August 2020
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jan C. Olsen
State Authorised Public Accountant
mne33717

Nicklas Rasmussen
State Authorised Public Accountant
mne43474

Management's review

Company details

Name	Capture One A/S
Address, Postal code, City	Roskildevej 39, 2000 Frederiksberg
CVR no.	17 88 96 99
Established	1 July 1994
Registered office	Frederiksberg
Financial year	1 January - 31 December
Board of Directors	Jacob Fonnesbech Aqraou, Chairman Mark Thomas Carges Asbjørn Mosgaard Hyldgaard Christian Bamberger Bro
Executive Board	Peter Granild Colsted, Managing Director Henrik Ole Håkonsson
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Revenue	560,827	486,301	485,236	510,168	412,567
Operating profit/loss	-23,287	40,273	36,449	40,342	29,617
Net financials	-8,175	-4,469	-3,198	-2,862	-2,345
Profit/loss for the year	**-22,067**	**41,800**	**39,459**	**42,104**	**22,064**
Total assets	629,467	374,826	308,846	327,421	309,250
Investment in property, plant and equipment	8,002	3,314	3,366	3,456	1,575
Equity	**279,556**	**185,718**	**164,660**	**166,564**	**154,978**
Financial ratios					
Operating margin	-4.2%	8.3%	7.5%	7.9 %	7.2 %
Equity ratio	44.4%	49.5%	53.3%	50.9%	50.1%
Return on equity	-9.5%	23.9%	23.8%	26.2%	13.7%
Average number of employees	**176**	**147**	**146**	**136**	**129**

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

The Company has entered into a merger with the parent companies XPP BidCo ApS, XPP MidCo ApS, XPP TopCo ApS as of 1 January 2019, with Capture One A/S as the surviving company, using the book value method. Comparative figures for the years 2015 - 2018 has not been restated.

Management's review

Business review

The Company's business concept is to develop, market and sell high quality software and digital imaging camera solutions. Our main customers are:

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

Industrial imaging end-users and integrators within Aerial mapping/documentation, inspection, surveillance, homeland security and cultural heritage 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 world-wide market leader within all our target customer Companys and applications. In this way, we can ensure satisfactory earnings and at the same time we can attract and retain the best product developers and sales & marketing experts within digital imaging.

Financial review

The year 2019 overall shows satisfactory results considering 2019 has been a transition year where the Company was acquired by new owners and the former Holding structure was merged into Capture One A/S, significantly decreasing the result due to additional depreciation/amortisation from the merged companies. In addition, significant efforts have been spent on the transaction and the following structuring of the company to fit the requirements of the new owners and prepare the company for further growth. The Company's revenue amounted to DKK 561 million in 2019 (DKK 486 million in 2018). The Company's profit after tax amounted to DKK -22 million in 2019 (DKK 42 million in 2018).

The Company employed an average of 176 employees in 2019 against 147 in 2018.

The Company's balance sheet total amounted to DKK 629 million in 2019 (DKK 375 million in 2018), of which current assets constitute 26 % (2018: 44 %).

Equity in the Company amounted to DKK 280 million at 31 December 2019 (31 December 2018: DKK 186 million).

The Company has as per 1 January 2019 merged with the three Danish closest parent companies XPP TOPCO ApS, XPP MIDCO APS and XPP BIDCO ApS which formed the ownership structure of the previous owners. All assets and liabilities of these companies are now merged in to Capture One A/S, which is the continuing company.

Knowledge resources

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

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

Special risks

Management's review

Due to the Company'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 Company's policy is to primarily offset the currency risk by matching purchases and sales in USD and JPY i.e. natural hedging. Secondarily, Phase One partly hedges the excess exchange rate risk by means of forward exchange contracts.

In addition to the before mentioned currencies, the Company 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.

Research and development activities

For the Software division, the Company has in 2019 launched yet a major update (Capture One 20) of the award winning Capture One RAW processing workflow software. Capture One supports more than 500 top cameras and has a strong and growing base of followers among high end photographers. The Company is the only camera manufacturer to offer a first class application software, which helps the top photographers optimise their creativity, workflow and quality of work. Our Software business has continued to grow significantly in 2019 which was further aided by the partnership with Fujifilm entered into in 2018 which allows the Fujifilm users to gain access to both a free and paid Brand version of the Capture One solution. The brand solution offers tailored applications for users such as popular film styles when editing camera files.

For the Imaging Solutions business a range of new offerings has been brought to market, as well as new initiatives to improve our market reach.

The Industrial (INDU) business of the Company continued to develop its highly durable and high resolution IX aerial camera systems with new and improved workflow software solutions as well as advanced data storage. On top more integrated Phase One Aerial (PAS) solutions offering resolution up to 280 MP has been added to facilitate a more productive and accurate workflow for our customers. Phase One continues to invest and grow this business segment including a new distribution system. INDU is becoming an increasingly important part of the company's total sales.

For the Specialty Photography (SP) business, the Company launched in 2019 the long awaited revolutionary XT camera system optimized for the most demanding landscape photographers. This camera system has affected revenue positively in 2019. In addition, the world leading studio photography camera system the XF got a large software and workflow upgrade during 2019. The Company continues to offer the widest range of professional lenses on the market for the medium-format shooters.

Statutory CSR report

The Company is a knowledge intensive Company and its staff is considered the most important resource and an important part of the Company's corporate social responsibility. The Company wants to be an attractive place to work which can attract and maintain qualified and dedicated employees. The risks associated with not being able to do that are ultimately worsening financial performance through lower productivity, delayed introduction of products to the market and lower sales performance. In 2019, 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 Company's goal. Next survey is scheduled to be carried out during 2020.

The Company perceives human rights as closely linked to employee rights in the Company's enterprises and at the Company's suppliers. The risks associated with human rights are fx. child labor and denial of labor rights, however the Company continues to specify the expectations to our global organization and to suppliers in our Code of Conduct. All new employees and new suppliers have been made acquaint with the Code of Conduct in 2019. Consequently, the Company 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 Company has not measured the effect of the implementation of said Code of Conduct.

Management's review

The Company does not carry out production activities which has a significant impact on the environment and climate. Therefore, the Company has not prepared an environmental and a climate policy.

Other leadership posts comprise the Executive Board, middle managers and team managers. The policy of the Company 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 Company targets that at least one male and one female candidate are among the top-three candidates for other leadership roles, however, statistics on the result of this target are not available. At present, the number of female leaders is equal to that of last year, ie. one female leader was part of Management.

Management's review

Anti-corruption

The Company 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 2015 and implemented in the early part of 2016. Risks of anti-corruption behaviour have been identified mainly in the supplier chain and in order to prevent such behaviour in both the supply chain and among own employees, all new employees in 2019 have been introduced to and trained in the corporate anti-corruption policy. Management are not aware of any violation of the policy.

Account of the gender composition of Management

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

As per 31 December 2019 the Board of Directors consisted of four men and no women. In the financial year, new members of the Board of Directors were elected, however despite efforts to ensure a more equal gender distribution, male candidates were elected due to their specific competencies, making them the best suited for the positions. The Company targets to elect at least one of the underrepresented gender to the Board of Directors within 2024.

Events after the balance sheet date

The Covid-19 pandemic has to some extent had a negative impact on the financial performance of the Company, however in no way threatening to the existence of the Company. None the less, Management has taken preemptive steps to strengthen the financial resources in preparation of a potential financial crisis in the aftermath of the pandemic and as such Management believes that the Company is well prepared for a possible down-turn in the global economy.

In 2020 the company is seeking to demerge into two companies, where only the software division will remain in Capture One A/S. The demerger is expected to have effect from 1 January 2020.

No other events have occurred which affect the consolidated financial statements and parent company financial statements for 2019.

Reference is made to note 2 for more details.

License agreements

Revenue recognition of software subscriptions has in 2019 been aligned with the actual practise. As Capture One by appearence is obligated to deliver new versions of the software when these are launched, the revenue should be recognized over the period of the subscription. All subscribers of the Capture One software will always have access to the latest version. This has an extraordinary and one-off negative impact on earnings of DKK 17.8m in the 2019 accounts as an asset of approximately DKK 10.3m (DKK 6.4m as per end of 2018) is reversed and a liability of DKK DKK7.1m is build up.

Outlook

The demand for the best in class imaging workflow software and commercial drones/robotics are expected to drive the revenue growth going forward. The combination of presence on markets which are growing at double digit growth rates and having top of the line Software and Hardware solutions underpins the positive outlook that is reflected in our expectations for the future.

The Software division will continue its high growth in 2020, based on new products, new distribution systems and new OEM partnerships.

The Imaging Solutions division has significant growth opportunities in primarily the Industrial market segments as the current product range is superior to that of its competitors in terms of ROI. In addition, a range of new solutions will be launched in 2020, including a new software suite. Each of the solutions will be tailored to specific customer segments e.g. aerial inspection or surveillance.

Management's review

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

In order for the divisions to be able to grow on their own merits, the company is in 2020 seeking to de-merge the activities. The Company organisation has functioned as such for a longer period, however, in terms of the operational backbone and legally the divisions have functioned as one company. It is expected that the de-merger will be approved mid-year with effect from 1 January 2020 and as such this version of the annual accounts will be the last including all activities.

The company has in late 2019 changed its name to from Phase One A/S to Capture One A/S in order to prepare for the de-merger as the software division will remain in this legal entity. At the same time a new company has been established named Phase One A/S and all hardware activities will be transferred to this entity.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
3	**Revenue**	560,827	486,301
	Cost of sales	-297,158	-274,171
	Other external expenses	-83,047	-41,078
	Gross profit	180,622	171,052
4	Staff costs	-119,254	-105,693
5	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-84,655	-25,086
	Profit/loss before net financials	-23,287	40,273
	Income from investments in group enterprises	289	12,720
6	Financial income	6,198	2,684
7	Financial expenses	-14,373	-7,153
	Profit/loss before tax	-31,173	48,524
8	Tax for the year	9,106	-6,724
	Profit/loss for the year	-22,067	41,800

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
9	**Intangible assets**		
	Completed development projects	27,462	63,859
	Patents and licences	7,466	7,610
	Customer relationships	47,750	0
	Developed technology	53,500	0
	Acquired trademarks and trade names	72,473	0
	Goodwill	82,951	0
	Development projects in progress and prepayments for intangible assets	29,784	8,311
		321,386	79,780
10	**Property, plant and equipment**		
	Fixtures and fittings, other plant and equipment	8,117	3,778
	Leasehold improvements	880	389
		8,997	4,167
11	**Investments**		
	Investments in group enterprises	99,490	92,004
	Receivables from group enterprises	38,289	33,497
		137,779	125,501
	Total fixed assets	468,162	209,448
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	14,148	24,741
	Work in progress	8,741	12,131
	Finished goods and goods for resale	29,873	42,778
		52,762	79,650
	Receivables		
	Trade receivables	45,186	34,760
	Receivables from group enterprises	40,739	37,489
	Other receivables	9,379	4,150
12	Prepayments	1,112	2,475
		96,416	78,874
	Cash	12,127	6,854
	Total non-fixed assets	161,305	165,378
	TOTAL ASSETS	629,467	374,826

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	15,754	15,754
	Net revaluation reserve according to the equity method	89,035	81,549
	Reserve for development costs	44,652	56,293
	Retained earnings	130,115	2,122
	Dividend proposed	0	30,000
	Total equity	279,556	185,718
	Provisions		
14	Deferred tax	46,778	16,366
	Other provisions	8,159	7,445
16	**Total provisions**	54,937	23,811
	Liabilities other than provisions		
15	**Non-current liabilities other than provisions**		
	Bank debt	0	4,500
	Lease liabilities	109	206
	Other credit institutions	4,292	5,451
	Other payables	3,864	0
		8,265	10,157
	Current liabilities other than provisions		
15	Short-term part of long-term liabilities other than provisions	1,931	2,539
	Bank debt	160,429	16,381
	Trade payables	25,291	40,175
	Payables to group enterprises	59,740	58,955
	Corporation tax payable	2,853	3,508
	Other payables	36,465	33,582
		286,709	155,140
	Total liabilities other than provisions	294,974	165,297
	TOTAL EQUITY AND LIABILITIES	629,467	374,826

1 Accounting policies
2 Events after the balance sheet date
17 Contractual obligations and contingencies, etc.
18 Collateral
19 Related parties
20 Fee to the auditors appointed by the Company in general meeting
21 Appropriation of profit/loss

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2019	15,754	81,549	56,293	2,122	30,000	185,718
	Additions on merger/corporate acquisition	0	0	0	102,734	0	102,734
21	Transfer, see "Appropriation of profit/loss"	0	289	-11,641	-10,715	0	-22,067
	Dividend, not paid	0	0	0	30,000	-30,000	0
	Adjustment of investments through forreign exchange adjustments	0	7,197	0	5,974	0	13,171
	Equity at 31 December 2019	15,754	89,035	44,652	130,115	0	279,556

The company has paid an extraordinary dividend of DKK 60,000 thousand at 30 June 2020.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Capture One A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Changes in accounting policies

The income statement classification has changed, and it is now classified by type, instead of by function. The change has been made to better relect the activities in the company. The accounting policies used in the preparation of the financial statements are otherwise consistent with those of last year. Comparative figures have been restated to reflect the policy changes. The change has not had any effect on profit for the year, total assets and equity.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Phase One Group ApS.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are recognised directly in equity.

Foreign currency translation

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

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

Foreign group entities

Foreign subsidiaries are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Foreign exchange adjustments of balances with separate foreign subsidiaries, which are considered part of the aggregate investment in the subsidiary, are taken directly to equity.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at closing rates. Non monetary items are translated at the exchange rate at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date. However, items derived from non monetary items are translated at historical exchange rates for the non monetary item.

Derivative financial instruments

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

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

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

Profit from investments in subsidiaries

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

The proportionate share of the individual subsidiaries' profit/loss after tax after full elimination of internal gains/losses are recognised in the Company's income statement.

The item includes dividend received from subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over an amortisation period of 20 years. The amortization period is fixed on the basis of the expected repayment horizon, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other intangible assets comprising intangible assets acquired in connection with a business combination are measured at cost less accumulated amortisation and impairment. Other intangible assets are amortised over the estimated useful lives, which usually are:

-Trademarks and trade names are usually amortised over 10-15 years.

-Developed technology are usually amortised over 10 years.

-The amortisation period for customer relationship is dependent on the individual customer relationship. Customer relationships are usually amortised over 12 years.

-Patents and licences are measured at cost less accumulated amortisation and impairment. Patents are amortised over the remaining term of the patent, and licenses are amortised over the term of license, however not exceeding 10 years.

Other intangible assets are recognised in connection with a strategically acquired enterprise with a strong market position and a long term earnings profile. The estimated useful lives of the acquired intangible assets are assessed to exceed 5 years.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company 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 costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually two 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 sale of intagible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Investments in subsidiaries

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

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal including non-amortised goodwill and anticipated costs of disposal. Gains or losses are recognised in the income statement as financial income or financial expenses.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

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

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends 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.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date 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 at fair value if the obligation is expected to be settled far into the future.

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.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the 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 Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

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. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Segment information

For segment information, reference is made to note 3 for more details.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

2 Events after the balance sheet date

The Covid-19 pandemic has to some extent had a negative impact on the financial performance of the Company, however in no way threatening to the existence of the Company. The management believes that the Company is well prepared for a possible down-turn in the global economy.

In 2020 the company is seeking to demerge into two companies, where only the software division will remain in Capture One A/S. The demerge is expected to have effect from 1 January 2020.

No other events have occurred which affect the consolidated financial statements and parent company financial statements for 2019.

Financial statements 1 January - 31 December

Notes to the financial statements

3 Segment information

The Company has not disclosed the breakdown of revenue by geographical and business segments, see section 96(1) of the Danish Financial Statements Act. The market for medium format camera solutions consist 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.

	DKK'000	2019	2018
4	**Staff costs**		
	Wages/salaries	107,663	96,668
	Other social security costs	353	291
	Other staff costs	11,238	8,734
		119,254	105,693

		2019	2018
	Average number of full-time employees	176	147

Total remuneration to Management: DKK 3,536 thousand (2018: DKK 4,388 thousand).

		2019	2018
5	**Amortisation/depreciation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	81,483	20,990
	Depreciation of property, plant and equipment	2,631	4,096
	Impairment of property, plant and equipment	541	0
		84,655	25,086
6	**Financial income**		
	Interest receivable, group entities	613	1,830
	Exchange gain	961	341
	Other financial income	4,624	513
		6,198	2,684
7	**Financial expenses**		
	Interest expenses, group entities	576	0
	Exchange losses	4,880	148
	Fair value adjustments of financial instruments	0	2,154
	Other financial expenses	8,917	4,851
		14,373	7,153

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2019	2018
8 Tax for the year		
Estimated tax charge for the year	4,182	967
Deferred tax adjustments in the year	-13,288	6,709
Tax adjustments, prior years	0	-952
	-9,106	6,724

9 Intangible assets

DKK'000	Completed development projects	Patents and licences	Customer relationships	Developed technology	Acquired trademarks and trade names	Goodwill	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 January 2019	194,837	27,215	0	0	0	0	8,311	230,363
Additions through mergers and business combinations	0	0	93,000	136,000	119,000	117,460	0	465,460
Additions	0	1,363	0	0	0	0	29,784	31,147
Transferred	8,311	0	0	0	0	0	-8,311	0
Cost at 31 December 2019	203,148	28,578	93,000	136,000	119,000	117,460	29,784	726,970
Impairment losses and amortisation at 1 January 2019	130,978	19,605	0	0	0	0	0	150,583
Impairment losses and amortisation of additions through mergers and business combinations	0	0	37,500	68,900	38,732	28,386	0	173,518
Amortisation for the year	44,708	1,507	7,750	13,600	7,795	6,123	0	81,483
Impairment losses and amortisation at 31 December 2019	175,686	21,112	45,250	82,500	46,527	34,509	0	405,584
Carrying amount at 31 December 2019	27,462	7,466	47,750	53,500	72,473	82,951	29,784	321,386
Amortised over	2 years	5-10 years	12 years	10 years	15 years	20 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 development projects are expected to be complete during 2020 and 2021 after which 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.

Financial statements 1 January - 31 December

Notes to the financial statements

10 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2019	29,154	5,150	34,304
Additions	7,066	936	8,002
Disposals	-10,497	0	-10,497
Cost at 31 December 2019	25,723	6,086	31,809
Impairment losses and depreciation at 1 January 2019	25,376	4,761	30,137
Impairment losses	541	0	541
Depreciation	2,186	445	2,631
Reversal of accumulated depreciation and impairment of assets disposed	-10,497	0	-10,497
Impairment losses and depreciation at 31 December 2019	17,606	5,206	22,812
Carrying amount at 31 December 2019	8,117	880	8,997
Property, plant and equipment include finance leases with a carrying amount totalling	843	0	843
Depreciated over	3 years	3 years	

Note 18 provides more details on security for loans, etc. as regards property, plant and equipment.

11 Investments

DKK'000	Investments in group enterprises	Receivables from group enterprises	Total
Cost at 1 January 2019	10,455	33,497	43,952
Foreign exchange adjustments	0	4,792	4,792
Cost at 31 December 2019	10,455	38,289	48,744
Value adjustments at 1 January 2019	81,549	0	81,549
Foreign exchange adjustments	7,197	0	7,197
Profit/loss for the year	289	0	289
Value adjustments at 31 December 2019	89,035	0	89,035
Carrying amount at 31 December 2019	99,490	38,289	137,779

Name	Domicile	Interest
Subsidiaries		
Phase One United States Inc.	USA	100.00%
Leaf Imaging Ltd.	Israel	100.00%
Phase One Japan Co. Ltd.	Japan	100.00%
Phase One Asia Pacific Co. Ltd.	Hong Kong	100.00%

Financial statements 1 January - 31 December

Notes to the financial statements

12 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent and insurance policies.

DKK'000	2019	2018
13 Share capital		
Analysis of the share capital:		
15,753,785 shares of DKK 1.00 nominal value each	15,754	15,754
	15,754	15,754

The Company's share capital has remained DKK 15,754 thousand over the past 5 years.

14 Deferred tax

	2019	2018
Deferred tax at 1 January	16,366	10,609
Deferred tax adjustment, prior years	0	-952
Adjustment for the year	-13,288	6,709
Deferred tax addition through mergers and business combination	43,700	0
Deferred tax at 31 December	46,778	16,366
Deferred tax relates to:		
Intangible assets	50,813	17,552
Property, plant and equipment	-1,024	-750
Other taxable temporary differences	-3,011	-436
	46,778	16,366

15 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	872	763	109	0
Other credit institutions	5,460	1,168	4,292	0
Other payables	3,864	0	3,864	0
	10,196	1,931	8,265	0

16 Provisions

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

Financial statements 1 January - 31 December

Notes to the financial statements

17 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its parent, AX V Phase One Holding III ApS, which acts as management company, and other Danish group entities. The Company is jointly and severally with other jointly taxed group enitities liable for payment of income taxes and withholding taxes.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2019	2018
Rent and lease liabilities	7,183	1,840

18 Collateral

The Company has provided guarantee for debt to banks for Phase One Group ApS and AX V Phase One Holding I ApS of DKK 624,385 thousand in total. As security for the debt to banks, the Company has provided assignment of receivables from group enterprises.

As a security for the Company's liabilty to the rental creditor, the Company has provided a gaurantee in the bank amouting to DKK 1,977 thousand.

19 Related parties

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

Parties exercising control

Related party	Domicile	Basis for control
Phase One Group ApS	Copenhagen	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
AX V Phase One Holding III ApS	Copenhagen	The consolidated financial statement can be retrieved by contacting the Company.
Phase One Group ApS	Copenhagen	The consolidated financial statement can be retrieved by contacting the Company.

Financial statements 1 January - 31 December

Notes to the financial statements

Related party transactions

Capture One A/S was engaged in the below related party transactions:

DKK'000	2019	2018
Sale of goods to subsidiaries	162,577	155,723
Purchase of goods from subsidiaries	166,886	147,427
Interest income from subsidiaries	2,259	2,080
Interest expense to subsidiaries	576	250
Receivables from group enterprises	79,028	70,986
Payables to group enterprises	59,740	58,955

Information on the remuneration to management

Information on the remuneration to Management appears from note 4, "Staff costs".

20 Fee to the auditors appointed by the Company in 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 Phase One Group A/S.

21 Appropriation of profit/loss

Recommended appropriation of profit/loss

	2019	2018
Proposed dividend recognised under equity	0	30,000
Net revaluation reserve according to the equity method	289	12,720
Other statutory reserves	-11,641	22,871
Retained earnings/accumulated loss	-10,715	-23,791
	-22,067	41,800

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