
Ellab A/S

Trollesmindealle 25, DK-3400 Hillerød

Annual Report for 1 May 2018 - 30 April 2019

CVR No 20 89 69 49

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
17/9 2019

Michael Engstrøm
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Ellab A/S for the financial year 1 May 2018 - 30 April 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 April 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018/19.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hillerød, 17 September 2019

Executive Board

Peter Krogh
CEO

Board of Directors

Torben Ladegaard
Chairman

Alireza Etemad

Peter Krogh

Thomas Astrup Klitbo

Independent Auditor's Report

To the Shareholder of Ellab A/S

Report on the Consolidated Financial Statements and the Parent Company Financial Statements

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 April 2019 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 May 2018 - 30 April 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Ellab A/S for the financial year 1 May 2018 - 30 April 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any mate-

Independent Auditor's Report

rial misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company 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 Company's and the Group'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 Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we

Independent Auditor's Report

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 Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

Non-compliance with the Danish Companies Act

Contrary to section 206 of the Danish Companies Act, the Company has unintentionally and indirectly via a group cash pool arrangement, provided funds to the Company's immediate parent company within the group, by which Management may incur liability. The issue will be remedied in connection with approval of this annual report.

Hillerød, 17 September 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen
statsautoriseret revisor
mne17120

Christian Engelbrecht Friis
statsautoriseret revisor
mne44180

Company Information

The Company

Ellab A/S
Trollesmindealle 25
DK-3400 Hillerød

CVR No: 20 89 69 49
Financial period: 1 May - 30 April
Municipality of reg. office: Hillerød

Board of Directors

Torben Ladegaard, Chairman
Alireza Etemad
Peter Krogh
Thomas Astrup Klitbo

Executive Board

Peter Krogh

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Milnersvej 43
DK-3400 Hillerød

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

| | Group | | | | |
|---|--------------|---------|---------|---------|---------|
| | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Key figures | | | | | |
| Profit/loss | | | | | |
| Gross profit/loss | 196,940 | 148,908 | 144,118 | 131,943 | 114,994 |
| Operating profit/loss | 91,516 | 74,857 | 63,335 | 66,913 | 53,633 |
| Net financials | 8,511 | -3,320 | -8 | -462 | 1,999 |
| Net profit/loss for the year | 74,951 | 53,166 | 49,934 | 50,057 | 41,030 |
| Balance sheet | | | | | |
| Balance sheet total | 295,738 | 183,364 | 144,522 | 83,858 | 79,776 |
| Equity | 235,222 | 158,817 | 106,982 | 56,948 | 52,690 |
| Cash flows | | | | | |
| Cash flows from: | | | | | |
| including investment in property, plant and equipment | -9,675 | -11,189 | -7,408 | 4,506 | 4,009 |
| Number of employees | 174 | 141 | 121 | 109 | 102 |
| Ratios | | | | | |
| Solvency ratio | 79.5% | 86.6% | 74.0% | 67.9% | 66.0% |
| Return on equity | 38.0% | 40.0% | 60.9% | 91.3% | 73.5% |
| EBITDA | 103,067 | 82,634 | 67,887 | 70,269 | 55,729 |

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

Ellab is providing high end thermal validation and monitoring solutions and validation services to life science and food industries for applications where accurate and complete documentation is essential. The company designs, develop and manufactures high-precision equipment, and software for temperature, pressure and humidity validation and monitoring.

Market overview

Ellab handles sales and services by own sales companies in Denmark, Germany, Italy, UK, France, Netherlands, USA, Dubai and Philippines. Other markets are handled through independent distributors.

Production, assembly, quality inspection and development of Ellab equipment takes mainly place in the facility in Hillerød, Denmark.

Development in the year

The income statement for the Group for 2018/19 shows a profit from operating activities of DKK 91.5m (2017/18 DKK 74.9m) and profit for the year of DKK 75.0m (2017/18 DKK 53.2m). Profit from operating activities and profit for the year are impacted by one-off expenses of DKK 7.6m (2017/18 DKK 0.8m).

The balance sheet at April 30th, 2019 of the Group shows equity of DKK 235.2m (2017/18 DKK 158.8m). Total assets amount to DKK 295.7m (2017/18 DKK 183.4m).

In 2018/19, the Group had a positive sales trend and following the Group's strategy for organic growth, significant investments in product development activities and market development have been made. During the year, the Company has invested further in direct markets in USA, Germany, UK, France and Italy. In December 2018 the company acquired the Italian distributor of Ellab, FasInternational Srl. to further develop the Italian market.

Expectations from last year and development for the coming year

The development in 2018/19 has been above expectations from last year.

The current activities of the group continue in 2019/20, and the management expects continued stable and positive sales development due to increasing market activity and continued introduction of new products.

In the coming year, the Group will continue the investment in product- and market development.

In May 2019 the company acquired the UK based Hanwell Group which is specialized within monitoring and the company expects to further develop this marked.

Management's Review

Special risks - operating risks and financial risks

Operating risks and financial risks

With activities around the world Ellab has the risks inherent in international activities, including currency risks.

The Ellab Group is not particularly exposed to changes in interest rates, as the debt ratio is low.

Research and development

The company continuously develops the products and processes but no real research takes place within the Group.

Impact of the external environment

The Group meets the environmental requirements in the legislation and works consciously and continuously tries to reduce the environmental impact from the operations. In continuation of this work the company has received its environmental certification during 2018/19.

Intellectual capital resources of importance for future earnings

The Group's policy is a continuous development of products and processes. It is therefore crucial that the Group in the future can attract and retain competent and motivated employees, including engineers.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at April 30th, 2019 of the Company and the results of the activities and cash flows of the Company for the financial year for 2018/19 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

On August 6th, 2019 the owners of the Ellab Group IK VII Fund managed by IK Investment Partners signed an agreement regarding sale of Ellab Group to EQT Mid Market Europe Fund (EQT). EQT is a member of the organization for venture capital and private equity (DVCA).

Income Statement 1 May - 30 April

| | Note | Group | | Parent Company | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | 2018/19 TDKK | 2017/18 TDKK | 2018/19 TDKK | 2017/18 TDKK |
| Gross profit/loss | | 196,940 | 148,908 | 122,871 | 99,894 |
| Distribution expenses | 1 | -71,183 | -47,105 | -13,248 | -10,976 |
| Development expenses | 1 | -13,703 | -12,746 | -13,703 | -12,746 |
| Administrative expenses | 1 | -20,538 | -14,200 | -20,376 | -14,064 |
| Operating profit/loss | | 91,516 | 74,857 | 75,544 | 62,108 |
| Profit/loss before financial income and expenses | | 91,516 | 74,857 | 75,544 | 62,108 |
| Income from investments in subsidiaries | | 0 | 0 | 9,395 | 5,946 |
| Financial income | 2 | 10,702 | 140 | 9,090 | 67 |
| Financial expenses | 3 | -2,191 | -3,460 | -280 | -2,966 |
| Profit/loss before tax | | 100,027 | 71,537 | 93,749 | 65,155 |
| Tax on profit/loss for the year | 4 | -25,076 | -18,371 | -18,798 | -11,989 |
| Net profit/loss for the year | | 74,951 | 53,166 | 74,951 | 53,166 |

Balance Sheet 30 April

Assets

| | Note | Group | | Parent Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| | | TDKK | TDKK | TDKK | TDKK |
| Completed development projects | | 2,569 | 521 | 2,569 | 521 |
| Patents and trademarks | | 306 | 0 | 306 | 0 |
| Customers / Distributors | | 3,787 | 0 | 0 | 0 |
| Technology | | 2,411 | 0 | 0 | 0 |
| Goodwill | | 21,755 | 873 | 0 | 0 |
| Development projects in progress | | 3,079 | 2,929 | 3,079 | 2,929 |
| Intangible assets | 5 | 33,907 | 4,323 | 5,954 | 3,450 |
| Plant and machinery | | 12,846 | 8,865 | 954 | 1,069 |
| Other fixtures and fittings, tools and equipment | | 7,652 | 7,889 | 3,735 | 4,410 |
| Leasehold improvements | | 352 | 134 | 192 | 133 |
| Property, plant and equipment | 6 | 20,850 | 16,888 | 4,881 | 5,612 |
| Investments in subsidiaries | 7 | 0 | 0 | 66,680 | 19,122 |
| Deposits | 8 | 1,942 | 1,951 | 1,690 | 1,637 |
| Fixed asset investments | | 1,942 | 1,951 | 68,370 | 20,759 |
| Fixed assets | | 56,699 | 23,162 | 79,205 | 29,821 |
| Raw materials and consumables | | 9,913 | 9,151 | 9,707 | 9,151 |
| Finished goods and goods for resale | | 10,579 | 8,904 | 4,344 | 4,879 |
| Inventories | | 20,492 | 18,055 | 14,051 | 14,030 |
| Trade receivables | | 56,034 | 31,378 | 4,034 | 5,274 |
| Receivables from group enterprises | | 67,955 | 29,095 | 108,454 | 67,782 |
| Other receivables | | 1,832 | 598 | 2,378 | 435 |
| Deferred tax asset | 12 | 990 | 1,943 | 2,618 | 2,030 |
| Prepayments | 9 | 1,667 | 1,986 | 257 | 781 |
| Receivables | | 128,478 | 65,000 | 117,741 | 76,302 |
| Cash at bank and in hand | 10 | 90,069 | 77,147 | 60,490 | 54,622 |
| Currents assets | | 239,039 | 160,202 | 192,282 | 144,954 |
| Assets | | 295,738 | 183,364 | 271,487 | 174,775 |

Balance Sheet 30 April

Liabilities and equity

| | Note | Group | | Parent Company | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | 2018/19 TDKK | 2017/18 TDKK | 2018/19 TDKK | 2017/18 TDKK |
| Share capital | | 15,000 | 15,000 | 15,000 | 15,000 |
| Reserve for net revaluation under the equity method | | 0 | 0 | 21,103 | 13,249 |
| Reserve for development costs | | 0 | 0 | 3,925 | 2,212 |
| Retained earnings | | 106,222 | 143,817 | 81,194 | 128,356 |
| Proposed dividend for the year | | 114,000 | 0 | 114,000 | 0 |
| Equity | | 235,222 | 158,817 | 235,222 | 158,817 |
| Credit institutions | | 745 | 908 | 716 | 854 |
| Prepayments received from customers | | 280 | 28 | 0 | 0 |
| Trade payables | | 7,376 | 2,609 | 4,232 | 2,389 |
| Corporation tax | | 21,459 | 7,015 | 17,203 | 5,503 |
| Other payables | | 30,656 | 13,987 | 14,114 | 7,212 |
| Short-term debt | | 60,516 | 24,547 | 36,265 | 15,958 |
| Debt | | 60,516 | 24,547 | 36,265 | 15,958 |
| Liabilities and equity | | 295,738 | 183,364 | 271,487 | 174,775 |
| Distribution of profit | 11 | | | | |
| Contingent assets, liabilities and other financial obligations | 15 | | | | |
| Accounting Policies | 16 | | | | |

Statement of Changes in Equity

Group

| | Share capital | Reserve for net revaluation under the equity method | Reserve for development costs | Retained earnings | Proposed dividend for the year | Total |
|------------------------------|---------------|---|-------------------------------|-------------------|--------------------------------|----------------|
| | TDKK | TDKK | TDKK | TDKK | TDKK | TDKK |
| Equity at 1 May | 15,000 | 0 | 0 | 143,817 | 0 | 158,817 |
| Exchange adjustments | 0 | 0 | 0 | 1,454 | 0 | 1,454 |
| Net profit/loss for the year | 0 | 0 | 0 | -39,049 | 114,000 | 74,951 |
| Equity at 30 April | 15,000 | 0 | 0 | 106,222 | 114,000 | 235,222 |

Parent Company

| | | | | | | |
|--|---------------|---------------|--------------|---------------|----------------|----------------|
| Equity at 1 May | 15,000 | 13,249 | 2,212 | 128,356 | 0 | 158,817 |
| Exchange adjustments | 0 | 1,454 | 0 | 0 | 0 | 1,454 |
| Dividend from group enterprises | 0 | -2,995 | 0 | 2,995 | 0 | 0 |
| Development costs for the year | 0 | 0 | 2,572 | -2,572 | 0 | 0 |
| Depreciation, amortisation and impairment for the year | 0 | 0 | -859 | 859 | 0 | 0 |
| Net profit/loss for the year | 0 | 9,395 | 0 | -48,444 | 114,000 | 74,951 |
| Equity at 30 April | 15,000 | 21,103 | 3,925 | 81,194 | 114,000 | 235,222 |

Cash Flow Statement 1 May - 30 April

| | Note | Group | |
|--|------|-----------------|-----------------|
| | | 2018/19 TDKK | 2017/18 TDKK |
| Net profit/loss for the year | | 74,951 | 53,166 |
| Adjustments | 13 | 29,933 | 31,207 |
| Change in working capital | 14 | -2,320 | -16,834 |
| Cash flows from operating activities before financial income and expenses | | 102,564 | 67,539 |
| Financial income | | 4,607 | 140 |
| Financial expenses | | -2,191 | -3,460 |
| Cash flows from ordinary activities | | 104,980 | 64,219 |
| Corporation tax paid | | -11,634 | -20,684 |
| Cash flows from operating activities | | 93,346 | 43,535 |
| Purchase of intangible assets | | -3,604 | -1,954 |
| Purchase of property, plant and equipment | | -9,675 | -11,189 |
| Payment for acquisition of subsidiary, net of cash acquires | | -35,607 | 0 |
| Sale of property, plant and equipment | | 650 | 1,465 |
| Deposits | | 0 | -293 |
| Cash flows from investing activities | | -48,236 | -11,971 |
| Repayment of loans from credit institutions | | -166 | 828 |
| Cash flows from financing activities | | -166 | 828 |
| Change in cash and cash equivalents | | 44,944 | 32,392 |
| Cash and cash equivalents at 1 May | | 106,243 | 73,850 |
| Exchange adjustment of current asset investments | | 743 | 0 |
| Cash and cash equivalents at 30 April | | 151,930 | 106,242 |
| Cash and cash equivalents are specified as follows: | | | |
| Cash at bank and in hand | | 90,069 | 77,147 |
| Cashpool accounts classified as receivables | | 61,861 | 29,095 |
| Cash and cash equivalents at 30 April | | 151,930 | 106,242 |

Notes to the Financial Statements

| | Group | | Parent Company | |
|--|---------------|---------------|----------------|---------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| | TDKK | TDKK | TDKK | TDKK |
| 1 Staff | | | | |
| Wages and Salaries | 86,957 | 67,131 | 41,224 | 34,999 |
| Pensions | 3,826 | 2,990 | 2,760 | 2,544 |
| Other social security expenses | 4,185 | 2,704 | 266 | 200 |
| | 94,968 | 72,825 | 44,250 | 37,743 |
| Wages and Salaries, pensions and other social security expenses are recognised in the following items: | | | | |
| Cost of production | 33,069 | 31,833 | 18,398 | 17,801 |
| Distribution expenses | 46,121 | 28,406 | 10,074 | 7,356 |
| Development expenses | 13,635 | 11,662 | 13,635 | 11,662 |
| Administrative expenses | 2,143 | 924 | 2,143 | 924 |
| | 94,968 | 72,825 | 44,250 | 37,743 |
| Average number of employees | 174 | 141 | 84 | 77 |

In accordance with section 98 B(3) of the Danish Financial Statements Act remuneration to the Executive Board has not been disclosed.

2 Financial income

| | | | | |
|--|---------------|------------|--------------|-----------|
| Interest received from group enterprises | 6,095 | 0 | 6,314 | 0 |
| Other financial income | 143 | 140 | 5 | 67 |
| Exchange gains | 4,464 | 0 | 2,771 | 0 |
| | 10,702 | 140 | 9,090 | 67 |

3 Financial expenses

| | | | | |
|--------------------------|--------------|--------------|------------|--------------|
| Other financial expenses | 410 | 3,460 | 96 | 2,966 |
| Exchange loss | 1,781 | 0 | 184 | 0 |
| | 2,191 | 3,460 | 280 | 2,966 |

Notes to the Financial Statements

| 4 Tax on profit/loss for the year | Group | | Parent Company | |
|-----------------------------------|---------------|---------------|----------------|---------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| | TDKK | TDKK | TDKK | TDKK |
| Current tax for the year | 24,123 | 16,138 | 19,382 | 12,681 |
| Deferred tax for the year | 953 | 2,233 | -584 | -692 |
| | 25,076 | 18,371 | 18,798 | 11,989 |

5 Intangible assets

Group

| | Completed development projects | Patents and trademarks | Customers / Distributors | Technology | Goodwill | Development projects in progress | Total |
|--|--------------------------------|------------------------|--------------------------|--------------|---------------|----------------------------------|---------------|
| | TDKK | TDKK | TDKK | TDKK | TDKK | TDKK | TDKK |
| Cost at 1 May | 13,059 | 0 | 0 | 0 | 1,267 | 2,929 | 17,255 |
| Exchange adjustment | 0 | 0 | 0 | 0 | 2 | 0 | 2 |
| Net effect from merger and acquisition | 0 | 0 | 4,057 | 2,451 | 21,865 | 0 | 28,373 |
| Additions for the year | 0 | 306 | 0 | 0 | 0 | 3,299 | 3,605 |
| Transfers for the year | 3,149 | 0 | 0 | 0 | 0 | -3,149 | 0 |
| Cost at 30 April | 16,208 | 306 | 4,057 | 2,451 | 23,134 | 3,079 | 49,235 |
| Impairment losses and amortisation at 1 May | 12,538 | 0 | 0 | 0 | 395 | 0 | 12,933 |
| Exchange adjustment | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| Amortisation for the year | 1,101 | 0 | 270 | 40 | 983 | 0 | 2,394 |
| Impairment losses and amortisation at 30 April | 13,639 | 0 | 270 | 40 | 1,379 | 0 | 15,328 |
| Carrying amount at 30 April | 2,569 | 306 | 3,787 | 2,411 | 21,755 | 3,079 | 33,907 |

To meet the increasing demand for specialized validation and monitoring solutions within the food, pharma and healthcare industries Ellab A/S continuously develop products and processes to replace and supplement the range of products the company offers today.

When development projects are completed and taken into production, the projects are depreciated over a three years period. If the value is impaired, the book value will be written off.

Notes to the Financial Statements

5 Intangible assets (continued)

Parent Company

| | Completed development projects | Patents and trademarks | Development projects in progress | Total |
|---|--------------------------------------|---------------------------|--|---------------------|
| | TDKK | TDKK | TDKK | TDKK |
| Cost at 1 May | 13,059 | 0 | 2,929 | 15,988 |
| Additions for the year | 0 | 306 | 3,299 | 3,605 |
| Transfers for the year | 3,149 | 0 | -3,149 | 0 |
| Cost at 30 April | <u>16,208</u> | <u>306</u> | <u>3,079</u> | <u>19,593</u> |
| Impairment losses and amortisation at 1 May | 12,538 | 0 | 0 | 12,538 |
| Amortisation for the year | <u>1,101</u> | <u>0</u> | <u>0</u> | <u>1,101</u> |
| Impairment losses and amortisation at 30 April | <u>13,639</u> | <u>0</u> | <u>0</u> | <u>13,639</u> |
| Carrying amount at 30 April | <u>2,569</u> | <u>306</u> | <u>3,079</u> | <u>5,954</u> |

Notes to the Financial Statements

6 Property, plant and equipment

Group

| | Plant and machinery | Other fixtures and fittings, tools and equipment | Leasehold improvements | Total |
|--|------------------------|---|---------------------------|----------------------|
| | TDKK | TDKK | TDKK | TDKK |
| Cost at 1 May | 23,744 | 20,037 | 2,525 | 46,306 |
| Exchange adjustment | 2,446 | -87 | 145 | 2,504 |
| Additions for the year | 9,220 | 2,746 | 249 | 12,215 |
| Disposals for the year | -1,469 | -1,449 | 0 | -2,918 |
| Cost at 30 April | <u>33,941</u> | <u>21,247</u> | <u>2,919</u> | <u>58,107</u> |
| Impairment losses and depreciation at 1 May | 14,879 | 12,148 | 2,391 | 29,418 |
| Exchange adjustment | 1,151 | 14 | 80 | 1,245 |
| Depreciation for the year | 5,657 | 3,111 | 96 | 8,864 |
| Impairment and depreciation of sold assets for the year | -592 | -1,678 | 0 | -2,270 |
| Impairment losses and depreciation at 30 April | <u>21,095</u> | <u>13,595</u> | <u>2,567</u> | <u>37,257</u> |
| Carrying amount at 30 April | <u>12,846</u> | <u>7,652</u> | <u>352</u> | <u>20,850</u> |
| Including assets under finance leases amounting to | <u>0</u> | <u>892</u> | <u>0</u> | <u>892</u> |

Notes to the Financial Statements

6 Property, plant and equipment (continued)

Parent Company

| | Plant and machinery | Other fixtures and fittings, tools and equipment | Leasehold improvements | Total |
|--|------------------------|---|---------------------------|---------------------|
| | TDKK | TDKK | TDKK | TDKK |
| Cost at 1 May | 4,013 | 12,502 | 2,525 | 19,040 |
| Additions for the year | 333 | 745 | 137 | 1,215 |
| Disposals for the year | 0 | -650 | 0 | -650 |
| Cost at 30 April | <u>4,346</u> | <u>12,597</u> | <u>2,662</u> | <u>19,605</u> |
| Impairment losses and depreciation at 1 May | 2,943 | 8,092 | 2,391 | 13,426 |
| Depreciation for the year | 449 | 1,764 | 79 | 2,292 |
| Impairment and depreciation of sold assets for the year | 0 | -994 | 0 | -994 |
| Impairment losses and depreciation at 30 April | <u>3,392</u> | <u>8,862</u> | <u>2,470</u> | <u>14,724</u> |
| Carrying amount at 30 April | <u>954</u> | <u>3,735</u> | <u>192</u> | <u>4,881</u> |
| Including assets under finance leases amounting to | <u>0</u> | <u>892</u> | <u>0</u> | <u>892</u> |

Notes to the Financial Statements

| | Parent Company | |
|---|-----------------------|----------------------|
| | 2018/19 | 2017/18 |
| | TDKK | TDKK |
| 7 Investments in subsidiaries | | |
| Cost at 1 May | 5,077 | 3,357 |
| Additions for the year | 36,693 | 1,720 |
| Cost at 30 April | <u>41,770</u> | <u>5,077</u> |
| Value adjustments at 1 May | 13,249 | 19,304 |
| Exchange adjustment | 1,451 | -1,331 |
| Net profit/loss for the year | 9,395 | 5,946 |
| Dividend to the Parent Company | -2,995 | -10,430 |
| Other adjustments | 9 | -240 |
| Value adjustments at 30 April | <u>21,109</u> | <u>13,249</u> |
| Equity investments with negative net asset value amortised over receivables | <u>3,801</u> | <u>796</u> |
| Carrying amount at 30 April | <u>66,680</u> | <u>19,122</u> |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Votes and ownership | Equity | Net profit/loss for the year |
|-------------------------|----------------------------|---------------------|--------|------------------------------|
| Ellab Inc. | USA | 100% | 11,702 | 6,892 |
| Ellab (UK) Limited | England | 100% | 3,646 | 135 |
| Ellab GmbH | Germany | 100% | 13,506 | 7,652 |
| Ellab SARL | France | 100% | -2,726 | -1,893 |
| Ellab Philippines Corp. | Phillipines | 100% | 696 | -193 |
| Ellab Benelux B.V. | Netherlands | 100% | 1,191 | 328 |
| Ellab FZCO | Dubai | 100% | -1,076 | -1,457 |
| FasInternational Srl | Italy | 100% | 9,921 | 2,067 |

Notes to the Financial Statements

8 Other fixed asset investments

| | Group | Parent Company |
|------------------------------------|---------------------|-----------------------|
| | Deposits | Deposits |
| | TDKK | TDKK |
| Cost at 1 May | 1,951 | 1,637 |
| Additions for the year | 53 | 53 |
| Disposals for the year | -62 | 0 |
| Cost at 30 April | <u>1,942</u> | <u>1,690</u> |
| Carrying amount at 30 April | <u>1,942</u> | <u>1,690</u> |

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

| | Group | | Parent Company | |
|------------------------------------|----------------------|----------------------|-----------------------|----------------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| | TDKK | TDKK | TDKK | TDKK |
| 10 Cash at bank and in hand | | | | |
| Other cash at bank and in hand | <u>90,069</u> | <u>77,147</u> | <u>60,490</u> | <u>54,622</u> |
| | <u>90,069</u> | <u>77,147</u> | <u>60,490</u> | <u>54,622</u> |

The danish group companies are participants in a cashpool arrangement with the ultimate parent company, Saballe TopCo ApS, as administration company. As such an amount of TDKK 61,861 has been reclassified from cash in bank to receivables from group enterprises.

| | Parent Company | |
|---|-----------------------|----------------------|
| | 2018/19 | 2017/18 |
| | TDKK | TDKK |
| 11 Distribution of profit | | |
| Proposed dividend for the year | 114,000 | 0 |
| Reserve for net revaluation under the equity method | 9,395 | 5,946 |
| Retained earnings | <u>-48,444</u> | <u>47,220</u> |
| | <u>74,951</u> | <u>53,166</u> |

Notes to the Financial Statements

| | Group | | Parent Company | |
|---|------------|--------------|----------------|--------------|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| | TDKK | TDKK | TDKK | TDKK |
| 12 Deferred tax asset | | | | |
| Deferred tax asset at 1 May | 1,943 | 4,176 | 2,030 | 1,338 |
| Amounts recognised in the income statement for the year | -953 | -2,233 | 584 | 692 |
| Deferred tax asset at 30 April | 990 | 1,943 | 2,618 | 2,030 |
| Intangible assets | 2,606 | 759 | 1,243 | 759 |
| Property, Plant and Equipment | 583 | 281 | 96 | 8 |
| Inventories | -3,392 | -2,948 | -3,392 | -2,948 |
| Trade receivables | 35 | 150 | 35 | 151 |
| Payables | -600 | 0 | 0 | 0 |
| Tax loss carry-forward | -222 | -185 | -600 | 0 |
| Transferred to deferred tax asset | 990 | 1,943 | 2,618 | 2,030 |
| | 0 | 0 | 0 | 0 |
| Deferred tax asset | | | | |
| Calculated tax asset | 990 | 1,943 | 2,618 | 2,030 |
| Carrying amount | 990 | 1,943 | 2,618 | 2,030 |

| | Group | |
|---|---------------|---------------|
| | 2018/19 | 2017/18 |
| | TDKK | TDKK |
| 13 Cash flow statement - adjustments | | |
| Financial income | -10,702 | -140 |
| Financial expenses | 2,191 | 3,460 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 11,259 | 7,777 |
| Tax on profit/loss for the year | 25,076 | 18,371 |
| Other adjustments | 2,109 | 1,739 |
| | 29,933 | 31,207 |

Notes to the Financial Statements

| | Group | |
|---|---------------|----------------|
| | 2018/19 | 2017/18 |
| | TDKK | TDKK |
| 14 Cash flow statement - change in working capital | | |
| Change in inventories | 330 | -6,182 |
| Change in receivables | -18,991 | 276 |
| Change in other provisions | 0 | -6,905 |
| Change in trade payables, etc | 16,341 | -4,023 |
| | -2,320 | -16,834 |

15 Contingent assets, liabilities and other financial obligations

Charges and security

Shares in subsidiaries Ellab Inc. & Ellab GmbH have been placed as security for credit institutions of the parent company, Saballe BidCo ApS. The shares are recognized at booked value of 25,208 TDKK (2017/18: 13,905 TDKK).

Contingent liabilities

Group:

Rental liabilities for the group amount monthly to T.DKK 505 (2017/18 T.DKK 400) with interminable periods between 1 month and 7 years.

The group has entered into operational leasing agreements with a monthly rate of T. DKK 31 and interminable periods 29 months. The group has entered into a one year finance lease contract with a monthly rate of T. DKK 19.

Ellab A/S:

Rental liabilities for the group amount monthly to T.DKK 248 (2017/18 T.DKK 234) with an interminable period of 7 years.

The company has entered into a one year finance lease contract with a monthly rate of T. DKK 19.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Saballe TopCo ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Ellab A/S for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2018/19 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Ellab A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

16 Accounting Policies (continued)

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

16 Accounting Policies (continued)

Cost of production

Cost of production comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and cost of production.

Distribution expenses

Distribution expenses from sales units comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Research and development costs

Research and development costs comprise research costs, costs relating to development projects that do not qualify for recognition in the balance sheet as well as amortisation and impairment of development projects.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax and change in deferred tax for the year. Current tax is calculated based on profit/loss before tax for the year adjusted for non-taxable income and expenses. A tax rate of 22% is applied for the calculation.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the

Notes to the Financial Statements

16 Accounting Policies (continued)

joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses.

Amortization is provided on a straight-line basis over the expected useful life.

| | |
|---|-------------|
| Customers and distributors | 5-20 years |
| Brand | 20 years |
| Technology | 20 years |
| Goodwill derived from excess purchase price | 5-10 years |
| Patents and trademarks | 10-20 years |

For goodwill assets a deferred tax liability is calculated at the tax rate on the difference between the carrying amount and the tax value. The initial recognition of this deferred tax liability increases the amount of goodwill. The recognized tax liability is amortized as the assets are amortized.

Development costs cover costs and salaries directly or indirectly attributable to the development activities of the enterprise.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies where the cost can be measured reliably and if sufficient certainty exists that future earnings cover production costs, selling costs and administrative expenses as well as the development costs.

Other development costs are recognised in the income statement as incurred.

Depreciation of development projects recognised will start when the asset is ready for use. Development projects are amortised over a period of 3 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Notes to the Financial Statements

16 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

| | |
|---|-----------|
| Other fixtures and fittings, tools and equipment | 3-5 years |
| Plant and machinery | 5 years |

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposit.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the

Notes to the Financial Statements

16 Accounting Policies (continued)

inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

16 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group's cash flows broken down by operating, investing and financing activities. Moreover, changes for the year in cash and cash equivalents are disclosed as well as cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand less short-term bank debt.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$