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# ***Ellab A/S***

Trollesmindealle 25, DK-3400 Hillerød

## **Annual Report for 1 May 2017 - 30 April 2018**

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CVR No 20 89 69 49

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
13/9 2018

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 2017 - 30 April 2018.

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 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2017/18.

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, 28 June 2018

## Executive Board

Peter Krogh  
CEO

## Board of Directors

Torben Ladegaard  
Chairman

Alireza Etemad

Michael Raldow

Thomas Astrup Klitbo

Peter Krogh

# Independent Auditor's Report

To the Shareholder of Ellab A/S

## 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 2018 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 2017 - 30 April 2018 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 2017 - 30 April 2018, 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 material misstatement in Management's Review.

# Independent Auditor's Report

## 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 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

## Independent Auditor's Report

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.

Hillerød, 28 June 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Henrik Aslund Pedersen

statsautoriseret revisor

mne17120

## 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  
Michael Raldow  
Thomas Astrup Klitbo  
Peter Krogh

### **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:

	<b>Group</b>				
	2017/18	2016/17	2015/16	2014/15	2013/14
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	148,908	144,118	131,943	114,994	94,976
Operating profit/loss	74,857	63,335	66,913	53,633	41,786
Net financials	-3,320	-8	-462	1,999	-467
Net profit/loss for the year	53,166	49,934	50,057	41,030	30,684
<b>Balance sheet</b>					
Balance sheet total	183,364	144,522	83,858	79,776	80,154
Equity	158,817	106,982	56,948	52,690	58,948
<b>Cash flows</b>					
Cash flows from:					
Investment in property, plant and equipment	11,189	6,085	4,506	4,009	1,245
Number of employees	141	121	109	102	95
<b>Ratios</b>					
EBITDA	82,634	67,887	70,269	55,729	44,479
Solvency ratio	86.6%	74.0%	67.9%	66.0%	73.5%
Return on equity	40.0%	60.9%	91.3%	73.5%	58.2%

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, UK, France, Netherlands, USA, Dubai and Philippines. Other markets are handled through independent distributors.

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

## Development in the year

The income statement for the Company for 2017/18 shows a profit from operating activities of DKK 74,9m (2016/17 DKK 63,3m) and profit for the year of DKK 53,2m (2016/17 DKK 49,9m). Profit from operating activities and profit for the year are impacted by one-off expenses of DKK 0,8m (2016/17 DKK 10,7m).

The balance sheet at April 30th, 2018 of the Company shows equity of DKK 158,8m (2016/17 DKK 107,0m). Total assets amount to DKK 183,4m (2016/17 DKK 144,5m).

In 2017/18, 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 Middle East.

## Expectations from last year and development for the coming year

The development in 2017/18 has been in line with expectations from last year.

The current activities of the group continue in 2018/19, 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.

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

## 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.

## 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.

## 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, 2018 of the Company and the results of the activities and cash flows of the Company for the financial year for 2017/18 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.

## Income Statement 1 May - 30 April

	Note	Group		Parent Company	
		2017/18 TDKK	2016/17 TDKK	2017/18 TDKK	2016/17 TDKK
<b>Gross profit/loss</b>		<b>148,908</b>	<b>144,118</b>	<b>99,894</b>	<b>98,962</b>
Distribution expenses	1	-47,105	-54,460	-10,976	-9,820
Development expenses	1	-12,746	-12,807	-12,746	-12,807
Administrative expenses	1	-14,200	-13,516	-14,064	-13,516
<b>Operating profit/loss</b>		<b>74,857</b>	<b>63,335</b>	<b>62,108</b>	<b>62,819</b>
<b>Profit/loss before financial income and expenses</b>		<b>74,857</b>	<b>63,335</b>	<b>62,108</b>	<b>62,819</b>
Income from investments in subsidiaries		0	0	5,946	58
Financial income		140	182	67	182
Financial expenses		-3,460	-190	-2,966	-169
<b>Profit/loss before tax</b>		<b>71,537</b>	<b>63,327</b>	<b>65,155</b>	<b>62,890</b>
Tax on profit/loss for the year	2	-18,371	-13,393	-11,989	-12,957
<b>Net profit/loss for the year</b>		<b>53,166</b>	<b>49,934</b>	<b>53,166</b>	<b>49,933</b>

# Balance Sheet 30 April

## Assets

	Note	Group		Parent Company	
		2017/18	2016/17	2017/18	2016/17
		TDKK	TDKK	TDKK	TDKK
Completed development projects		521	1,596	521	1,596
Goodwill		873	1,124	0	0
Development projects in progress		2,929	1,041	2,929	1,041
<b>Intangible assets</b>	<b>3</b>	<b>4,323</b>	<b>3,761</b>	<b>3,450</b>	<b>2,637</b>
Plant and machinery		8,865	5,375	1,069	1,190
Other fixtures and fittings, tools and equipment		7,889	5,232	4,410	2,518
Leasehold improvements		134	238	133	237
<b>Property, plant and equipment</b>	<b>4</b>	<b>16,888</b>	<b>10,845</b>	<b>5,612</b>	<b>3,945</b>
Investments in subsidiaries	5	0	0	18,326	22,661
Deposits	6	1,951	1,658	1,637	1,611
<b>Fixed asset investments</b>		<b>1,951</b>	<b>1,658</b>	<b>19,963</b>	<b>24,272</b>
<b>Fixed assets</b>		<b>23,162</b>	<b>16,264</b>	<b>29,025</b>	<b>30,854</b>
Raw materials and consumables		9,151	7,101	9,151	7,102
Finished goods and goods for resale		8,904	9,185	4,879	4,279
<b>Inventories</b>		<b>18,055</b>	<b>16,286</b>	<b>14,030</b>	<b>11,381</b>
Trade receivables		31,378	31,654	5,274	4,916
Receivables from group enterprises		0	0	39,483	27,980
Other receivables		598	973	435	278
Deferred tax asset	10	1,943	4,176	2,030	1,338
Prepayments	7	1,986	1,319	781	462
<b>Receivables</b>		<b>35,905</b>	<b>38,122</b>	<b>48,003</b>	<b>34,974</b>
<b>Cash at bank and in hand</b>	<b>8</b>	<b>106,242</b>	<b>73,850</b>	<b>83,717</b>	<b>53,663</b>
<b>Current assets</b>		<b>160,202</b>	<b>128,258</b>	<b>145,750</b>	<b>100,018</b>
<b>Assets</b>		<b>183,364</b>	<b>144,522</b>	<b>174,775</b>	<b>130,872</b>

# Balance Sheet 30 April

## Liabilities and equity

	Note	Group		Parent Company	
		2017/18 TDKK	2016/17 TDKK	2017/18 TDKK	2016/17 TDKK
Share capital		15,000	15,000	15,000	15,000
Reserve for net revaluation under the equity method		0	0	13,249	19,304
Reserve for development costs		2,212	739	2,212	739
Retained earnings		141,605	91,243	128,356	71,939
<b>Equity</b>		<b>158,817</b>	<b>106,982</b>	<b>158,817</b>	<b>106,982</b>
Other provisions	11	0	6,905	0	100
<b>Provisions</b>		<b>0</b>	<b>6,905</b>	<b>0</b>	<b>100</b>
Credit institutions		908	80	854	0
Prepayments received from customers		28	19	0	0
Trade payables		2,609	3,603	2,389	2,848
Corporation tax		7,015	9,918	5,503	11,962
Other payables		13,987	17,015	7,212	8,980
<b>Short-term debt</b>		<b>24,547</b>	<b>30,635</b>	<b>15,958</b>	<b>23,790</b>
<b>Debt</b>		<b>24,547</b>	<b>30,635</b>	<b>15,958</b>	<b>23,790</b>
<b>Liabilities and equity</b>		<b>183,364</b>	<b>144,522</b>	<b>174,775</b>	<b>130,872</b>
Distribution of profit	9				
Contingent assets, liabilities and other financial obligations	14				
Accounting Policies	15				

## Statement of Changes in Equity

### Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 May	15,000	0	739	91,243	106,982
Exchange adjustments	0	0	0	-1,331	-1,331
Development costs for the year	0	0	1,473	-1,473	0
Net profit/loss for the year	0	0	0	53,166	53,166
<b>Equity at 30 April</b>	<b>15,000</b>	<b>0</b>	<b>2,212</b>	<b>141,605</b>	<b>158,817</b>

### Parent Company

Equity at 1 May	15,000	19,304	739	71,939	106,982
Exchange adjustments	0	-1,331	0	0	-1,331
Dividend from group enterprises	0	-10,430	0	10,430	0
Other equity movements	0	-240	0	240	0
Development costs for the year	0	0	1,473	-1,473	0
Net profit/loss for the year	0	5,946	0	47,220	53,166
<b>Equity at 30 April</b>	<b>15,000</b>	<b>13,249</b>	<b>2,212</b>	<b>128,356</b>	<b>158,817</b>

## Cash Flow Statement 1 May - 30 April

	Note	Group	
		2017/18 TDKK	2016/17 TDKK
Net profit/loss for the year		53,166	49,934
Adjustments	12	31,207	19,379
Change in working capital	13	-16,834	7,182
<b>Cash flows from operating activities before financial income and expenses</b>		<b>67,539</b>	<b>76,495</b>
Financial income		140	182
Financial expenses		-3,460	-190
<b>Cash flows from ordinary activities</b>		<b>64,219</b>	<b>76,487</b>
Corporation tax paid		-20,684	-18,427
<b>Cash flows from operating activities</b>		<b>43,535</b>	<b>58,060</b>
Purchase of intangible assets		-1,954	-2,212
Purchase of property, plant and equipment		-11,189	-7,408
Sale of property, plant and equipment		1,465	226
Deposits		-293	349
<b>Cash flows from investing activities</b>		<b>-11,971</b>	<b>-9,045</b>
Repayment of loans from credit institutions		828	-45
<b>Cash flows from financing activities</b>		<b>828</b>	<b>-45</b>
<b>Change in cash and cash equivalents</b>		<b>32,392</b>	<b>48,970</b>
Cash and cash equivalents at 1 May		73,850	24,880
<b>Cash and cash equivalents at 30 April</b>		<b>106,242</b>	<b>73,850</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		106,242	73,850
<b>Cash and cash equivalents at 30 April</b>		<b>106,242</b>	<b>73,850</b>

# Notes to the Financial Statements

	<b>Group</b>		<b>Parent Company</b>	
	2017/18	2016/17	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK
<b>1 Staff</b>				
Wages and Salaries	67,131	60,859	34,999	34,341
Pensions	2,990	2,700	2,544	2,292
Other social security expenses	2,704	2,525	200	222
	<b>72,825</b>	<b>66,084</b>	<b>37,743</b>	<b>36,855</b>
Wages and Salaries, pensions and other social security expenses are recognised in the following items:				
Cost of production	31,833	24,247	17,801	16,618
Distribution expenses	28,406	28,815	7,356	7,215
Development expenses	11,662	10,812	11,662	10,812
Administrative expenses	924	2,210	924	2,210
	<b>72,825</b>	<b>66,084</b>	<b>37,743</b>	<b>36,855</b>
<b>Average number of employees</b>	<b>141</b>	<b>121</b>	<b>77</b>	<b>72</b>

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

## 2 Tax on profit/loss for the year

Current tax for the year	16,138	17,301	12,681	13,940
Deferred tax for the year	2,233	-3,908	-692	-983
	<b>18,371</b>	<b>13,393</b>	<b>11,989</b>	<b>12,957</b>



## Notes to the Financial Statements

### 3 Intangible assets

Group	Completed development projects	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK
Cost at 1 May	12,993	1,265	1,041
Exchange adjustment	0	2	0
Additions for the year	66	0	1,888
Cost at 30 April	<u>13,059</u>	<u>1,267</u>	<u>2,929</u>
Impairment losses and amortisation at 1 May	11,397	141	0
Amortisation for the year	1,141	253	0
Impairment losses and amortisation at 30 April	<u>12,538</u>	<u>394</u>	<u>0</u>
<b>Carrying amount at 30 April</b>	<b><u>521</u></b>	<b><u>873</u></b>	<b><u>2,929</u></b>

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 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

### 3 Intangible assets (continued)

#### Parent Company

	Completed development projects TDKK	Development projects in progress TDKK
Cost at 1 May	12,993	1,041
Additions for the year	66	1,888
Cost at 30 April	<u>13,059</u>	<u>2,929</u>
Impairment losses and amortisation at 1 May	11,397	0
Amortisation for the year	1,141	0
Impairment losses and amortisation at 30 April	<u>12,538</u>	<u>0</u>
<b>Carrying amount at 30 April</b>	<b><u>521</u></b>	<b><u>2,929</u></b>

### 4 Property, plant and equipment

#### Group

	Plant and machinery TDKK	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 May	10,570	15,923	2,505
Exchange adjustment	-1,926	-116	0
Additions for the year	5,562	5,627	21
Disposals for the year	-1,620	-2,072	0
Transfers for the year	11,158	675	0
Cost at 30 April	<u>23,744</u>	<u>20,037</u>	<u>2,526</u>
Impairment losses and depreciation at 1 May	5,195	10,691	2,267
Exchange adjustment	-841	-84	0
Depreciation for the year	3,854	2,403	125
Impairment and depreciation of sold assets for the year	-306	-1,304	0
Transfers for the year	6,977	442	0
Impairment losses and depreciation at 30 April	<u>14,879</u>	<u>12,148</u>	<u>2,392</u>
<b>Carrying amount at 30 April</b>	<b><u>8,865</u></b>	<b><u>7,889</u></b>	<b><u>134</u></b>

## Notes to the Financial Statements

### 4 Property, plant and equipment (continued)

#### Group

	Plant and machinery TDKK	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Including assets under finance leases amounting to	0	1,114	0

#### Parent Company

	Plant and machinery TDKK	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
Cost at 1 May	3,725	10,566	2,504	16,795
Additions for the year	287	3,976	21	4,284
Disposals for the year	0	-2,040	0	-2,040
Cost at 30 April	<u>4,012</u>	<u>12,502</u>	<u>2,525</u>	<u>19,039</u>
Impairment losses and depreciation at 1 May	2,535	8,048	2,267	12,850
Depreciation for the year	408	1,334	125	1,867
Impairment and depreciation of sold assets for the year	0	-1,290	0	-1,290
Impairment losses and depreciation at 30 April	<u>2,943</u>	<u>8,092</u>	<u>2,392</u>	<u>13,427</u>
<b>Carrying amount at 30 April</b>	<b><u>1,069</u></b>	<b><u>4,410</u></b>	<b><u>133</u></b>	<b><u>5,612</u></b>
Including assets under finance leases amounting to	0	1,114	0	1,114

# Notes to the Financial Statements

	<b>Parent Company</b>	
	2017/18	2016/17
	TDKK	TDKK
<b>5 Investments in subsidiaries</b>		
Cost at 1 May	3,357	3,357
Additions for the year	1,720	0
Cost at 30 April	<u>5,077</u>	<u>3,357</u>
Value adjustments at 1 May	19,304	22,931
Exchange adjustment	-1,331	104
Net profit/loss for the year	5,946	58
Dividend to the Parent Company	-10,430	-3,348
Other adjustments	-240	-441
Value adjustments at 30 April	<u>13,249</u>	<u>19,304</u>
<b>Carrying amount at 30 April</b>	<b><u>18,326</u></b>	<b><u>22,661</u></b>

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%	5,006	2,134
Ellab (UK) Limited	England	100%	2,989	-1,162
Ellab GmbH	Tyskland	100%	8,899	6,557
Ellab SARL	Frankrig	100%	-796	-545
Ellab Philippines Corp.	Filippinerne	100%	1,084	-252
Ellab Benelux B.V.	Holland	100%	866	618
Ellab FZCO	Dubai	100%	283	-1,404

## 6 Other fixed asset investments

	<b>Group</b>	<b>Parent Company</b>
	Deposits	Deposits
	TDKK	TDKK
Cost at 1 May	1,658	1,611
Additions for the year	293	26
Cost at 30 April	<u>1,951</u>	<u>1,637</u>
<b>Carrying amount at 30 April</b>	<b><u>1,951</u></b>	<b><u>1,637</u></b>

# Notes to the Financial Statements

## 7 Prepayments

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

	<b>Group</b>		<b>Parent Company</b>	
	<u>2017/18</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2016/17</u>
	TDKK	TDKK	TDKK	TDKK
<b>8 Cash at bank and in hand</b>				
Other cash at bank and in hand	106,242	73,850	83,717	53,663
	<b>106,242</b>	<b>73,850</b>	<b>83,717</b>	<b>53,663</b>

The parent and group companies are participants in a group - wide cashpool arrangement with the ultimate parent company, Saballe TopCo ApS, as administration company.

## 9 Distribution of profit

	<b>Parent Company</b>	
	<u>2017/18</u>	<u>2016/17</u>
	TDKK	TDKK
Reserve for net revaluation under the equity method	5,946	-3,627
Retained earnings	47,220	53,560
	<b>53,166</b>	<b>49,933</b>

## Notes to the Financial Statements

	<b>Group</b>		<b>Parent Company</b>	
	<u>2017/18</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2016/17</u>
	TDKK	TDKK	TDKK	TDKK
<b>10 Deferred tax asset</b>				
Deferred tax asset at 1 May	4,176	269	1,338	355
Amounts recognised in the income statement for the year	<u>-2,233</u>	<u>3,907</u>	<u>692</u>	<u>983</u>
<b>Deferred tax asset at 30 April</b>	<b><u>1,943</u></b>	<b><u>4,176</u></b>	<b><u>2,030</u></b>	<b><u>1,338</u></b>
Intangible assets	759	580	759	580
Property, Plant and Equipment	281	10	8	10
Inventories	-2,948	-1,985	-2,948	-1,985
Trade receivables	150	80	151	79
Provisions	0	-2,800	0	-22
Tax loss carry-forward	-185	-61	0	0
Transferred to deferred tax asset	<u>1,943</u>	<u>4,176</u>	<u>2,030</u>	<u>1,338</u>
	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Deferred tax asset</b>				
Calculated tax asset	<u>1,943</u>	<u>4,176</u>	<u>2,030</u>	<u>1,338</u>
<b>Carrying amount</b>	<b><u>1,943</u></b>	<b><u>4,176</u></b>	<b><u>2,030</u></b>	<b><u>1,338</u></b>
	<b>Group</b>		<b>Parent Company</b>	
	<u>2017/18</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2016/17</u>
	TDKK	TDKK	TDKK	TDKK
<b>11 Other provisions</b>				
Other provisions	<u>0</u>	<u>6,905</u>	<u>0</u>	<u>100</u>
	<b><u>0</u></b>	<b><u>6,905</u></b>	<b><u>0</u></b>	<b><u>100</u></b>

Other provisions include a provision in 2016/17 for one-off cost of TDKK 6,805.

## Notes to the Financial Statements

	<b>Group</b>	
	2017/18	2016/17
	TDKK	TDKK
<b>12 Cash flow statement - adjustments</b>		
Financial income	-140	-182
Financial expenses	3,460	190
Depreciation, amortisation and impairment losses, including losses and gains on sales	7,777	5,871
Tax on profit/loss for the year	18,371	13,393
Other adjustments	1,739	107
	<b>31,207</b>	<b>19,379</b>
<b>13 Cash flow statement - change in working capital</b>		
Change in inventories	-6,182	-1,243
Change in receivables	276	-2,447
Change in other provisions	-6,905	6,855
Change in trade payables, etc	-4,023	4,017
	<b>-16,834</b>	<b>7,182</b>

## Notes to the Financial Statements

14 Contingent assets, liabilities and other financial obligations	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK

### Charges and security

The following assets have been placed as security with credit institutions for the parent company, Saballe BidCo ApS:

Shares in subsidiaries for Ellab Inc. &

Ellab GmbH	0	0	13,905	16,537
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### Contingent liabilities

Group:

Rental liabilities for the group amount monthly to TDKK 400 (2016/17 TDKK 400) with interminable periods between 1 month and 8 years.

The company has entered into operational leasing agreements with a monthly rate of T. DKK 15 and interminable periods 29 months. The company has entered into a one year finance lease contract with a monthly rate of T. DKK 19.

Ellab A/S:

Rental liabilities amount monthly to TDKK 234 (2016/17 TDKK 234) with an interminable period of 9 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

## 15 Accounting Policies

The Annual Report of Ellab A/S for 2017/18 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 2017/18 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

## 15 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

## 15 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, revenue has not been disclosed in the Annual Report.

### **Distribution expenses**

Distribution expenses 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.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Balance Sheet

#### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

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.

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:

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

Depreciation period and residual value are reassessed annually.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### 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.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

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 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.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### 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.

### 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

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

## 15 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

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