



Gubi A/S

Orientkaj 18
2150 Nordhavn
CVR No. 17940384

Annual report 2022

The Annual General Meeting adopted the
annual report on 29.03.2023

Anne Sofie Bendix Ranch
Chairman of the General Meeting

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Entity details

Entity

Gubi A/S

Orientkaj 18

2150 Nordhavn

Business Registration No.: 17940384

Registered office: Copenhagen

Financial year: 01.01.2022 - 31.12.2022

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, CEO

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 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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, 22.03.2023

Executive Board

Klaus Thyge Høeg-Hagensen
CEO

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

Opinion

We have audited the financial statements of Gubi A/S for the financial year 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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.

Copenhagen, 22.03.2023

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

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019/20 DKK'000	2018/19 DKK'000
Key figures					
Gross profit/loss	135,321	174,173	72,321	127,256	154,149
Operating profit/loss	70,000	120,674	48,941	84,025	125,217
Net financials	(703)	(2,055)	(1,917)	(1,572)	(421)
Profit/loss for the year	55,834	95,769	36,655	64,105	99,079
Total assets	159,790	147,525	126,750	140,805	160,028
Investments in property, plant and equipment	399	0	262	2,578	1,114
Equity	38,782	37,836	49,934	53,457	85,337
Ratios					
Return on equity (%)	145.75	218.23	70.91	92.37	176.04
Equity ratio (%)	24.27	25.65	39.40	37.97	53.33

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

Return on equity (%):

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

Average equity

Equity ratio (%):

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

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

Reported gross profit of DKK 135,321k in 2022 compared to DKK 174,173k in 2021 and reported operating profit of DKK 70,000k in 2022 compared to DKK 120,674k in 2021. The Company has been impacted by inflation on cost prices and significant higher freight costs. In addition, 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 2022 to be satisfactory.

Unusual circumstances affecting recognition and measurement

No significant uncertainties are attached to recognition and measurement.

Outlook

The Company expects revenue at a similar level as 2022 and anticipates normalized operating profit margin (EBITDA) to be in line with 2022.

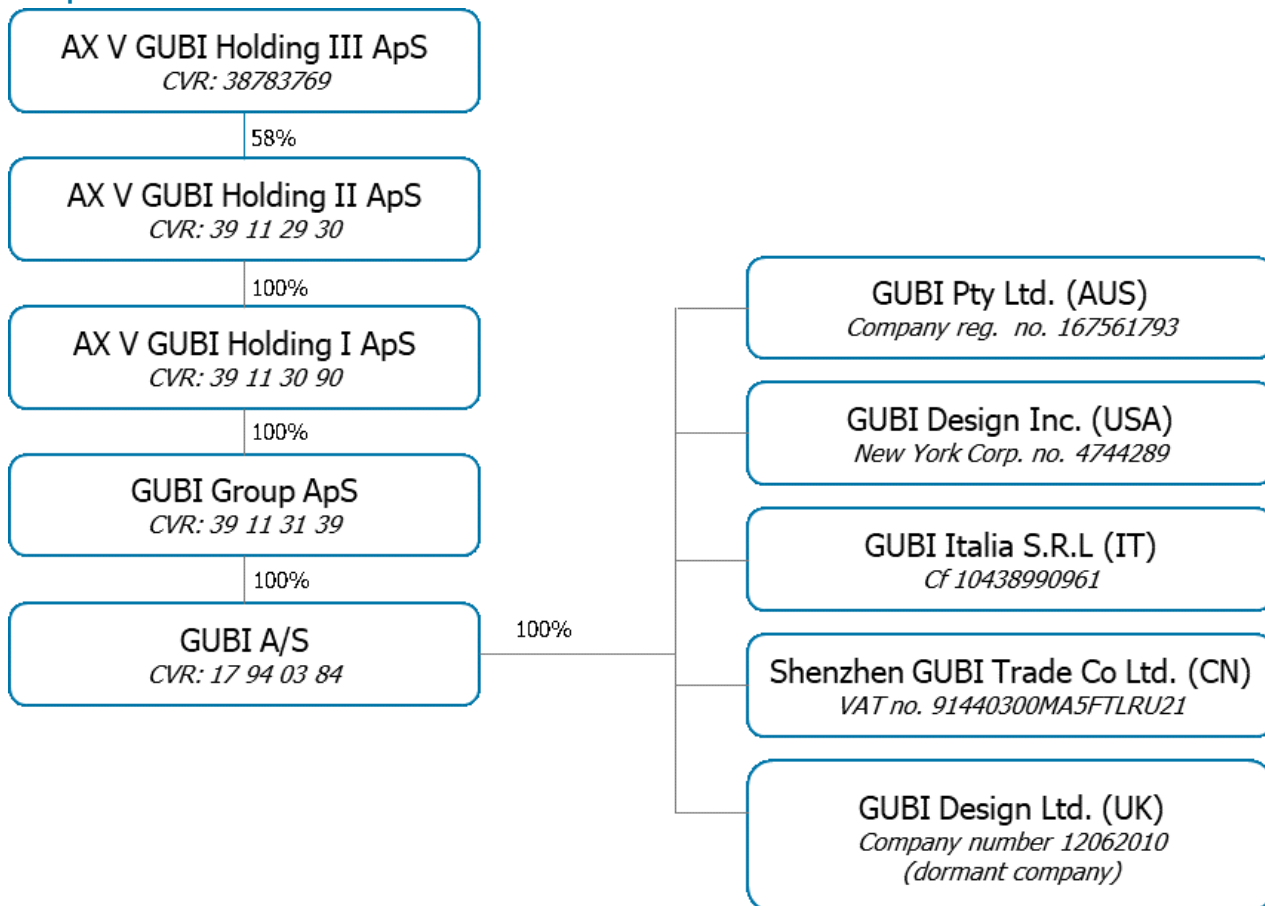
Environmental performance

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

The Company’s parent company, GUBI Group ApS, has published a Sustainability Report covering non-financial results related to environmental, social, and governance impacts. The Sustainability Report is available at GUBI website, <https://gubi.com/en/dk/company/company-information>.

Please refer to the management commentary in the annual report for 2022 for GUBI Group ApS, which is available at the GUBI website, <https://gubi.com/en/dk/company/company-information>.

Events after the balance sheet date

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

Income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		135,320,548	174,172,625
Staff costs	2	(55,818,532)	(45,118,458)
Depreciation, amortisation and impairment losses	3	(9,501,599)	(8,380,339)
Operating profit/loss		70,000,417	120,673,828
Income from investments in group enterprises		3,018,590	2,651,214
Other financial income	4	911,539	111,126
Other financial expenses	5	(1,614,165)	(2,166,290)
Profit/loss before tax		72,316,381	121,269,878
Tax on profit/loss for the year	6	(16,482,340)	(25,500,987)
Profit/loss for the year	7	55,834,041	95,768,891

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	9	5,208,394	7,311,414
Acquired licences		3,353,195	4,067,985
Development projects in progress	9	4,380,777	4,055,928
Intangible assets	8	12,942,366	15,435,327
Plant and machinery		439,193	869,196
Other fixtures and fittings, tools and equipment		975,071	1,021,031
Property, plant and equipment	10	1,414,264	1,890,227
Investments in group enterprises		9,749,003	6,618,056
Deposits		3,495,055	4,181,044
Financial assets	11	13,244,058	10,799,100
Fixed assets		27,600,688	28,124,654
Manufactured goods and goods for resale		76,526,504	45,618,528
Prepayments for goods		1,345,000	3,834,166
Inventories		77,871,504	49,452,694
Trade receivables		30,825,671	47,052,901
Receivables from group enterprises		16,269,779	16,636,370
Other receivables		1,083,900	2,083,131
Tax receivable		0	3,239,186
Prepayments	12	1,468,410	493,822
Receivables		49,647,760	69,505,410
Cash		4,670,464	442,596
Current assets		132,189,728	119,400,700
Assets		159,790,416	147,525,354

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		501,247	501,247
Translation reserve		66,805	(45,552)
Reserve for net revaluation according to the equity method		9,301,952	6,171,005
Reserve for development expenditure		7,479,553	8,866,526
Retained earnings		1,432,739	2,342,672
Proposed dividend		20,000,000	20,000,000
Equity		38,782,296	37,835,898
Deferred tax	13	904,000	533,000
Other provisions	14	7,666,750	8,700,591
Provisions		8,570,750	9,233,591
Other payables		0	1,050,364
Non-current liabilities other than provisions		0	1,050,364
Bank loans		23,939,186	16,842,272
Prepayments received from customers		5,037,405	11,610,200
Trade payables		36,385,135	29,774,979
Payables to group enterprises		25,767,775	26,591,692
Joint taxation contribution payable		15,684,562	6,231,864
Other payables		5,623,307	8,354,494
Current liabilities other than provisions		112,437,370	99,405,501
Liabilities other than provisions		112,437,370	100,455,865
Equity and liabilities		159,790,416	147,525,354
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	15		
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Statement of changes in equity for 2022

	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	(45,552)	6,171,005	8,866,526	2,342,672
Ordinary dividend paid	0	0	0	0	0
Extraordinary dividend paid	0	0	0	0	(35,000,000)
Exchange rate adjustments	0	112,357	0	0	0
Transfer to reserves	0	0	3,130,947	(1,386,973)	(1,743,974)
Profit/loss for the year	0	0	0	0	35,834,041
Equity end of year	501,247	66,805	9,301,952	7,479,553	1,432,739

	Proposed dividend DKK	Total DKK
Equity beginning of year	20,000,000	37,835,898
Ordinary dividend paid	(20,000,000)	(20,000,000)
Extraordinary dividend paid	0	(35,000,000)
Exchange rate adjustments	0	112,357
Transfer to reserves	0	0
Profit/loss for the year	20,000,000	55,834,041
Equity end of year	20,000,000	38,782,296

Notes

1 Events after the balance sheet date

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

	2022	2021
	DKK	DKK
Wages and salaries	52,606,983	45,532,443
Pension costs	3,279,325	1,481,198
Other social security costs	1,291,667	505,803
Other staff costs	2,669,233	1,654,942
	59,847,208	49,174,386
Staff costs classified as assets	(4,028,676)	(4,055,928)
	55,818,532	45,118,458
Average number of full-time employees	66	62

	Remuneration of Management 2022 DKK	Remuneration of Management 2021 DKK
Executive Board	5,773,290	6,264,000
Board of Directors	1,300,000	1,300,000
	7,073,290	7,564,000

3 Depreciation, amortisation and impairment losses

	2022	2021
	DKK	DKK
Amortisation of intangible assets	8,354,181	7,123,858
Depreciation of property, plant and equipment	875,242	1,256,481
Impairment losses on property, plant and equipment	272,176	0
	9,501,599	8,380,339

4 Other financial income

	2022	2021
	DKK	DKK
Financial income from group enterprises	91,398	94,116
Other interest income	401,530	962
Exchange rate adjustments	418,611	16,048
	911,539	111,126

5 Other financial expenses

	2022	2021
	DKK	DKK
Financial expenses from group enterprises	93,178	558,539
Other interest expenses	1,520,987	1,367,613
Exchange rate adjustments	0	240,138
	1,614,165	2,166,290

6 Tax on profit/loss for the year

	2022	2021
	DKK	DKK
Current tax	15,743,476	26,218,548
Change in deferred tax	371,000	(777,000)
Adjustment concerning previous years	367,864	59,439
	16,482,340	25,500,987

7 Proposed distribution of profit and loss

	2022	2021
	DKK	DKK
Ordinary dividend for the financial year	20,000,000	20,000,000
Extraordinary dividend distributed in the financial year	35,000,000	70,000,000
Retained earnings	834,041	5,768,891
	55,834,041	95,768,891

8 Intangible assets

	Completed development projects DKK	Acquired licences DKK	Development projects in progress DKK
Cost beginning of year	18,111,994	6,014,595	4,055,928
Transfers	0	0	(4,055,928)
Additions	4,677,274	859,097	4,380,777
Cost end of year	22,789,268	6,873,692	4,380,777
Amortisation and impairment losses beginning of year	(10,800,580)	(1,946,610)	0
Amortisation for the year	(6,780,294)	(1,573,887)	0
Amortisation and impairment losses end of year	(17,580,874)	(3,520,497)	0
Carrying amount end of year	5,208,394	3,353,195	4,380,777

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
Additions	0	399,279
Cost end of year	3,250,713	2,832,193
Depreciation and impairment losses beginning of year	(2,381,517)	(1,411,883)
Depreciation for the year	(430,003)	(445,239)
Depreciation and impairment losses end of year	(2,811,520)	(1,857,122)
Carrying amount end of year	439,193	975,071

11 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	447,051	4,181,044
Disposals	0	(685,989)
Cost end of year	447,051	3,495,055
Revaluations beginning of year	6,171,005	0
Exchange rate adjustments	112,357	0
Share of profit/loss for the year	3,018,590	0
Revaluations end of year	9,301,952	0
Carrying amount end of year	9,749,003	3,495,055

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

	2022	2021
	DKK	DKK
Changes during the year		
Beginning of year	533,000	1,310,000
Recognised in the income statement	371,000	(777,000)
End of year	904,000	533,000

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 7.7 million have been recognised as of 31 December 2022 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 5.7 m.

15 Unrecognised rental and lease commitments

	2022	2021
	DKK	DKK
Liabilities under rental or lease agreements until maturity in total	3,855,381	4,153,748

16 Contingent liabilities

	2022	2021
	DKK	DKK
Other contingent liabilities	19,032,677	15,580,389
Contingent liabilities	19,032,677	15,580,389

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.

17 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.

18 Related parties with controlling interest

Related parties with controlling interest in Gubi A/S:

Gubi Group ApS, Orientkaj 18, 2150 Nordhavn, (immediate parent company)

AX Gubi Holding I ApS, Orientkaj 18, 2150 Nordhavn

AX Gubi Holding II ApS, Orientkaj 18, 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)

19 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, Orientkaj 18, 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.

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:

	Useful life
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.