



Gubi A/S

Klubiensvej 7-9
2150 Nordhavn
CVR No. 17940384

Annual report 2021

The Annual General Meeting adopted the
annual report on 07.04.2022

Anne Sofie Bendix Ranch

Chairman of the General Meeting

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Entity details

Entity

Gubi A/S

Klubiensvej 7-9

2150 Nordhavn

Business Registration No.: 17940384

Registered office: Copenhagen

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Lars Henrik Munch, Chairman

Asbjørn Mosgaard Hyltdgaard, Vice Chairman

Hans Christian Galst

Jacob Gudmund Olsen

Tue Mantoni

Lars Cordt

Jacob Lahn Sloth

Executive Board

Klaus Thyge Høeg-Hagensen

Henriette Schütze

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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, 03.03.2022

Executive Board

Klaus Thyge Høeg-Hagensen

Henriette Schütze

Board of Directors

Lars Henrik Munch
Chairman

Asbjørn Mosgaard Hyldgaard
Vice Chairman

Hans Christian Galst

Jacob Gudmund Olsen

Tue Mantoni

Lars Cordt

Jacob Lahn Sloth

Independent auditor's report

To the shareholder of Gubi A/S

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Gubi A/S for the financial year 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

Report on other legal and regulatory requirements and other reporting responsibilities**Violation of company law and similar legislation**

In violation of the Danish Companies Act, the company provided self-financing to the parent company during the financial year. The matter has been resolved.

Copenhagen, 03.03.2022

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

	2021	2020	2019/20	2018/19	2017/18
	DKK'000	6 months DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	174,173	72,321	127,256	154,149	166,942
Operating profit/loss	120,674	48,941	84,025	125,217	133,333
Net financials	(2,055)	(1,917)	(1,572)	(421)	(442)
Profit/loss for the year	95,769	36,655	64,105	99,079	104,137
Total assets	147,525	126,750	140,805	160,028	87,152
Investments in property, plant and equipment	0	262	2,578	1,114	1,537
Equity	37,836	49,934	53,457	85,337	27,227
Ratios					
Return on equity (%)	218.23	70.91	92.37	176.04	285.06
Equity ratio (%)	25.65	39.40	37.97	53.33	31.24

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

Return on equity (%):

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

Equity ratio (%):

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

Primary activities

The main activities of GUBI A/S (the "Company") are within design and sale of furniture, lighting, and interior products.

GUBI is a leading Danish design brand focusing on timeless, high-quality furniture, lighting, and interior products. The Company designs, and markets products developed in co-operation with reputable national and international designers for both consumer and contract markets, and the range includes several prize-winning designs. Products are sold by leading national and international retailers and e-tailers and to professional customers worldwide. The Company's headquarters are located in Nordhavn, Copenhagen.

Development in activities and finances

Last year, the GUBI group changed its financial year, consequently the comparison figures for the Company only contain 6 months (1.7.2020-31.12.2020) whereas the current figures contains 12 months (1.1.2021-31.12.2021). Accordingly, the 2 periods cannot be directly compared.

Reported gross profit of t.DKK 174,173 in 2021 (for 12 months) compared to t.DKK 72,321 in 2020 (for 6 months) and reported operating profit of t.DKK 120,674 in 2021 (for 12 months) compared to t.DKK 48,102 in 2020 (for 6 months). The Company has continued to invest in strategic initiatives related to the sales organization and marketing activities.

Profit/loss for the year in relation to expected developments

Management considers the results for the financial year 2021 to be satisfactory.

Unusual circumstances affecting recognition and measurement

No significant uncertainties are attached to recognition and measurement.

Outlook

The Group expects double-digit revenue growth and expects normalised operating profit margin (EBITDA) to be in line with 2021.

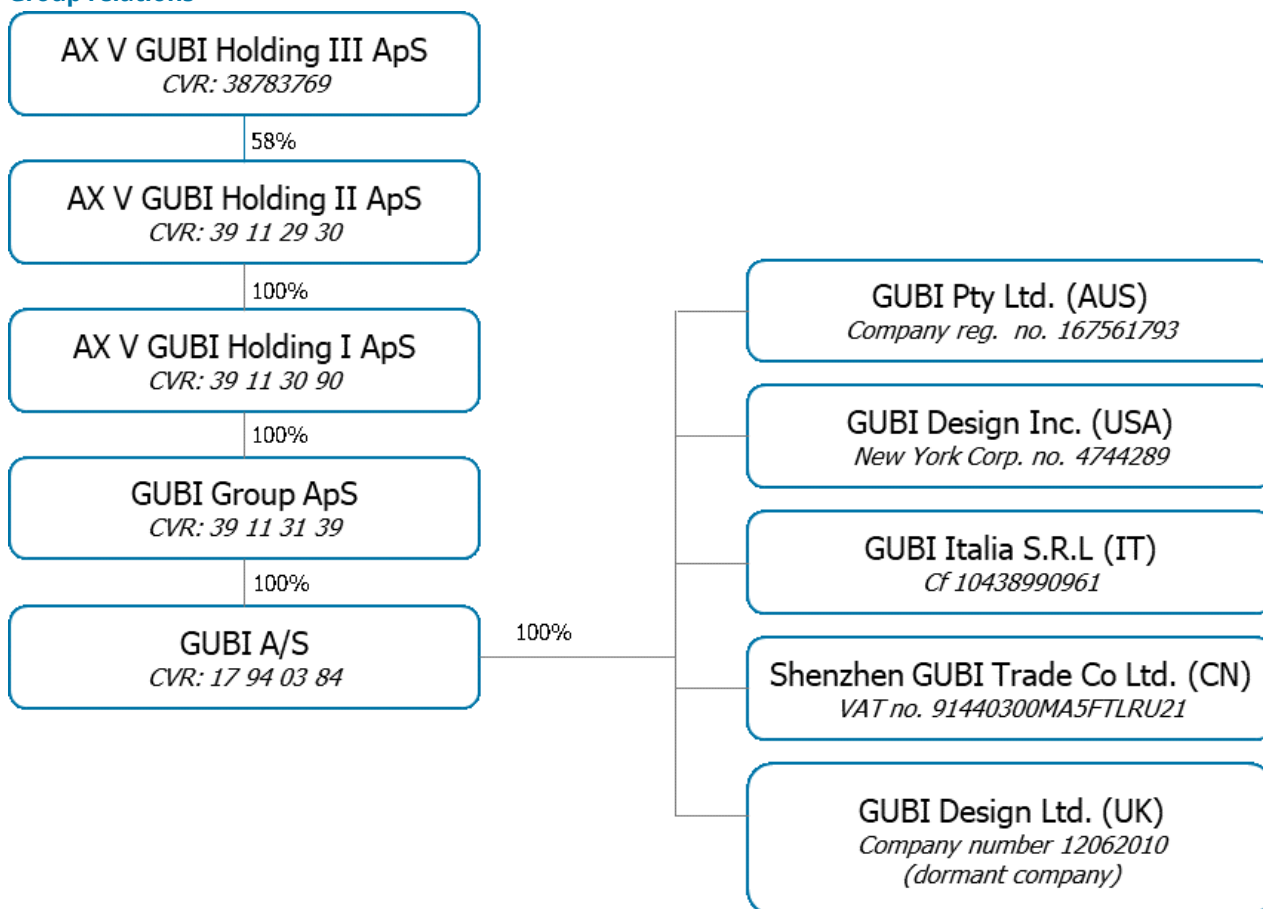
Environmental performance

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



Statutory report on corporate social responsibility

In 2019, the Company's parent company, GUBI Group ApS, joined the UN Global Compact ("UNGC") and the GUBI group has since then been committed to the Ten Principles of the UNGC for responsible business conduct within the areas of human rights, labor, environment, and anti-corruption. The Board of Directors guides and governs the overall strategy for the Company's corporate sustainability and has general oversight of the Company's work with ESG (Environmental, Social, and Governance) topics. The Executive Management is responsible for ensuring the ESG strategy is implemented via the GUBI group's ESG Committee.

Please refer to the management commentary in the annual report for 2021 for the parent company, Group Group ApS, which is available at GUBI website, www.gubi.com/company-information

Events after the balance sheet date

The management noted that the worldwide Covid-19 outbreak may still affect the Company's performance in most markets. However, it is not possible for the management at the time of financial reporting to further quantify such potential effect.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report. The war in Ukraine which started at the end of February 2022 has not had and is not expected to have a significant impact on the Company's financial position and development, as the Company has no significant sales or significant suppliers in the countries concerned.

Income statement for 2021

	Notes	2021 DKK	2020 6 months DKK
Gross profit/loss		174,172,625	72,321,438
Staff costs	2	(45,118,458)	(19,997,915)
Depreciation, amortisation and impairment losses	3	(8,380,339)	(3,382,232)
Operating profit/loss		120,673,828	48,941,291
Income from investments in group enterprises		2,651,214	1,078,217
Other financial income	4	110,164	358,512
Other financial expenses	5	(2,165,328)	(2,275,852)
Profit/loss before tax		121,269,878	48,102,168
Tax on profit/loss for the year	6	(25,500,987)	(11,447,088)
Profit/loss for the year	7	95,768,891	36,655,080

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Completed development projects	9	7,311,414	10,399,631
Acquired licences		4,067,985	4,067,533
Development projects in progress	9	4,055,928	2,039,621
Intangible assets	8	15,435,327	16,506,785
Plant and machinery		869,196	1,528,468
Other fixtures and fittings, tools and equipment		1,021,031	1,618,240
Property, plant and equipment	10	1,890,227	3,146,708
Investments in group enterprises		6,618,056	3,834,440
Deposits		4,181,044	3,327,193
Financial assets	11	10,799,100	7,161,633
Fixed assets		28,124,654	26,815,126
Manufactured goods and goods for resale		45,618,528	24,985,753
Prepayments for goods		3,834,166	1,458,739
Inventories		49,452,694	26,444,492
Trade receivables		47,052,901	42,708,892
Receivables from group enterprises		16,636,370	11,311,948
Other receivables		2,083,131	4,232,470
Tax receivable		3,239,186	3,239,186
Prepayments	12	493,822	1,259,058
Receivables		69,505,410	62,751,554
Cash		442,596	10,738,998
Current assets		119,400,700	99,935,044
Assets		147,525,354	126,750,170

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		501,247	501,247
Translation reserve		(45,552)	(177,954)
Reserve for net revaluation according to the equity method		6,171,005	3,209,434
Reserve for development expenditure		8,866,526	9,702,616
Retained earnings		2,342,672	1,698,591
Proposed dividend		20,000,000	35,000,000
Equity		37,835,898	49,933,934
Deferred tax	13	533,000	1,310,000
Other provisions	14	8,700,591	9,016,576
Provisions		9,233,591	10,326,576
Joint taxation contribution payable		0	11,175,316
Other payables	15	1,050,364	0
Non-current liabilities other than provisions	16	1,050,364	11,175,316
Bank loans		16,842,272	0
Prepayments received from customers		11,610,200	5,090,181
Trade payables		29,774,979	28,293,863
Payables to group enterprises		26,591,692	9,570,334
Joint taxation contribution payable		6,231,864	0
Other payables		8,354,494	12,359,966
Current liabilities other than provisions		99,405,501	55,314,344
Liabilities other than provisions		100,455,865	66,489,660
Equity and liabilities		147,525,354	126,750,170
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	17		
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Statement of changes in equity for 2021

	Contributed capital DKK	Translation reserve DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK
Equity beginning of year	501,247	(177,954)	3,209,434	9,702,616	1,698,591
Ordinary dividend paid	0	0	0	0	0
Extraordinary dividend paid	0	0	0	0	(70,000,000)
Exchange rate adjustments	0	132,402	0	0	0
Other entries on equity	0	0	0	0	(2,999,329)
Transfer to reserves	0	0	2,961,571	(836,090)	(2,125,481)
Profit/loss for the year	0	0	0	0	75,768,891
Equity end of year	501,247	(45,552)	6,171,005	8,866,526	2,342,672

	Proposed dividend DKK	Total DKK
Equity beginning of year	35,000,000	49,933,934
Ordinary dividend paid	(35,000,000)	(35,000,000)
Extraordinary dividend paid	0	(70,000,000)
Exchange rate adjustments	0	132,402
Other entries on equity	0	(2,999,329)
Transfer to reserves	0	0
Profit/loss for the year	20,000,000	95,768,891
Equity end of year	20,000,000	37,835,898

Notes

1 Events after the balance sheet date

The management noted that the worldwide Covid-19 outbreak may still affect the Company's performance in most markets after the balance sheet date. However, it is not possible for the management at the time of financial reporting to further quantify such potential effect.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report. The war in Ukraine which started at the end of February 2022 has not had and is not expected to have a significant impact on the Company's financial position and development, as the Company has no significant sales or significant suppliers in the countries concerned.

2 Staff costs

	2021	2020
	DKK	6 months
		DKK
Wages and salaries	45,532,443	18,122,243
Pension costs	1,481,198	675,912
Other social security costs	505,803	276,128
Other staff costs	1,654,942	2,963,253
	49,174,386	22,037,536
Staff costs classified as assets	(4,055,928)	(2,039,621)
	45,118,458	19,997,915
Average number of full-time employees	62	58

	Remuneration	Remuneration
	of	of
	Management	Management
	2021	6 months 2020
	DKK	DKK
Executive Board	6,264,000	2,212,723
Board of Directors	1,300,000	575,000
	7,564,000	2,787,723

3 Depreciation, amortisation and impairment losses

	2021	2020
	DKK	6 months
		DKK
Amortisation of intangible assets	7,123,858	3,107,863
Depreciation of property, plant and equipment	1,256,481	280,769
Profit/loss from sale of intangible assets and property, plant and equipment	0	(6,400)
	8,380,339	3,382,232

4 Other financial income

	2021	2020
	DKK	6 months
		DKK
Financial income from group enterprises	94,116	258,084
Other interest income	0	8
Exchange rate adjustments	16,048	100,420
	110,164	358,512

5 Other financial expenses

	2021	2020
	DKK	6 months
		DKK
Financial expenses from group enterprises	558,539	0
Other interest expenses	1,366,651	724,775
Exchange rate adjustments	240,138	1,551,077
	2,165,328	2,275,852

6 Tax on profit/loss for the year

	2021	2020
	DKK	6 months
		DKK
Current tax	26,218,548	11,175,316
Change in deferred tax	(777,000)	618,000
Adjustment concerning previous years	59,439	(346,228)
	25,500,987	11,447,088

7 Proposed distribution of profit and loss

	2021	2020
	DKK	6 months
		DKK
Ordinary dividend for the financial year	20,000,000	35,000,000
Extraordinary dividend distributed in the financial year	70,000,000	0
Retained earnings	5,768,891	1,655,080
	95,768,891	36,655,080

8 Intangible assets

	Completed development projects DKK	Acquired licences DKK	Development projects in progress DKK
Cost beginning of year	16,396,531	4,809,698	2,039,621
Transfers	2,039,621	0	(2,039,621)
Additions	791,575	1,204,897	4,055,928
Disposals	(1,115,733)	0	0
Cost end of year	18,111,994	6,014,595	4,055,928
Amortisation and impairment losses beginning of year	(5,996,900)	(742,165)	0
Amortisation for the year	(5,919,413)	(1,204,445)	0
Reversal regarding disposals	1,115,733	0	0
Amortisation and impairment losses end of year	(10,800,580)	(1,946,610)	0
Carrying amount end of year	7,311,414	4,067,985	4,055,928

9 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.

10 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	3,250,713	2,432,914
Cost end of year	3,250,713	2,432,914
Depreciation and impairment losses beginning of year	(1,722,245)	(814,674)
Depreciation for the year	(659,272)	(597,209)
Depreciation and impairment losses end of year	(2,381,517)	(1,411,883)
Carrying amount end of year	869,196	1,021,031

11 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	447,051	3,327,193
Additions	0	853,851
Cost end of year	447,051	4,181,044
Revaluations beginning of year	3,387,389	0
Exchange rate adjustments	132,402	0
Share of profit/loss for the year	2,651,214	0
Revaluations end of year	6,171,005	0
Carrying amount end of year	6,618,056	4,181,044

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

12 Prepayments

Prepayments is related to prepaid costs.

13 Deferred tax

	2021	2020
	DKK	6 months
Changes during the year	DKK	DKK
Beginning of year	1,310,000	621,607
Recognised in the income statement	(777,000)	688,393
End of year	533,000	1,310,000

Deferred tax consists of tax differences in intangible assets, fixed assets, inventory and other tax differences.

14 Other provisions

Provisions for warranty and fairness of DKK 8.7 million have been recognised as of 31 December 2021 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 5.3 m.

15 Other payables

	2021	2020
	DKK	DKK
Other costs payable	1,050,364	0
1,050,364	1,050,364	0

16 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK
Other payables	1,050,364
1,050,364	1,050,364

Non-current liabilities falls due after 12 months but within five years.

17 Unrecognised rental and lease commitments

	2021	2020
	DKK	DKK
Liabilities under rental or lease agreements until maturity in total	4,153,748	4,291,582

18 Contingent liabilities

	2021	2020
	DKK	DKK
Other contingent liabilities	15,580,000	13,417,000
Contingent liabilities	15,580,000	13,417,000

Other contingent liabilities relates to a repurchase obligation towards a number of their suppliers.

The Company 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 Company is therefore secondarily liable for income taxes etc for the jointly taxed companies, which is limited to the equity interest by which the Company 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 companies' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

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

19 Assets charged and collateral

GUBI A/S is subject to negative pledge (in Danish: pantsætningsforbud). GUBI A/S has provided a surety bond (in Danish: selvskyldnerkaution) to its parent companies, GUBI Group ApS and AX V GUBI Holding I ApS, respectively.

20 Related parties with controlling interest

Related parties with controlling interest in Gubi A/S:

Gubi Group ApS, Klubiensvej 7, 2150 Nordhavn, (immediate parent company)

AX Gubi Holding I ApS, Klubiensvej 7, 2150 Nordhavn

AX Gubi Holding II ApS, Klubiensvej 7, 2150 Nordhavn

AX Gubi Holding III ApS, Sankt Annæ Plads 10, 1250 Copenhagen

Axcel V K/S, c/o Bruun & Hjejle, Noergade 21, 1165 Copenhagen (ultimate parent company)

21 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

AX V Gubi Holding III ApS, Sankt Annæ Plads 10, Copenhagen C 1250

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

GUBI Group ApS, Klubiensvej 7, 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.

Non-comparability

The Company has changed the financial year, consequently the comparison figures contain six months (1.7.2020 - 31.12.2020) and the current figures contains twelve months (1.1.2021 - 31.12.2021). Therefore the two periods can not be directly compared.

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.

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. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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).

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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.

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.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

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.

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.

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.