

**SCAPE TECHNOLOGIES A/S**  
**KOCHSGADE 31, 3C, 5000 ODENSE C**  
**ANNUAL REPORT**  
**1. JANUAR - 31. DECEMBER 2017**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 8 June 2018**

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**Søren Bøving-Andersen**

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## COMPANY DETAILS

<b>Company</b>	Scape Technologies A/S Kochsgade 31, 3c 5000 Odense C
	Telephone: 70253113
	Website: <a href="http://www.scapetechnologies.com">www.scapetechnologies.com</a>
	E-mail: <a href="mailto:info@scapetechnologies.com">info@scapetechnologies.com</a>
	CVR no.: 27 58 78 87
	Established: 1 February 2004
	Registered Office: Odense
	Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Jens Munch-Hansen, Chairman Fu Yu Chen Lars Baun René Dencker Eriksen Claus Risager Søren-Bøving-Andersen Dong Zhu Rune Klausen Larsen
<b>Board of Executives</b>	Søren Bøving-Andersen
<b>Auditor</b>	Deloitte Statsautoriseret revisionspartnerskab Østre Havnepromenade 26, 4. 9000 Aalborg
<b>Bank</b>	Middelfart Sparekasse Havnegade 21 5500 Middelfart

## STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

*Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Scape Technologies A/S for the year 1 January - 31 December 2017.*

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

*In our opinion the Financial Statements give a true and fair view of the the Company's financial position at 31 December 2017 and of the results of the the Company's operations for the financial year 1 January - 31 December 2017.*

*The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.*

*We recommend the Annual Report be approved at the Annual General Meeting.*

Odense, den 8. juni 2018

Board of Executives

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Søren Bøving-Andersen

Board of Directors

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Jens Munch-Hansen  
Chairman

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Fu Yu Chen

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Lars Baun

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René Dencker Eriksen

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Claus Risager

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Søren-Bøving-Andersen

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Dong Zhu

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Rune Klausen Larsen

## INDEPENDENT AUDITOR'S REPORT

*To the Shareholders of Scape Technologies A/S*

### **Opinion**

*We have audited the Financial Statements of Scape Technologies A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.*

*In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2017 and of the results of the Company operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.*

### **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 Company 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.*

### **Emphasis of matter**

*We draw attention to note 12 in the Financial Statements, which states that capital increase in the company is planned at DKK 15-20 million in 2018 to ensure continued market and product development.*

### **Management's Responsibility for the Financial Statements**

*Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.*

*In preparing the Financial Statements, Management is responsible for assessing the 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 Company or to cease operations, or has no realistic alternative but to do so.*

### **Auditor's Responsibilities for 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 judgment and maintain professional skepticism 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.*

## INDEPENDENT AUDITOR'S REPORT

- *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 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 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 audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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.*

*We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.*

### **Statement on 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 Financial Statements Act.*

*Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.*

Aalborg, 8 June 2018

Deloitte Statsautoriseret revisionspartnerskab  
CVR-nr. 33963556

Peter Nørrevang

MNE-nr. 11706

## MANAGEMENT'S REVIEW

### Principal activities

The principal activity of the company is development, sales and delivery of standardized bin-picking solutions, based on 3D computer vision systems. In cooperation with sales- and integration partners, Scape provides high quality Industrial Feeding Bin-Pickers based on a standardized, flexible and modular robotic bin-picking solution for parts placed stacked, structured, semi-structured or random in bin.

### Uncertainty as to recognition and measurement

The management has included deferred tax assets, per 31 December 2017, of 4,380 TDKK based on budgets for the period 2018 - 2020 where, in the last half of the budgetary period, it is expected that, based on the current investment level, operations will be profitable. As described above, achieving profitable operation assumes that there will be an additional capital injection in the company. Derived from the above, there is, of course, uncertainty connected to the exploitation and hence the measurement of the deferred tax asset.

The development costs included represent 3,498 TDKK. (2016: 3,237 TDKK). The management expects that the recovery value will exceed the cost price of the apportioned development costs.

### Development in activities and financial position

The profit and loss account shows a negative result of -9,099 TDKK after tax compared with a negative result of -3,154 TDKK in 2016.

The company has in 2017 further increased the repetitive sales to key accounts within the automotive industry and has experienced a promising and continued increased pipeline of customer projects. The company has also taken significant investments within key areas such as sales, software development and customer services to prepare for significant growth expectations based on the underlying pipeline. To support the continued growth and the efforts for operational excellence the company plans to seek further capital injections in 2018.

In 2017 a total of 3 million DKK were added to the company through a capital increase from an existing shareholder and a new shareholder invested additionally 2 million DKK. Furthermore new long term credit-facilities have been provided.

### Significant events after the end of the financial year

In March 2018 a capital increase of additionally 7.812.500 DKK were agreed to be added to the company from existing shareholders, of which 2.000.000 DKK have already been paid in.

From the long term credit facilities mentioned above the company decided to draw 3.000.000 in April 2018.

Apart from that no events have occurred after the end of the financial year of material importance for the company's position.

## MANAGEMENT'S REVIEW

### Future expectations

Increased interest from both existing and new customers in the automobile industry is expected to result in increased orders and improvement of the gross profit margin. The company's establishment of a joint-venture company in China with Shenzhen Maxonic Automation Control Co. Ltd. is developing strongly and new key accounts have been established.

Due to increased investments a deficit is budgeted for 2018, while increasingly profitable operations are budgeted from 2019-20 and forward.

An operating and cash budget has been prepared for the remainder of 2018 and for 2019, based on a number of conditions, including the timing of turnover, which is associated with uncertainty. Against this background, it is the management's assessment that with the current level of activity, there will be sufficient liquidity until the end of 2018, so the annual accounts are presented subject to continued operations.

To support the planned investments there will be a need for increased liquidity in 2018 and the company has been preparing a major capital injection in 2018. The capital injection will take place by a capital increase from one or two new major investors or through an IPO. Both alternatives has been carefully prepared by the board to secure a capital increase of minimum 15-20 million DKK and measures has been taken to secure such transaction to happen within third quarter of 2018.

The capital increase takes place in order to expand both existing and new market areas in parallel with reinforced product development, marketing and delivery apparatus and thereby achieve profitable operation.

The management considers this to be realistic and the plans and budgets for 2018 and onwards have been prepared on this assumption. The management's expectations of a capital injection are supported, inter alia, by already implemented capital increases during 2017-18 from existing and new investors.



INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2017 DKK	2016 DKK
<b>GROSS LOSS</b> .....		<b>-2.247.134</b>	<b>1.874.468</b>
Staff costs.....	1	-7.234.739	-4.397.596
Depreciation, amortisation and impairment.....		-1.190.284	-1.087.208
<b>OPERATING LOSS</b> .....		<b>-10.672.157</b>	<b>-3.610.336</b>
Result of equity investments in group and associat.....		-308.536	-191.464
Other financial income.....		2.881	1.084
Other financial expenses.....		-679.277	-238.746
<b>PROFIT BEFORE TAX</b> .....		<b>-11.657.089</b>	<b>-4.039.462</b>
Tax on profit/loss for the year.....	2	2.557.959	885.283
<b>PROFIT FOR THE YEAR</b> .....		<b>-9.099.130</b>	<b>-3.154.179</b>
<b>PROPOSED DISTRIBUTION OF PROFIT</b>			
Accumulated profit.....		-9.099.130	-3.154.179
<b>TOTAL</b> .....		<b>-9.099.130</b>	<b>-3.154.179</b>

**BALANCE SHEET AT 31 DECEMBER**

<b>ASSETS</b>	<b>Note</b>	<b>2017 DKK</b>	<b>2016 DKK</b>
Development projects completed.....		3.498.015	3.236.818
<b>Intangible fixed assets</b> .....	<b>3</b>	<b>3.498.015</b>	<b>3.236.818</b>
Other plants, machinery, tools and equipment.....		73.688	53.542
<b>Tangible fixed assets</b> .....	<b>4</b>	<b>73.688</b>	<b>53.542</b>
Equity investments in associated enterprises.....		0	308.536
<b>Fixed asset investments</b> .....	<b>5</b>	<b>0</b>	<b>308.536</b>
<b>FIXED ASSETS</b> .....		<b>3.571.703</b>	<b>3.598.896</b>
Raw materials and consumables.....		395.958	441.916
<b>Inventories</b> .....		<b>395.958</b>	<b>441.916</b>
Trade receivables.....		2.085.547	2.796.790
Deferred tax assets.....		4.380.218	2.127.297
Other receivables.....		755.265	885.779
Receivables corporation tax.....		305.038	239.667
Prepayments and accrued income.....		100.047	43.316
<b>Receivables</b> .....		<b>7.626.115</b>	<b>6.092.849</b>
<b>Cash and cash equivalents</b> .....		<b>604</b>	<b>278</b>
<b>CURRENT ASSETS</b> .....		<b>8.022.677</b>	<b>6.535.043</b>
<b>ASSETS</b> .....		<b>11.594.380</b>	<b>10.133.939</b>

**BALANCE SHEET AT 31 DECEMBER**

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>2017 DKK</b>	<b>2016 DKK</b>
Share capital.....		7.377.190	6.388.893
Reserve for development costs.....		1.931.224	849.727
Retained profit.....		-9.662.426	-3.493.502
<b>EQUITY.....</b>	<b>7</b>	<b>-354.012</b>	<b>3.745.118</b>
Debt instruments.....		5.851.162	636.871
<b>Long-term liabilities.....</b>	<b>8</b>	<b>5.851.162</b>	<b>636.871</b>
Short-term portion of long-term liabilities.....	8	84.000	84.000
Bank debt.....		1.800.079	2.281.195
Prepayments received from customers.....		335.236	199.185
Trade payables.....		2.098.417	1.128.581
Other liabilities.....		856.098	832.789
Accruals and deferred income.....	9	923.400	1.226.200
<b>Current liabilities.....</b>		<b>6.097.230</b>	<b>5.751.950</b>
<b>LIABILITIES.....</b>		<b>11.948.392</b>	<b>6.388.821</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>11.594.380</b>	<b>10.133.939</b>
Contingencies etc.	10		
Charges and securities	11		
Information on uncertainty with respect to recognition and measurement	12		

NOTES

	2017 DKK	2016 DKK	Note
<b>Staff costs</b>			<b>1</b>
Average number of employees 12 (2016: 9)			
Wages and salaries.....	8.509.938	5.289.685	
Pensions.....	73.555	52.263	
Social security costs.....	3.107	0	
Staff costs transferred to development costs.....	-1.351.861	-944.352	
	<b>7.234.739</b>	<b>4.397.596</b>	
<b>Tax on profit/loss for the year</b>			<b>2</b>
Calculated tax on taxable income of the year.....	-305.038	-239.667	
Adjustment of deferred tax.....	-2.252.921	-645.616	
	<b>-2.557.959</b>	<b>-885.283</b>	
<b>Intangible fixed assets</b>			<b>3</b>
		Development projects completed	
Cost at 1 January 2017.....		14.738.423	
Additions.....		1.386.535	
<b>Cost at 31 December 2017.....</b>		<b>16.124.958</b>	
Amortisation at 1 January 2017.....		11.501.605	
Depreciation for the year.....		1.125.338	
<b>Depreciation at 31 December 2017.....</b>		<b>12.626.943</b>	
<b>Carrying amount at 31 December 2017.....</b>		<b>3.498.015</b>	

Completed development include the development of standardized bin-picking systems based on 3D computer vision systems.

Management has high expectations for future sales of the systems and has not found Indication of impairment requirement in relation to the carrying amount.

NOTES

			Note
<b>Tangible fixed assets</b>			<b>4</b>
		Other plants, machinery, tools and equipment	
Cost at 1 January 2017.....		627.058	
Additions.....		85.093	
<b>Cost at 31 December 2017.....</b>		<b>712.151</b>	
Depreciation and write-down at 1 January 2017.....		573.517	
Depreciation for the year.....		64.946	
<b>Depreciation and write-down at 31 December 2017.....</b>		<b>638.463</b>	
<b>Carrying amount at 31 December 2017.....</b>		<b>73.688</b>	
 <b>Fixed asset investments</b>			 <b>5</b>
		Equity investments in associated enterprises	
Cost at 1 January 2017.....		500.000	
<b>Cost at 31 December 2017.....</b>		<b>500.000</b>	
Write-down and amortisation of goodwill at 1 January 2017.....		191.464	
Write-down for the year.....		308.536	
<b>Write-down and amortisation of goodwill at 31 December 2017.....</b>		<b>500.000</b>	
 <b>Contract work in progress</b>			 <b>6</b>
Sales value of the period's unfinished production.....	2.655.159	2.189.448	
Work in progress invoiced on account.....	-2.990.395	-2.388.633	
<b>Contract work in progress.....</b>	<b>-335.236</b>	<b>-199.185</b>	
Contract work in progress can be presented in the balance sheet as net liability at the amount of.....	-335.236	-199.185	

NOTES

					Note
<b>Equity</b>					<b>7</b>
		Reserve for development costs	Retained profit	Total	
	Share capital				
Equity at 1 January 2017.....	6.388.893	849.727	-2.643.775	4.594.845	
Capital increase.....	988.297		4.011.703	5.000.000	
Proposed distribution of profit.....			-9.099.130	-9.099.130	
Reserve for development costs.....		1.081.497	-1.931.224	-849.727	
<b>Equity at 31 December 2017 .....</b>	<b>7.377.190</b>	<b>1.931.224</b>	<b>-9.662.426</b>	<b>-354.012</b>	
 <b>Long-term liabilities</b>					 <b>8</b>
	1/1 2017 total liabilities	31/12 2017 total liabilities	Repayment next year	Debt outstanding after 5 years	
Debt instruments.....	720.871	5.935.162	84.000	0	
	<b>720.871</b>	<b>5.935.162</b>	<b>84.000</b>	<b>0</b>	
 <b>Accruals and deferred income</b>					 <b>9</b>
Prepayments consist of grants received for development projects. The item is recognized as income as the development projects are amortized.					
 <b>Contingencies etc.</b>					 <b>10</b>
The company has entered into a rent contract with a yearly rent of 193 TDKK. Furthermore, lease contracts with a total remaining lease obligation of 196 TDKK have been made, which will expire in 2020.					
 <b>Charges and securities</b>					 <b>11</b>
There is a registered letter of 9.5 million. Kr. (Business mortgage) for collateral for bank debt.					

## NOTES

### Note

#### **Information on uncertainty with respect to recognition and measurement**

12

To support the current level of activity and planned investments there will be a need for increased liquidity in 2018 and the company has been preparing a major capital injection in 2018.

The capital injection will take place by a capital increase from one or two new major investors or through an IPO.

Both alternatives has been carefully prepared by the board to secure a capital increase of minimum 15-20 million DKK and measures has been taken to secure such transaction to happen within third quarter of 2018.

The capital increase takes place in order to expand both existing and new market areas in parallel with reinforced product development, marketing and delivery apparatus and thereby achieve profitable operation.

The management considers this to be realistic and the plans and budgets for 2018 and onwards have been prepared on this assumption. The management's expectations of a capital injection are supported, inter alia, by already implemented capital increases during 2017-18 from existing and new investors.

## ACCOUNTING POLICIES

The annual report of Scape Technologies A/S for 2017 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B.

The Annual Report is prepared consistently with the accounting principles used last year.

## INCOME STATEMENT

### Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

### Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

### Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

### Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

### Investments in associates

The income statement of the owning company recognises the proportional share of the results of each associate after proportional elimination of intercompany profits/losses and deduction of amortisation of goodwill.

### Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

### Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

## BALANCE SHEET

### Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation or the recoverable amount. Patents are amortised over the residual patent term and licences are amortised over the term of the agreement, however, no more than 8 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.



## ACCOUNTING POLICIES

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 5 years.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

### Tangible fixed assets

Other plants, fixtures and equipment are measured at cost less accumulated depreciation and write-down.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plants, fixtures and equipment.....	2-5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

### Fixed asset investments

Investments in associates are measured in the company's balance sheet under the equity method.

Investments in associates are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipments.

Consolidated goodwill is amortised over the expected useful life determined on the basis of management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the period of amortisation which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific condition.

## ACCOUNTING POLICIES

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Associates with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the associates' deficit.

### Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, write-down is provided to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

### Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, write-down is provided to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

### Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

### Contract work in progress

Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

### Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

## ACCOUNTING POLICIES

### Equity

#### Reserve for development costs

Reserve for development costs includes recognized development costs less deferred tax. The reserve can not be used for dividends or coverage of losses. The reserve is reduced or dissolved if the recognized development costs are amortized or deducted from the company's operations. This occurs by transfer directly to equity reserves.

#### Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

#### Liabilities

Accruals recognised as liabilities include payments received regarding income in subsequent years.

#### Accruals, liabilities

Accruals recognised as liabilities include payments received regarding income in subsequent years.