

## Gubi A/S

Klubiensvej 7-9  
2150 Nordhavn  
CVR No. 17940384

## Annual report 01.07.2020 - 31.12.2020

The Annual General Meeting adopted the  
annual report on 25.03.2021

A handwritten signature in blue ink, appearing to read 'H. Schütze', written over a horizontal line.

**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: Copenhagen

Financial year: 01.07.2020 - 31.12.2020

## Board of Directors

Lars Henrik Munch, Chairman

Asbjørn Mosgaard Hyldgaard, Vice Chairman

Hans Christian Galst

Jacob Gudmund Olsen

Tue Mantoni

Lars Cordt

## 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 01.07.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.07.2020 - 31.12.2020.

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, 04.03.2021

## 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**

# Independent auditor's report

## To the shareholder of Gubi A/S

### Opinion

We have audited the financial statements of Gubi A/S for the financial year 01.07.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations for the financial year 01.07.2020 - 31.12.2020 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, 04.03.2021

#### **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

	2020 6 months DKK'000	2019/20 12 months DKK'000	2018/19 12 months DKK'000	2017/18 12 months DKK'000	2016/17 12 months DKK'000
<b>Key figures</b>					
Gross profit/loss	72,321	126,112	153,154	166,942	116,943
Operating profit/loss	48,941	84,025	125,217	133,333	88,434
Net financials	(1,917)	(1,572)	(421)	(442)	(329)
Profit/loss for the year	36,655	64,105	99,079	104,137	69,082
Total assets	126,750	140,805	160,028	87,152	101,498
Investments in property, plant and equipment	262	2,578	1,114	1,537	939
Equity	49,934	53,457	85,337	27,227	45,835
<b>Ratios</b>					
Return on equity (%)	70.91	92.37	176.04	285.06	79.97
Equity ratio (%)	39.40	37.97	53.33	31.24	45.16

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 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

The Company has changed the financial year, consequently the comparison figures contain twelve months (1.7.2019 - 30.06.2020) and the current figures contains six months (1.7.2020 - 31.12.2020). Therefore the two periods can not be directly compared.

Reported gross profit of t.DKK 72,321 in 2020 for six months compared to t.DKK 126,112 in 2019/20 for twelve months and reported operating profit of t.DKK 48,941 in 2020 compared to t.DKK 84,025 in 2019/20. GUBI has continued to invest in Strategic initiatives related to sales organization and marketing activities.

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

Management considers the results for the financial year of 2020 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 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.

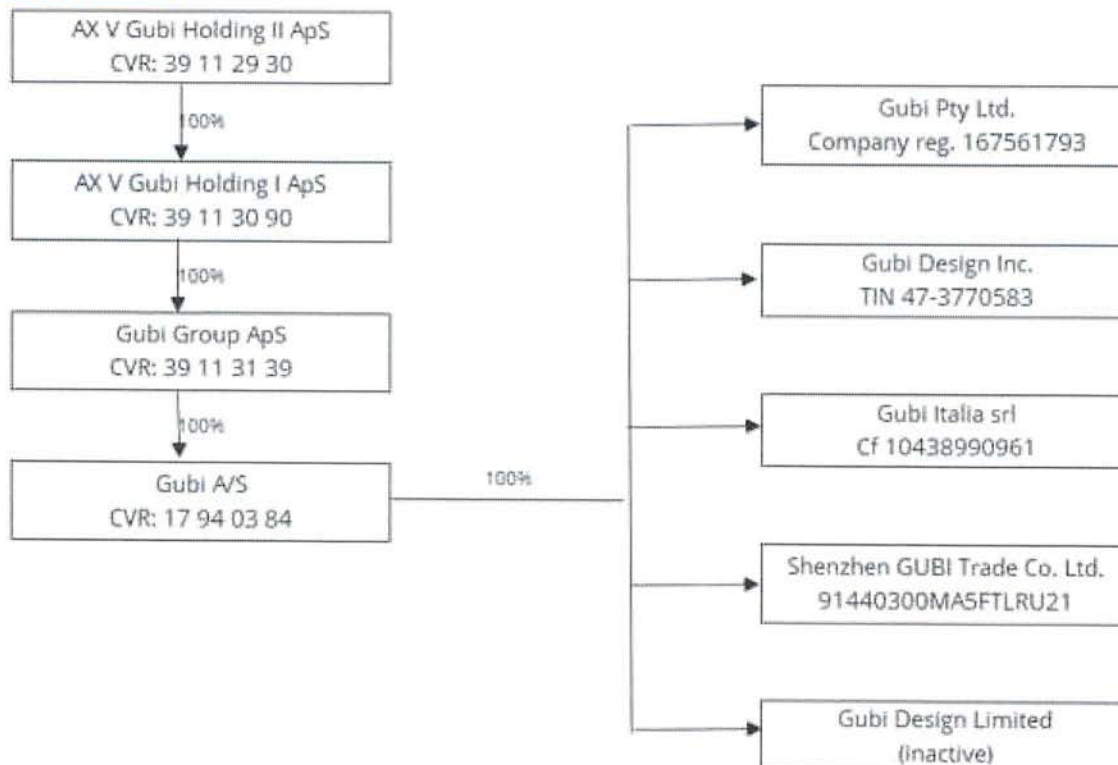
### Environmental performance

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**



**Events after the balance sheet date**

Management noted that the worldwide COVID-19 outbreak is affecting the Company's performance and financial position in 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 2020

	Notes	2020 6 months DKK	2019/20 12 months DKK
<b>Gross profit/loss</b>		<b>72,321,438</b>	<b>126,112,174</b>
Staff costs	2	(19,997,915)	(37,210,139)
Depreciation, amortisation and impairment losses	3	(3,382,232)	(4,876,925)
<b>Operating profit/loss</b>		<b>48,941,291</b>	<b>84,025,110</b>
Income from investments in group enterprises		1,078,217	326,575
Other financial income	4	358,512	338,564
Other financial expenses	5	(2,275,852)	(1,910,303)
<b>Profit/loss before tax</b>		<b>48,102,168</b>	<b>82,779,946</b>
Tax on profit/loss for the year	6	(11,447,088)	(18,674,676)
<b>Profit/loss for the year</b>	7	<b>36,655,080</b>	<b>64,105,270</b>

# Balance sheet at 31.12.2020

## Assets

	Notes	31.12.2020 DKK	30.06.2020 DKK
Completed development projects	9	10,399,631	8,792,787
Acquired licences		4,067,533	2,041,880
Development projects in progress	9	2,039,621	3,818,633
<b>Intangible assets</b>	<b>8</b>	<b>16,506,785</b>	<b>14,653,300</b>
Plant and machinery		1,528,468	1,852,174
Other fixtures and fittings, tools and equipment		1,618,240	1,652,501
<b>Property, plant and equipment</b>	<b>10</b>	<b>3,146,708</b>	<b>3,504,675</b>
Investments in group enterprises		3,834,439	3,317,753
Deposits		3,327,194	2,966,975
<b>Financial assets</b>	<b>11</b>	<b>7,161,633</b>	<b>6,284,728</b>
<b>Fixed assets</b>		<b>26,815,126</b>	<b>24,442,703</b>
Manufactured goods and goods for resale		24,985,753	37,542,157
Prepayments for goods		1,458,740	2,074,718
<b>Inventories</b>		<b>26,444,493</b>	<b>39,616,875</b>
Trade receivables		42,708,892	27,796,567
Receivables from group enterprises		11,311,948	27,596,369
Other receivables		4,232,470	2,640,381
Joint taxation contribution receivable		3,239,186	0
Prepayments	12	1,259,058	358,142
<b>Receivables</b>		<b>62,751,554</b>	<b>58,391,459</b>
<b>Cash</b>		<b>10,738,998</b>	<b>18,353,903</b>
<b>Current assets</b>		<b>99,935,045</b>	<b>116,362,237</b>
<b>Assets</b>		<b>126,750,171</b>	<b>140,804,940</b>

**Equity and liabilities**

	Notes	31.12.2020 DKK	30.06.2020 DKK
Contributed capital		501,247	501,247
Translation reserve		(177,954)	0
Reserve for net revaluation according to the equity method		3,209,434	1,042,633
Reserve for development expenditure		9,702,616	9,836,908
Retained earnings		1,698,591	2,076,020
Proposed dividend		35,000,000	40,000,000
<b>Equity</b>		<b>49,933,934</b>	<b>53,456,808</b>
Deferred tax	13	1,310,000	621,607
Other provisions	14	9,016,576	10,277,623
<b>Provisions</b>		<b>10,326,576</b>	<b>10,899,230</b>
Joint taxation contribution payable		11,175,316	9,410,178
<b>Non-current liabilities other than provisions</b>	15	<b>11,175,316</b>	<b>9,410,178</b>
Bank loans		0	20,899,115
Prepayments received from customers		5,090,181	6,147,547
Trade payables		28,293,864	24,562,633
Payables to group enterprises		9,570,334	75,745
Other payables		12,359,966	15,353,684
<b>Current liabilities other than provisions</b>		<b>55,314,345</b>	<b>67,038,724</b>
<b>Liabilities other than provisions</b>		<b>66,489,661</b>	<b>76,448,902</b>
<b>Equity and liabilities</b>		<b>126,750,171</b>	<b>140,804,940</b>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	16		
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# Statement of changes in equity for 2020

	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	0	1,042,633	9,836,908	2,076,020
Ordinary dividend paid	0	0	0	0	0
Exchange rate adjustments	0	(177,954)	0	0	0
Transfer to reserves	0	0	2,166,801	(134,292)	(2,032,509)
Profit/loss for the year	0	0	0	0	1,655,080
<b>Equity end of year</b>	<b>501,247</b>	<b>(177,954)</b>	<b>3,209,434</b>	<b>9,702,616</b>	<b>1,698,591</b>

	Proposed dividend DKK	Total DKK
Equity beginning of year	40,000,000	53,456,808
Ordinary dividend paid	(40,000,000)	(40,000,000)
Exchange rate adjustments	0	(177,954)
Transfer to reserves	0	0
Profit/loss for the year	35,000,000	36,655,080
<b>Equity end of year</b>	<b>35,000,000</b>	<b>49,933,934</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 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 after the balance sheet date to this date, which would influence the evaluation of this annual report.

## 2 Staff costs

	<b>2020 6 months DKK</b>	<b>2019/20 12 months DKK</b>
Wages and salaries	18,122,243	36,015,830
Pension costs	675,912	1,285,866
Other social security costs	276,128	357,487
Other staff costs	2,963,253	1,846,253
	<b>22,037,536</b>	<b>39,505,436</b>
Staff costs classified as assets	(2,039,621)	(2,295,297)
	<b>19,997,915</b>	<b>37,210,139</b>
Average number of full-time employees	<b>58</b>	<b>58</b>

	<b>Remuneration of management 2020 DKK</b>	<b>Remuneration of management 2019/20 DKK</b>
Executive Board	2,212,723	3,873,572
Board of Directors	575,000	1,300,000
	<b>2,787,723</b>	<b>5,173,572</b>

Remuneration of management includes an allocated share of the management salary for the group.

## 3 Depreciation, amortisation and impairment losses

	<b>2020 6 months DKK</b>	<b>2019/20 12 months DKK</b>
Amortisation of intangible assets	3,107,863	3,738,564
Depreciation of property, plant and equipment	280,769	1,102,979
Profit/loss from sale of intangible assets and property, plant and equipment	(6,400)	35,382
	<b>3,382,232</b>	<b>4,876,925</b>

**4 Other financial income**

	2020 6 months DKK	2019/20 12 months DKK
Financial income from group enterprises	258,084	171,143
Other interest income	8	2,160
Exchange rate adjustments	100,420	165,261
	<b>358,512</b>	<b>338,564</b>

**5 Other financial expenses**

	2020 6 months DKK	2019/20 12 months DKK
Other interest expenses	724,775	1,338,786
Exchange rate adjustments	1,551,077	571,517
	<b>2,275,852</b>	<b>1,910,303</b>

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

	2020 6 months DKK	2019/20 12 months DKK
Current tax	11,175,316	17,799,960
Change in deferred tax	618,000	874,716
Adjustment concerning previous years	(346,228)	0
	<b>11,447,088</b>	<b>18,674,676</b>

**7 Proposed distribution of profit and loss**

	2020 6 months DKK	2019/20 12 months DKK
Ordinary dividend for the financial year	35,000,000	40,000,000
Retained earnings	1,655,080	24,105,270
	<b>36,655,080</b>	<b>64,105,270</b>



## 8 Intangible assets

	Completed development projects DKK	Acquired licences DKK	Development projects in progress DKK
Cost beginning of year	12,567,025	2,404,845	3,818,633
Transfers	3,818,633	0	(3,818,633)
Additions	177,401	2,404,853	2,039,621
Disposals	(166,528)	0	0
<b>Cost end of year</b>	<b>16,396,531</b>	<b>4,809,698</b>	<b>2,039,621</b>
Amortisation and impairment losses beginning of year	(3,774,238)	(362,965)	0
Amortisation for the year	(2,389,190)	(379,200)	0
Reversal regarding disposals	166,528	0	0
<b>Amortisation and impairment losses end of year</b>	<b>(5,996,900)</b>	<b>(742,165)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>10,399,631</b>	<b>4,067,533</b>	<b>2,039,621</b>

### 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	4,895,002	3,853,098
Additions	0	262,277
Disposals	(1,644,289)	(1,682,461)
<b>Cost end of year</b>	<b>3,250,713</b>	<b>2,432,914</b>
Depreciation and impairment losses beginning of year	(3,042,828)	(2,200,597)
Depreciation for the year	(323,706)	(296,535)
Reversal regarding disposals	1,644,289	1,682,458
<b>Depreciation and impairment losses end of year</b>	<b>(1,722,245)</b>	<b>(814,674)</b>
<b>Carrying amount end of year</b>	<b>1,528,468</b>	<b>1,618,240</b>

### 11 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	447,051	2,966,975
Additions	0	360,219
<b>Cost end of year</b>	<b>447,051</b>	<b>3,327,194</b>
Impairment losses beginning of year	2,870,702	0
Exchange rate adjustments	(177,954)	0
Share of profit/loss for the year	1,078,217	0
Investments with negative equity value depreciated over receivables	(383,577)	0
<b>Impairment losses end of year</b>	<b>3,387,388</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>3,834,439</b>	<b>3,327,194</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 (inactive)	UK	Ltd	100
Shenzhen GUBI Trade Co., Limited	China	Ltd	100

## 12 Prepayments

Prepayments is related to prepaid costs.

## 13 Deferred tax

<b>Changes during the year</b>	<b>31.12.2020 DKK</b>	<b>30.06.2020 DKK</b>
Beginning of year	621,607	(253,109)
Recognised in the income statement	688,393	874,716
<b>End of year</b>	<b>1,310,000</b>	<b>621,607</b>

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 9.0 million have been recognised as of 31 December 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 4m.

## 15 Non-current liabilities other than provisions

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

## 16 Unrecognised rental and lease commitments

	<b>31.12.2020 DKK</b>	<b>30.06.2020 DKK</b>
Liabilities under rental or lease agreements until maturity in total	<b>4,291,582</b>	<b>3,724,958</b>

### 17 Contingent liabilities

The Entity has a repurchase obligation towards a number of their suppliers. The repurchase obligation amounts to 13,417 t.DKK as of 31.12.2020.

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.

### 18 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.

### 19 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)

### 20 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 twelve months (1.7.2019 - 30.06.2020) and the current figures contains six months (1.7.2020 - 31.12.2020). Therefor 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).

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.

### **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.

### **Joint taxation contributions receivable or payable**

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for 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.



**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.

**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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## Lars Cordt

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