



## Gubi A/S

Klubiensvej 7-9  
2150 Nordhavn  
CVR No. 17940384

## Annual report 01.07.2019 - 30.06.2020

The Annual General Meeting adopted the  
annual report on 30.09.2020

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**Henriette Schütze**  
Chairman of the General Meeting

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# Entity details

## Entity

Gubi A/S

Klubiensvej 7-9

2150 Nordhavn

CVR No.: 17940384

Registered office: København

Financial year: 01.07.2019 - 30.06.2020

## Board of Directors

Lars Henrik Munch, chairman

Asbjørn Mosgaard Hylgaard, vice chairman

Jacob Gudmund Olsen

Lars Cordt

Tue Manton

Hans Christian Galst

## Executive Board

Henriette Schütze, direktør

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Gubi A/S for the financial year 01.07.2019 - 30.06.2020.

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 30.06.2020 and of the results of its operations for the financial year 01.07.2019 - 30.06.2020.

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, 28.09.2020

## Executive Board

**Henriette Schütze**  
direktør

## Board of Directors

**Lars Henrik Munch**  
chairman

**Asbjørn Mosgaard Hyldgaard**  
vice chairman

**Jacob Gudmund Olsen**

**Lars Cordt**

**Tue Mantoni**

**Hans Christian Galst**

# 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 01.07.2019 - 30.06.2020, which comprise the income statement, balance sheet, statement of changes in equity 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 30.06.2020 and of the results of its operations for the financial year 01.07.2019 - 30.06.2020 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:

- 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.

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, 28.09.2020

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

#### **Bill Haudal Pedersen**

State Authorised Public Accountant  
Identification No (MNE) mne30131

#### **Hans Tauby**

State Authorised Public Accountant  
Identification No (MNE) mne44339

# Management commentary

## Financial highlights

	2019/20	2018/19	2017/18	2016/17	2015/16
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Gross profit/loss	126,112	153,154	166,942	116,943	70,219
Operating profit/loss	84,025	125,217	133,333	88,434	41,508
Net financials	(1,572)	(421)	(442)	(329)	21
Profit/loss for the year	64,105	99,079	104,137	69,082	32,054
Total assets	140,805	158,157	87,152	101,498	87,309
Investments in property, plant and equipment	2,578	1,114	1,537	939	823
Equity	53,457	85,337	27,227	45,835	33,623
<b>Ratios</b>					
Return on equity (%)	92.37	176.04	285.06	173.88	79.97
Equity ratio (%)	37.97	53.96	31.24	45.16	38.51

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

### Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Average equity}} * 100$

Average equity

### Equity ratio (%):

$\frac{\text{Equity}}{\text{Total assets}} * 100$

Total assets



### Primary activities

The Company's main activities are design and sale of timeless, high-quality designer furniture, lighting and interior products developed in co-operation with reputable international designers.

### Development in activities and finances

Reported gross profit of t.DKK 126,112 in 2019/20 compared to t.DKK 153,154 in 2018/19 and reported operating profit of t.DKK 84,025 in 2019/20 compared to t.DKK 125,217 in 2019/20. The result is negatively affected by the ongoing impacts of COVID-19, continued investments in strategic initiatives, among other resources, products and IT, to accommodate future growth as well as a negative impact from the product mix.

The Annual Report as of 30.06.2020 contains material errors relating to previous year. The financial impact is recognized directly in the Equity as an adjustment to previous year and the comparative figures have been adjusted. We refer to the accounting policies for a detailed description.

### Profit/loss for the year in relation to expected developments

Management considers the results for the financial year of 2019/20 to be satisfactory, given the COVID-19 impact and the resources and investments channeled into building the foundation for future growth, which are yet to materialize.

### Outlook

The ongoing impacts of COVID-19 are expected to continue to negatively affect the Company's Danish and foreign markets. Due to the worldwide development of the COVID-19 situation, the company is not able to provide financial expectations for the coming financial 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 are recognized as financial items. Currency risks related thereto, are not hedged.

The Company is primarily exposed to the Euro currency. The risk hereto is considered limited.

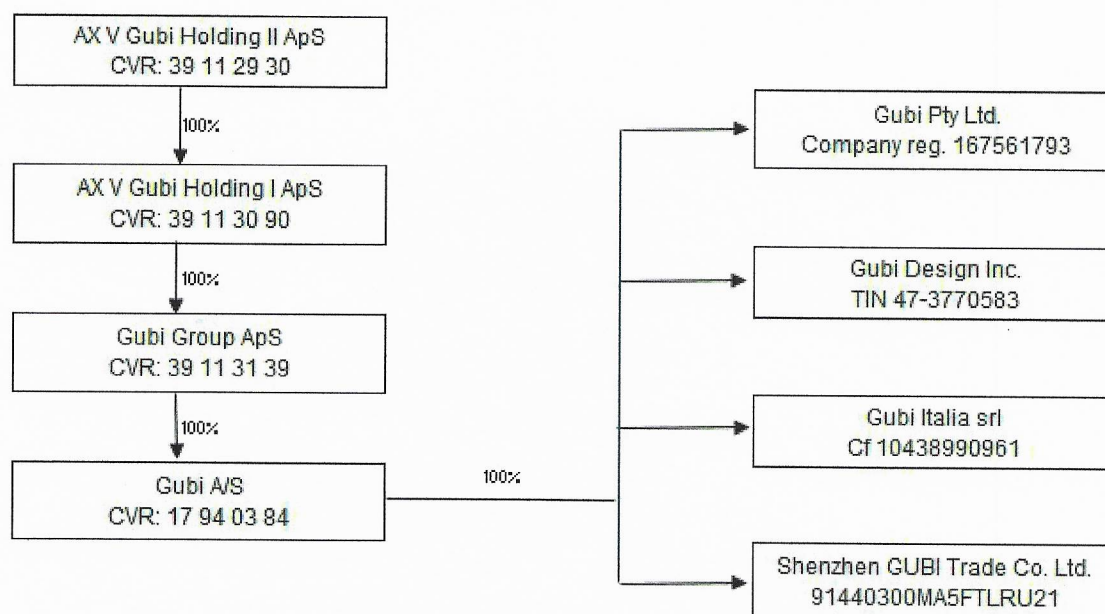
### Environmental performance

The Company continuously seeks to improve, and comply with product or packaging requirements, for the benefit of the environment.

### Research and development activities

The Company's research activities are related to products developed and designed both internally and in collaboration with internationally leading external partners..

## Group relations



## Corporate Governance

Being owned by the Danish private equity firm Axcel, the Company is subject to the guidelines of the Danish Venture Capital and Private Equity Association (DVCA, [www.dvca.dk](http://www.dvca.dk)) for responsible ownership and corporate governance. GUBI Group ApS intends to comply with all relevant guidelines. Further, the Group has signed up for UN Global Compact and release its first Global Compact Active Report.

## Events after the balance sheet date

Management noted that the worldwide COVID-19 outbreak is affecting the Company's performance and financial position in 2020/2021. However, it is not possible for management, at the time of financial reporting, to further quantify the effect, as it will depend on the duration and extent of the virus outbreak.

No other events have occurred, between the balance sheet date and this date, which would influence the evaluation of this annual report.

# Income statement for 2019/20

	Notes	2019/20 DKK	2018/19 DKK
<b>Gross profit/loss</b>		<b>126,112,174</b>	<b>153,153,548</b>
Staff costs	2	(37,210,139)	(26,914,897)
Depreciation, amortisation and impairment losses		(4,876,925)	(1,021,982)
<b>Operating profit/loss</b>		<b>84,025,110</b>	<b>125,216,669</b>
Income from investments in group enterprises		326,575	1,758,848
Other financial income	3	338,564	1,108,935
Other financial expenses	4	(1,910,303)	(1,529,464)
<b>Profit/loss before tax</b>		<b>82,779,946</b>	<b>126,554,988</b>
Tax on profit/loss for the year	5	(18,674,676)	(27,476,474)
<b>Profit/loss for the year</b>	6	<b>64,105,270</b>	<b>99,078,514</b>

# Balance sheet at 30.06.2020

## Assets

	Notes	2019/20 DKK	2018/19 DKK
Completed development projects	8	8,792,787	1,048,591
Acquired licences		2,041,880	758,670
Development projects in progress	8	3,818,633	8,654,820
<b>Intangible assets</b>	7	<b>14,653,300</b>	<b>10,462,081</b>
Plant and machinery		1,852,174	2,186,088
Other fixtures and fittings, tools and equipment		1,652,501	769,230
Property, plant and equipment in progress		0	255,853
<b>Property, plant and equipment</b>	9	<b>3,504,675</b>	<b>3,211,171</b>
Investments in group enterprises		3,317,753	2,787,444
Deposits		2,966,975	2,383,889
Deferred tax	11	0	253,109
<b>Other financial assets</b>	10	<b>6,284,728</b>	<b>5,424,442</b>
<b>Fixed assets</b>		<b>24,442,703</b>	<b>19,097,694</b>
Manufactured goods and goods for resale		37,542,157	16,025,175
Prepayments for goods		2,074,718	2,674,436
<b>Inventories</b>		<b>39,616,875</b>	<b>18,699,611</b>
Trade receivables		27,796,567	35,968,274
Receivables from group enterprises		27,596,369	21,976,037
Other receivables		2,640,381	437,316
Prepayments	12	358,142	2,687,208
<b>Receivables</b>		<b>58,391,459</b>	<b>61,068,835</b>
<b>Cash</b>		<b>18,353,903</b>	<b>59,290,768</b>
<b>Current assets</b>		<b>116,362,237</b>	<b>139,059,214</b>
<b>Assets</b>		<b>140,804,940</b>	<b>158,156,908</b>

**Equity and liabilities**

	Notes	2019/20 DKK	2018/19 DKK
Contributed capital	13	501,247	501,247
Reserve for net revaluation according to the equity method		1,042,633	1,042,633
Reserve for development expenditure		9,836,908	7,568,661
Other reserves		0	959,481
Retained earnings		2,076,020	(20,735,398)
Proposed dividend		40,000,000	96,000,000
<b>Equity</b>		<b>53,456,808</b>	<b>85,336,624</b>
Deferred tax	11	621,607	0
Other provisions	14	10,277,623	11,986,859
<b>Provisions</b>		<b>10,899,230</b>	<b>11,986,859</b>
Joint taxation contribution payable		9,410,178	18,513,013
<b>Non-current liabilities other than provisions</b>		<b>9,410,178</b>	<b>18,513,013</b>
Bank loans		20,899,115	0
Prepayments received from customers		6,147,547	11,560,341
Trade payables		24,562,633	26,550,849
Payables to group enterprises		75,745	83,248
Other payables		15,353,684	4,125,974
<b>Current liabilities other than provisions</b>		<b>67,038,724</b>	<b>42,320,412</b>
<b>Liabilities other than provisions</b>		<b>76,448,902</b>	<b>60,833,425</b>
<b>Equity and liabilities</b>		<b>140,804,940</b>	<b>158,156,908</b>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	15		
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# Statement of changes in equity for 2019/20

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Other reserves DKK	Retained earnings DKK
Equity beginning of year	501,247	1,042,633	7,568,661	959,481	361,769
Corrections of material errors	0	0	0	0	(21,097,167)
<b>Adjusted equity, beginning of year</b>	<b>501,247</b>	<b>1,042,633</b>	<b>7,568,661</b>	<b>959,481</b>	<b>(20,735,398)</b>
Ordinary dividend paid	0	0	0	0	0
Exchange rate adjustments	0	0	0	0	14,914
Transfer to reserves	0	0	2,268,247	(959,481)	(1,308,766)
Profit/loss for the year	0	0	0	0	24,105,270
<b>Equity end of year</b>	<b>501,247</b>	<b>1,042,633</b>	<b>9,836,908</b>	<b>0</b>	<b>2,076,020</b>

	Proposed dividend DKK	Total DKK
Equity beginning of year	96,000,000	106,433,791
Corrections of material errors	0	(21,097,167)
<b>Adjusted equity, beginning of year</b>	<b>96,000,000</b>	<b>85,336,624</b>
Ordinary dividend paid	(96,000,000)	(96,000,000)
Exchange rate adjustments	0	14,914
Transfer to reserves	0	0
Profit/loss for the year	40,000,000	64,105,270
<b>Equity end of year</b>	<b>40,000,000</b>	<b>53,456,808</b>

# Notes

## 1 Events after the balance sheet date

Management noted that the worldwide Covid-19 outbreak is affecting the company's performance and financial position in 2020/2021. However, it is not possible for management to the time of financial reporting to further quantify the effect, as it will depend on the duration and extent of the virus outbreak.

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

## 2 Staff costs

	2019/20 DKK	2018/19 DKK
Wages and salaries	36,015,830	27,446,625
Pension costs	1,285,866	998,665
Other social security costs	357,487	207,401
Other staff costs	1,846,253	1,310,426
	<b>39,505,436</b>	<b>29,963,117</b>
Staff costs classified as assets	(2,295,297)	(3,048,220)
	<b>37,210,139</b>	<b>26,914,897</b>
Average number of full-time employees	<b>58</b>	<b>50</b>

	Remuneration of management 2019/20 DKK	Remuneration of management 2018/19 DKK
Executive Board	1,300,000	1,189,830
Board of Directors	3,873,572	5,391,432
	<b>5,173,572</b>	<b>6,581,262</b>

## 3 Other financial income

	2019/20 DKK	2018/19 DKK
Financial income from group enterprises	171,143	156,211
Other interest income	2,160	0
Exchange rate adjustments	165,261	952,724
	<b>338,564</b>	<b>1,108,935</b>

**4 Other financial expenses**

	2019/20 DKK	2018/19 DKK
Other interest expenses	1,338,786	1,102,492
Exchange rate adjustments	571,517	426,972
	<b>1,910,303</b>	<b>1,529,464</b>

**5 Tax on profit/loss for the year**

	2019/20 DKK	2018/19 DKK
Current tax	17,799,960	25,880,370
Change in deferred tax	874,716	1,596,104
	<b>18,674,676</b>	<b>27,476,474</b>

**6 Proposed distribution of profit and loss**

	2019/20 DKK	2018/19 DKK
Ordinary dividend for the financial year	40,000,000	96,000,000
Extraordinary dividend distributed in the financial year	0	23,000,000
Retained earnings	24,105,270	(19,921,486)
	<b>64,105,270</b>	<b>99,078,514</b>

**7 Intangible assets**

	Completed development projects DKK	Acquired licences DKK	Development projects in progress DKK
Cost beginning of year	1,594,976	758,670	8,654,820
Transfers	10,000,632	0	(10,000,632)
Additions	971,417	1,646,175	5,164,445
<b>Cost end of year</b>	<b>12,567,025</b>	<b>2,404,845</b>	<b>3,818,633</b>
Amortisation and impairment losses beginning of year	(546,385)	0	0
Amortisation for the year	(3,227,853)	(362,965)	0
<b>Amortisation and impairment losses end of year</b>	<b>(3,774,238)</b>	<b>(362,965)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>8,792,787</b>	<b>2,041,880</b>	<b>3,818,633</b>



## 8 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 includes internal wages directly attributable to development projects.

## 9 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	4,596,251	1,888,954	255,853
Addition through business combinations etc	0	848,250	0
Transfers	0	255,853	(255,853)
Additions	298,751	1,431,463	0
Disposals	0	(571,422)	0
<b>Cost end of year</b>	<b>4,895,002</b>	<b>3,853,098</b>	<b>0</b>
Depreciation and impairment losses beginning of year	(2,410,163)	(1,119,725)	0
Transfers	0	(721,988)	0
Depreciation for the year	(632,665)	(618,058)	0
Reversal regarding disposals	0	259,174	0
<b>Depreciation and impairment losses end of year</b>	<b>(3,042,828)</b>	<b>(2,200,597)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>1,852,174</b>	<b>1,652,501</b>	<b>0</b>

## 10 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	1,744,811	2,383,889
Exchange rate adjustments	(9,217)	0
Additions	291,457	784,216
Disposals	(1,580,000)	(201,130)
<b>Cost end of year</b>	<b>447,051</b>	<b>2,966,975</b>
Impairment losses beginning of year	1,042,633	0
Exchange rate adjustments	24,130	0
Share of profit/loss for the year	326,575	0
Investments with negative equity value depreciated over receivables	383,577	0
Reversal regarding disposals	1,093,787	0
<b>Impairment losses end of year</b>	<b>2,870,702</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>3,317,753</b>	<b>2,966,975</b>

<b>Investments in subsidiaries</b>	<b>Registered in</b>	<b>Corporate form</b>	<b>Equity interest %</b>
Gubi Inc	USA	Inc	100
Gubi Italy SRL	Italy	SRL	100
Gubi Pty Ltd	Australia	Ltd	100
Gubi Design Limited	UK	Ltd	100
Shenzhen GUBI Trade Co., Limited	China	Ltd	100

### 11 Deferred tax

<b>Changes during the year</b>	<b>2019/20 DKK</b>
Beginning of year	(253,109)
Recognised in the income statement	874,716
<b>End of year</b>	<b>621,607</b>

Deferred tax comprises Intangible assets, property, plant and equipment, inventory and other liabilities.

There are no special conditions for recognition of Deferred tax.

### 12 Prepayments

Prepayments is related to prepaid costs.

### 13 Share capital

	<b>Number</b>	<b>Par value DKK</b>	<b>Nominal value DKK</b>
Shares	501,247	1	501,247
	<b>501,247</b>		<b>501,247</b>

### 14 Other provisions

Provisions for warranty and fairness of DKK 10.3m have been recognised as of 30 June 2020 to cover expected warranty and fairness claims. The size and timing of the provisions is based on previous experience of the level and timing of repairs and returns. The expected amount due within one year amounts to DKK 4.4m.

### 15 Unrecognised rental and lease commitments

	<b>2019/20 DKK</b>	<b>2018/19 DKK</b>
Liabilities under rental or lease agreements until maturity in total	<b>3,724,958</b>	<b>2,699,742</b>

### 16 Contingent liabilities

The Entity has a repurchase obligation towards a number of their suppliers. The repurchase obligation amounts to 17,785 t.DKK as of 30.06.2020.

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.

The Entity has provided a surety bond to the Parent Company Gubi Group ApS and Ax V Gubi Holding I ApS.

### **17 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 30.06.2020 the carrying amount is t.DKK 119,133.

### **18 Related parties with controlling interest**

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

### **19 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 prepared 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.

## Material errors in previous years

The Annual Report as of 30.06.2020 contains material errors. The financial impact is recognised directly in Equity as an adjustment to previous year and the comparative figures have been adjusted. Inventory value have been reduced by 10,324 t.DKK, liabilities has been increased by 16,387 t.DKK, joint taxation contribution payable have been reduced by 5,613 t.DKK and the profit by the year have been reduced by 3,073 t.DKK. Equity have been negatively affected by 21,097 t.DKK.

## 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.

## Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The book-value method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

The comparative figures have not changed.

### **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.

#### **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.

#### **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).

### **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 on a straight-line basis 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	3-5 years
Property	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.

### **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.

### **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. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

### **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.

**Other provisions**

Provisions comprise provisions for warranty and provisions for fairness. Provisions for warranty are obligations to repair products within the warranty period, whereas provisions for fairness are obligations to repair products after the end of the warranty period.

Provisions are recognised when there is a legal or constructive obligation as a result of events in the financial year or previous years, and it is probable that an outflow of financial resources will be required to settle the obligation. Provisions are measured at the present value of the expected expenditure required to settle the obligation.

**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**

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has not prepared any cash flow statement as such statement is prepared by the higher-level group.



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