

GUBI A/S
Klubiensvej 7 - 9
2150 Nordhavn
Business Registration No
17940384

Annual report
01.07.2018 -
30.06.2019

The Annual General Meeting adopted the annual report on 30.09.2019

Chairman of the General Meeting

Name: Hans Christian Galst

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Entity details

Entity

GUBI A/S

Klubiensvej 7 - 9

2150 Nordhavn

Central Business Registration No (CVR): 17940384

Registered in: Copenhagen

Financial year: 01.07.2018 - 30.06.2019

Phone: 33326368

Fax: 33326069

Board of Directors

Lars Henrik Munch, Chairman

Asbjørn Mosgaard Hylgaard, Vice Chairman

Jacob Gudmund Olsen

Hans Christian Galst

Lars Cordt

Tue Mantoni

Henrik Holm

Executive Board

Kenni Riise

Jacob Gudmund Olsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of GUBI A/S for the financial year 01.07.2018 - 30.06.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2019 and of the results of its operations and cash flows for the financial year 01.07.2018 - 30.06.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 30.09.2019

Executive Board

Kenni Riise

Jacob Gudmund Olsen

Board of Directors

Lars Henrik Munch
Chairman

Asbjørn Mosgaard Hyldgaard
Vice Chairman

Jacob Gudmund Olsen

Hans Christian Galst

Lars Cordt

Tue Mantoni

Henrik Holm

Independent auditor's report

To the shareholders of GUBI A/S

Opinion

We have audited the financial statements of GUBI A/S for the financial year 01.07.2018 - 30.06.2019, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Entity's financial position at 30.06.2019 and of the results of its operations and cash flows for the financial year 01.07.2018 - 30.06.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 30.09.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Anders Kreiner

State Authorised Public Accountant

Identification No (MNE) mne26765

Management commentary

	2018/19	2017/18	2016/17	2015/16	2014/15
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	158.089	166.936	116.943	70.217	46.084
Operating profit/loss	129.156	133.327	88.435	41.507	19.280
Net financials	1.338	169	66	(283)	800
Profit/loss for the year	102.151	104.130	69.082	32.056	14.959
Total assets	168.227	88.111	102.391	88.451	73.557
Investments in property, plant and equipment	1.114	1.537	939	823	0
Equity	106.434	27.229	45.835	33.623	46.543
Average numbers of employees	50	50	43	45	43
Ratios					
Return on equity (%)	152,8	285,0	173,9	80,0	36,0
Equity ratio (%)	63,3	30,9	44,8	38,0	63,3
ROI - return of investment (%)	118,4	176,4	89,1	58,2	50,8

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.
ROI - return of investment (%)	$\frac{\text{Operating profit} \times 100}{\text{Avg. operative asset}}$	The company's profitability on investments

Operating assets are defined as the balance sheet value less liquid assets and interest-bearing assets (including shares).

Management commentary

Primary activities

The Company's main activities are the design and sale of furniture and lighting.

Development in activities and finances

On 29 June 2018 the Company was acquired by the equity firm Axcel, and consequently the Company structure and set-up has changed. As a result of this, the 2018/19 gross and operating profits were negatively impacted by expenses related to restructuring and acquisition. In addition, investments in strategic initiatives have been made to support future growth and implement a new IT infrastructure. However, the financial impact of these investments is yet to materialize.

Reported gross profit has decreased from t.DKK 166,936 in 2017/18 to t.DKK 158,089 in 2018/19 and the reported operating profit has dropped from t.DKK 133,327 in 2017/18 to t.DKK 129,156 in 2018/19.

Adjusting for restructuring and one-off transaction costs, the gross profit for 2018/19 is t.DKK 172,489 and operating profit t.DKK 138,356. The above-mentioned investments in future growth resulted in 8% sales growth exceeding the increase in operating profit.

Given the restructuring and the raft of strategic initiatives undertaken, the management team consider the results for the financial year of 2018/19 to be satisfactory and in accordance with expectation.

Outlook

During 2018/19 the Company has expanded the product portfolio, and resources and investments have been channeled into building the platform for future growth.

Management therefore expects growth in earnings for the coming year.

Particular risks

The company is not exposed to any specific business risks besides the commonly occurring risks in the industry.

Exchange rate adjustments of trade receivables, trade payables and cash in foreign currency is recognized as financial items. Currency risks related thereto, are not hedged.

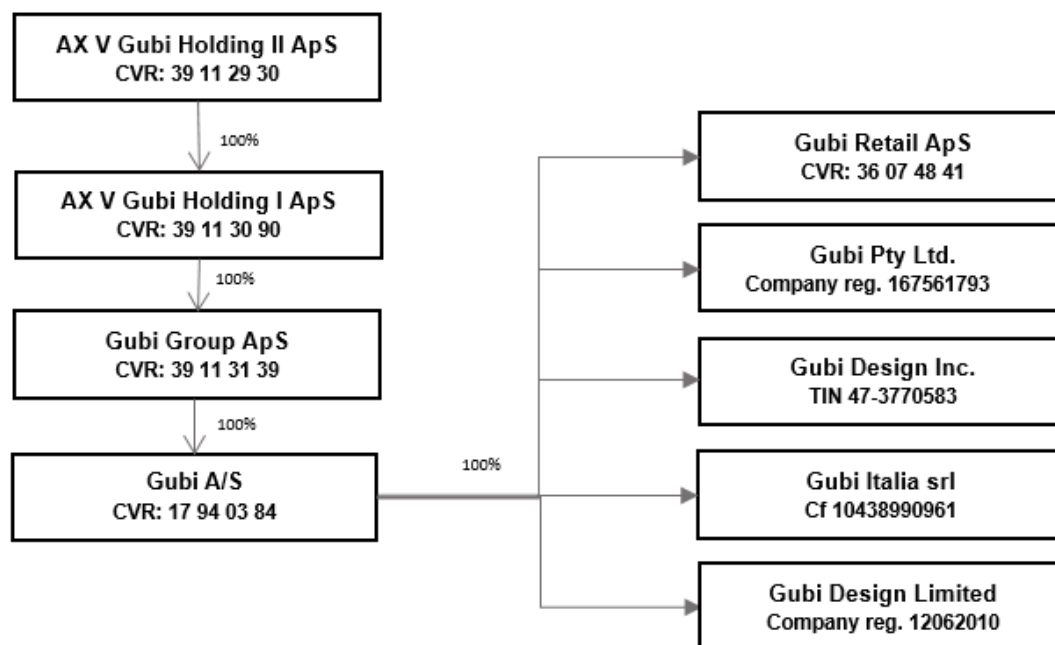
The currency risks is substantially exposed to the Euro. The risk is considered limited.

Corporate Governance

Being owned by the Danish private equity firm Axcel, the Group is subject to the guidelines of the Danish Venture and Private Equity Association (DVCA, ww.dvca.dk) for responsible ownership and corporate governance. Gubi Group intends to fully comply with all relevant guidelines.

Management commentary

Group relations



Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	Number	Nominal value DKK	Share of contributed capital %	Purchase/(s elling) price DKK
Treasury shares				
Investments disposed of:				
Shares	4.988	4.988	1,0	551.423
Shares	3.740	3.740	0,7	408.058
	8.728	8.728	1,7	

Income statement for 2018/19

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK'000</u>
Gross profit		158.088.607	166.936
Staff costs	1	(27.910.427)	(32.930)
Depreciation, amortisation and impairment losses		(976.982)	(509)
Other operating expenses		(45.000)	(170)
Operating profit/loss		129.156.198	133.327
Income from investments in group enterprises		1.758.848	611
Other financial income	2	1.108.934	383
Other financial expenses	3	(1.529.464)	(825)
Profit/loss before tax		130.494.516	133.496
Tax on profit/loss for the year	4	(28.343.170)	(29.366)
Profit/loss for the year	5	102.151.346	104.130

Balance sheet at 30.06.2019

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK'000</u>
Completed development projects		1.048.591	1.162
Acquired licences		758.670	0
Development projects in progress		<u>8.654.820</u>	<u>3.228</u>
Intangible assets	6	<u>10.462.081</u>	<u>4.390</u>
Plant and machinery		2.186.088	1.819
Other fixtures and fittings, tools and equipment		769.230	976
Property, plant and equipment in progress		<u>255.853</u>	<u>0</u>
Property, plant and equipment	7	<u>3.211.171</u>	<u>2.795</u>
Investments in group enterprises		2.787.444	1.051
Deposits		<u>2.383.889</u>	<u>373</u>
Fixed asset investments	8	<u>5.171.333</u>	<u>1.424</u>
Fixed assets		<u>18.844.585</u>	<u>8.609</u>
Manufactured goods and goods for resale		26.348.749	29.249
Prepayments for goods		<u>2.674.436</u>	<u>1.727</u>
Inventories		<u>29.023.185</u>	<u>30.976</u>
Trade receivables		35.968.274	26.174
Receivables from group enterprises		21.976.037	9.907
Other receivables		437.316	216
Prepayments	9	<u>2.687.208</u>	<u>963</u>
Receivables		<u>61.068.835</u>	<u>37.260</u>
Cash		<u>59.290.768</u>	<u>11.266</u>
Current assets		<u>149.382.788</u>	<u>79.502</u>
Assets		<u>168.227.373</u>	<u>88.111</u>

Balance sheet at 30.06.2019

	<u>Notes</u>	<u>2018/19 DKK</u>	<u>2017/18 DKK'000</u>
Contributed capital	10	501.247	510
Reserve for net revaluation according to the equity method		1.042.633	0
Reserve for development expenditure		7.568.661	3.424
Other reserves		959.481	0
Retained earnings		361.769	23.295
Proposed dividend		96.000.000	0
Equity		<u>106.433.791</u>	<u>27.229</u>
Deferred tax		2.384.000	1.030
Provisions		<u>2.384.000</u>	<u>1.030</u>
Joint taxation contribution payable		21.489.170	28.381
Non-current liabilities other than provisions		<u>21.489.170</u>	<u>28.381</u>
Prepayments received from customers		11.560.341	9.182
Trade payables		22.150.849	17.765
Payables to group enterprises		83.248	201
Other payables		4.125.974	4.323
Current liabilities other than provisions		<u>37.920.412</u>	<u>31.471</u>
Liabilities other than provisions		<u>59.409.582</u>	<u>59.852</u>
Equity and liabilities		<u>168.227.373</u>	<u>88.111</u>
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
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Statement of changes in equity for 2018/19

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Other reserves DKK
Equity beginning of year	509.975	0	3.424.278	0
Decrease of capital	(8.728)	0	0	959.481
Extraordinary dividend paid	0	0	0	0
Exchange rate adjustments	0	0	0	0
Transfer to reserves	0	0	4.144.383	0
Profit/loss for the year	0	1.042.633	0	0
Equity end of year	501.247	1.042.633	7.568.661	959.481
		Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year		23.294.575	0	27.228.828
Decrease of capital		(950.753)	0	0
Extraordinary dividend paid		(23.000.000)	0	(23.000.000)
Exchange rate adjustments		53.617	0	53.617
Transfer to reserves		(4.144.383)	0	0
Profit/loss for the year		5.108.713	96.000.000	102.151.346
Equity end of year		361.769	96.000.000	106.433.791

Cash flow statement for 2018/19

	<u>Notes</u>	<u>2018/19</u> <u>DKK</u>	<u>2017/18</u> <u>DKK'000</u>
Operating profit/loss		129.156.198	133.327
Amortisation, depreciation and impairment losses		1.021.982	679
Working capital changes	11	<u>(3.219.860)</u>	<u>(11.285)</u>
Cash flow from ordinary operating activities		126.958.320	122.721
Financial income received		1.108.934	383
Financial expenses paid		(1.529.464)	(825)
Income taxes refunded/(paid)		<u>(33.880.770)</u>	<u>(20.960)</u>
Cash flows from operating activities		92.657.020	101.319
Acquisition etc of intangible assets		(6.498.163)	(4.510)
Acquisition etc of property, plant and equipment		(1.113.532)	(1.538)
Sale of property, plant and equipment		100.766	345
Acquisition of fixed asset investments		<u>(2.169.530)</u>	<u>0</u>
Cash flows from investing activities		(9.680.459)	(5.703)
Repayment of debt to group enterprises		(11.952.413)	1.999
Dividend paid		(23.000.000)	(123.454)
Sale of treasury shares		<u>0</u>	<u>685</u>
Cash flows from financing activities		(34.952.413)	(120.770)
Increase/decrease in cash and cash equivalents		48.024.148	(25.154)
Cash and cash equivalents beginning of year		<u>11.266.620</u>	<u>36.420</u>
Cash and cash equivalents end of year		59.290.768	11.266

Notes

	2018/19	2017/18
	DKK	DKK'000
1. Staff costs		
Wages and salaries	28.442.155	33.722
Pension costs	998.665	990
Other social security costs	207.401	346
Other staff costs	1.310.426	1.222
Staff costs classified as assets	(3.048.220)	(3.350)
	27.910.427	32.930
Average number of employees	50	50
	Remunera- tion of manage- ment 2018/19 DKK	Remunera- tion of manage- ment 2017/18 DKK'000
Executive Board	1.189.830	6.168
Board of Directors	0	200
	1.189.830	6.368
	2018/19	2017/18
	DKK	DKK'000
2. Other financial income		
Financial income arising from group enterprises	156.211	0
Other interest income	0	91
Exchange rate adjustments	952.723	292
	1.108.934	383
	2018/19	2017/18
	DKK	DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	0	140
Other interest expenses	1.102.492	685
Exchange rate adjustments	426.972	0
	1.529.464	825

Notes

	2018/19	2017/18
	DKK	DKK'000
4. Tax on profit/loss for the year		
Current tax	26.989.170	28.381
Change in deferred tax	1.354.000	985
	28.343.170	29.366

	2018/19	2017/18
	DKK	DKK'000
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	96.000.000	0
Extraordinary dividend distributed in the financial year	23.000.000	80.816
Retained earnings	(16.848.654)	23.314
	102.151.346	104.130

	Completed develop- ment projects DKK	Acquired licences DKK	Develop- ment projects in progress DKK
6. Intangible assets			
Cost beginning of year	1.282.261	0	3.228.042
Transfers	312.715	0	(312.715)
Additions	0	758.670	5.739.493
Cost end of year	1.594.976	758.670	8.654.820
Amortisation and impairment losses beginning of year	(120.203)	0	0
Amortisation for the year	(426.182)	0	0
Amortisation and impairment losses end of year	(546.385)	0	0
Carrying amount end of year	1.048.591	758.670	8.654.820

Development projects

Development projects regarding products and processors that are clearly defined and identifiable, where a potential future market or development opportunity in companies can be found, and where appropriate in manufacturing, marketing or using the official product or work, procedures, add in as an intangible assets.

The cost of development projects, which includes externally invoiced costs as well as internal wages directly attributable to development projects.

Notes

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
7. Property, plant and equipment			
Cost beginning of year	3.464.509	2.558.783	0
Transfers	319.829	(319.829)	0
Additions	857.679	0	255.853
Disposals	(45.766)	(350.000)	0
Cost end of year	<u>4.596.251</u>	<u>1.888.954</u>	<u>255.853</u>
Depreciation and impairment losses beginning of year	(1.646.120)	(1.582.967)	0
Transfers	(319.829)	319.829	0
Depreciation for the year	(444.214)	(106.586)	0
Reversal regarding disposals	0	250.000	0
Depreciation and impairment losses end of year	<u>(2.410.163)</u>	<u>(1.119.724)</u>	<u>0</u>
Carrying amount end of year	<u>2.186.088</u>	<u>769.230</u>	<u>255.853</u>
8. Fixed asset investments			
		Invest- ments in group enterprises DKK	Deposits DKK
Cost beginning of year		1.586.665	372.505
Additions		158.146	2.011.384
Cost end of year		<u>1.744.811</u>	<u>2.383.889</u>
Impairment losses beginning of year		(536.308)	0
Exchange rate adjustments		53.617	0
Share of profit/loss for the year		1.758.848	0
Investments with negative equity value depreciated over receivables		(233.524)	0
Impairment losses end of year		<u>1.042.633</u>	<u>0</u>
Carrying amount end of year		<u>2.787.444</u>	<u>2.383.889</u>

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>	<u>Equity DKK</u>	<u>Profit/loss DKK</u>
Investments in group enterprises comprise:					
Gubi Inc	USA	Inc	100,0	1.906.142	1.171.840
Gubi Retail ApS	Copenhagen	ApS	100,0	486.213	125.068
Gubi Pty Ltd	Australia	Ltd	100,0	224.366	444.477
Gubi Design Limited	UK	Ltd	100,0	83.248	0
Gubi Italy SRL	Italy	SRL	100,0	87.475	17.463

For the subsidiaries Gubi Inc, Gubi Pty Ltd., Gubi Italy SRL and Gubi Design Limited, the stated amounts for the equity and profit/loss is based on the internal financial statements.

9. Prepayments

Prepayments is related to prepaid costs.

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
10. Contributed capital			
Shares	<u>501.247</u>	1	<u>501.247</u>
	<u>501.247</u>		<u>501.247</u>

	<u>2018/19 DKK</u>	<u>2017/18 DKK'000</u>
11. Change in working capital		
Increase/decrease in inventories	1.952.758	(5.366)
Increase/decrease in receivables	(11.738.705)	(1.639)
Increase/decrease in trade payables etc	<u>6.566.087</u>	<u>(4.280)</u>
	<u>(3.219.860)</u>	<u>(11.285)</u>

	<u>2018/19 DKK</u>	<u>2017/18 DKK'000</u>
12. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>3.056.627</u>	<u>3.281</u>

Notes

13. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where AX V Gubi Holding III ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

14. Assets charged and collateral

In an agreement with Nordea Denmark the company has posted pledge ban for simple claims arising from sales and services, stocks of raw materials, semi-finished goods and finished goods, corporate mortgages from leased premises, operating equipment and operating materials, debt collateral, movables from motor vehicles etc., goodwill, domain names and rights as well as motor vehicles. As of 30.06.2019 the carrying amount is t.DKK 106,149.

15. Related parties with controlling interest

All related party transactions have been completed at normal market conditions.

16. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
GUBI Group ApS, Klubiensvej 7, Copenhagen, Nordhavn 2150

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer.

Accounting policies

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 3 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Accounting policies

Treasury shares

Acquisition and selling prices and dividends for treasury shares are classified directly as equity under retained earnings. Gains and losses on sale are not recognised in the income statement. Capital reduction by cancellation of treasury shares reduces the contributed capital by an amount corresponding to the nominal value.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Accounting policies

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.