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MUUTO A/S
Østergade 36, 4
1100 Copenhagen
Central Business Registration No
28683944

Annual report 2016

The Annual General Meeting adopted the annual report on 07.04.2017

Chairman of the General Meeting

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Name: Anders Cleemann

Contents

Entity details

Entity
MUUTO A/S
Østergade 36, 4
1100 Copenhagen

Central Business Registration No: 28683944
Registered in: Copenhagen
Financial year: 01.01.2016 - 31.12.2016

Board of Directors
Kristian Byrge, Chairman of the Board
Henrik Althoehn Henriksen
Thomas Riis
Erik Preben Holm
Nicolai Gradman

Executive Board
Anders Cleemann, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of MUUTO A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 07.04.2017

Executive Board

Anders Cleemann
CEO

Board of Directors

Kristian Byrge Chairman of the Board	Henrik Althoehn Henriksen	Thomas Riis
Erik Preben Holm	Nicolai Gradman	

Independent auditor's report

To the shareholder of MUUTO A/S

Opinion

We have audited the financial statements of MUUTO A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exits. 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.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 07.04.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Bjørn Winkler Jakobsen	Henrik Hartmann Olesen
State-authorised Public Accountant	State-authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Gross profit	132.271	98.410	74.488	47.982	30.746
EBITDA	77.738	53.226	42.447	27.896	16.697
Operating profit/loss	74.328	50.949	42.121	27.135	16.463
Net financials	(603)	(435)	(4.032)	(1.111)	(70)
Profit/loss for the year	57.128	38.678	28.605	19.478	12.202
Total assets	137.824	106.697	80.593	59.588	48.289
Investments in property, plant and equipment	3.416	3.811	3.444	2.671	1.194
Equity	72.977	50.521	45.143	36.038	25.560
Ratios					
Return on equity (%)	92,5	80,9	70,5	63,2	54,7
Equity ratio (%)	52,9	47,4	56,0	60,5	52,9

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities
The primary activities of the Company comprise production, trade, and service as well as related activities.

Development in activities and finances
In previous years, MUUTO A/S has experienced a rapid development in its market position which provides an opportunity for a further expansion within many of its key focus areas such as accessories, lamps and furniture. Management thus expects a further expansion within the key focus areas.

Last year, MUUTO A/S established the subsidiary MUUTO Inc.

Profit/loss for the year in relation to expected developments
EBITDA has increased from DKK 53.2m in 2015 to DKK 77.8m in 2016 corresponding to an increase in EBITDA of 46%.

Profit after tax for 2016 of DKK 57.0m is an increase of DKK 18.4m compared to 2015 corresponding to an increase of 48%.

Management considers the results satisfactory.

Description of material changes in activities and finances
There is no occurrence of significant changes in 2016 within Company activities.

Uncertainty relating to recognition and measurement
There is no significant uncertainty to recognition and measurement.

The Company has reassessed and standardised its principles for recognition of delivery costs for inventories. Accordingly, delivery costs related to cost for inventories are recognised. The amendment to the accounting policies has affected equity positively by DKK 2,464k at 1 January 2016 whereas profit/loss for 2015 was affected positively by DKK 972k.

Unusual circumstances affecting recognition and measurement
There is no occurrence of unusual circumstances, affecting recognition and measurement.

Outlook
A cautious assessment has been made of market conditions for 2017, and double digit growth in revenue and results to 2016 is expected.

Particular risks
Risks related to recivables, creditors, supply and currency are considered normal. The Company works on a current basis to reduce such risks. Currency risks are reduced by use of hedging.

Intellectual capital resources
MUUTO A/S is based on knowledge and expertise within its key focus areas that are subject to further development on an ongoing basis.

Management commentary

Staff
MUUTO A/S has established internal guidelines for development and staff retention.

Environmental performance
MUUTO A/S constantly seeks to reduce its cost of goods sold as well as packaging for the benefit of the environment.

Research and development activities
The Company has no research activities as the products are developed and designed in collaboration with external partners.

Group relations
The Company is wholly owned by MUUTO Holding A/S which prepares consolidated financial statements.

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

Income statement for 2016

	Notes	2016 DKK	2015 DKK
Gross profit		**132.271.426**	**98.409.980**
Staff costs	1	(54.533.410)	(45.184.178)
Depreciation, amortisation and impairment losses		(3.410.122)	(2.276.771)
Operating profit/loss		**74.327.894**	**50.949.031**
Income from investments in group enterprises		181.579	24.048
Other financial income		57.573	234.468
Other financial expenses		(842.052)	(693.208)
Profit/loss before tax		**73.724.994**	**50.514.339**
Tax on profit/loss for the year	2	(16.597.454)	(11.836.098)
Profit/loss for the year	3	**57.127.540**	**38.678.241**

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Acquired intangible assets		3.353.060	1.985.859
Intangible assets	4	**3.353.060**	**1.985.859**
Other fixtures and fittings, tools and equipment		6.296.364	6.280.025
Leasehold improvements		1.315.950	706.822
Property, plant and equipment	5	**7.612.314**	**6.986.847**
Investments in group enterprises		213.654	30.878
Deposits		1.501.565	2.039.817
Fixed asset investments	6	**1.715.219**	**2.070.695**
Fixed assets		**12.680.593**	**11.043.401**
Manufactured goods and goods for resale		46.762.796	46.255.690
Prepayments for goods		1.177.255	1.735.725
Inventories		**47.940.051**	**47.991.415**
Trade receivables		41.034.059	35.186.335
Receivables from group enterprises		2.533.244	0
Deferred tax	7	133.875	364.257
Other receivables		1.900.770	1.126.876
Prepayments	8	1.863.114	2.447.377
Receivables		**47.465.062**	**39.124.845**
Cash		**29.738.312**	**8.537.527**
Current assets		**125.143.425**	**95.653.787**
Assets		**137.824.018**	**106.697.188**

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Contributed capital	9	525.762	525.762
Reserve for net revaluation according to the equity method		205.627	24.048
Retained earnings		32.245.432	14.971.322
Proposed dividend		40.000.000	35.000.000
Equity		**72.976.821**	**50.521.132**
Other provisions	10	4.039.242	2.400.000
Provisions		**4.039.242**	**2.400.000**
Bank loans		0	6.672.713
Prepayments received from customers		1.502.241	0
Trade payables		35.170.266	23.141.034
Income tax payable		15.585.370	18.227.267
Other payables		8.550.078	5.735.042
Current liabilities other than provisions		**60.807.955**	**53.776.056**
Liabilities other than provisions		**60.807.955**	**53.776.056**
Equity and liabilities		**137.824.018**	**106.697.188**
Contingent liabilities	12		
Related parties with controlling interest	13		
Group relations	14		

Statement of changes in equity for 2016

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	525.762	24.048	12.506.826	35.000.000
Changes in accounting policies	0	0	2.464.496	0
Adjusted equity, beginning of year	**525.762**	**24.048**	**14.971.322**	**35.000.000**
Ordinary dividend paid	0	0	0	(35.000.000)
Fair value adjustments of hedging instruments	0	0	420.704	0
Tax of equity postings	0	0	(92.555)	0
Profit/loss for the year	0	181.579	16.945.961	40.000.000
Equity end of year	**525.762**	**205.627**	**32.245.432**	**40.000.000**

	Total DKK
Equity beginning of year	48.056.636
Changes in accounting policies	2.464.496
Adjusted equity, beginning of year	**50.521.132**
Ordinary dividend paid	(35.000.000)
Fair value adjustments of hedging instruments	420.704
Tax of equity postings	(92.555)
Profit/loss for the year	57.127.540
Equity end of year	**72.976.821**

Cash flow statement 2016

	Notes	2016 DKK	2015 DKK
Operating profit/loss		74.327.894	50.949.031
Amortisation, depreciation and impairment losses		3.410.122	2.276.771
Other provisions		1.639.242	1.422.766
Working capital changes	11	8.247.980	(10.716.123)
Cash flow from ordinary operating activities		**87.625.238**	**43.932.445**
Financial income received		57.573	234.468
Financial income paid		(791.302)	(693.208)
Income taxes refunded/(paid)		(19.086.472)	(2.102.816)
Cash flows from operating activities		**67.805.037**	**41.370.889**
Acquisition etc of intangible assets		(2.054.028)	(2.026.275)
Acquisition etc of property, plant and equipment		(3.415.762)	(3.810.994)
Acquisition of fixed asset investments		0	(6.830)
Sale of fixed asset investments		538.251	0
Other cash flows from investing activities		0	(925.974)
Cash flows from investing activities		**(4.931.539)**	**(6.770.073)**
Dividend paid		(35.000.000)	(35.000.000)
Cash flows from financing activities		**(35.000.000)**	**(35.000.000)**
Increase/decrease in cash and cash equivalents		**27.873.498**	**(399.184)**
Cash and cash equivalents beginning of year		1.864.814	2.263.998
Cash and cash equivalents end of year		**29.738.312**	**1.864.814**
Cash and cash equivalents at year-end are composed of:			
Cash		29.738.312	8.537.527
Short-term debt to banks		0	(6.672.713)
Cash and cash equivalents end of year		**29.738.312**	**1.864.814**

Notes

	2016 DKK	2015 DKK
1. Staff costs		
Wages and salaries	47.775.304	40.891.951
Pension costs	2.624.146	1.389.071
Other social security costs	2.080.036	1.822.916
Other staff costs	2.053.924	1.080.240
	54.533.410	**45.184.178**
Average number of employees	**99**	**66**

	Remuneration of management 2016 DKK	Remuneration of management 2015 DKK
Total amount for management categories	3.680.000	3.277.000
	3.680.000	**3.277.000**

	2016 DKK	2015 DKK
2. Tax on profit/loss for the year		
Tax on current year taxable income	16.499.614	11.603.888
Change in deferred tax for the year	(80.000)	(26.270)
Adjustment concerning previous years	177.840	258.480
	16.597.454	**11.836.098**

	2016 DKK	2015 DKK
3. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	40.000.000	35.000.000
Extraordinary dividend distributed in the financial year	0	(10.000.000)
Transferred to reserve for net revaluation according to the equity method	181.579	24.048
Retained earnings	16.945.961	13.654.193
	57.127.540	**38.678.241**

Notes

	Acquired intangible assets DKK
4. Intangible assets	
Cost beginning of year	2.228.121
Additions	2.054.028
Cost end of year	**4.282.149**
Amortisation and impairment losses beginning of year	(242.262)
Amortisation for the year	(686.827)
Amortisation and impairment losses end of year	**(929.089)**
Carrying amount end of year	**3.353.060**

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
5. Property, plant and equipment		
Cost beginning of year	10.362.984	1.407.847
Additions	2.312.595	1.103.167
Disposals	(351.441)	0
Cost end of year	**12.324.138**	**2.511.014**
Depreciation and impairment losses beginning of the year	(4.082.959)	(701.025)
Depreciation for the year	(2.178.961)	(494.039)
Reversal regarding disposals	234.146	0
Depreciation and impairment losses end of the year	**(6.027.774)**	**(1.195.064)**
Carrying amount end of year	**6.296.364**	**1.315.950**

Notes

	Investments in group enterprises DKK	Deposits DKK
6. Fixed asset investments		
Cost beginning of year	6.830	2.039.817
Exchange rate adjustments	1.197	0
Additions	0	51.079
Disposals	0	(589.331)
Cost end of year	**8.027**	**1.501.565**
Revaluations beginning of year	24.048	0
Share of profit/loss for the year	181.579	0
Revaluations end of year	**205.627**	**0**
Carrying amount end of year	**213.654**	**1.501.565**

	Registered in	Corpo-rate form	Equity inte-rest %
Investments in group enterprises comprise:			
Muuto Inc.	New York, US	Inc.	100,0

	2016 DKK
7. Deferred tax	
Changes during the year	
Beginning of year	364.257
Recognised in the income statement	(137.827)
Recognised directly in equity	(92.555)
End of year	**133.875**

Deferred tax relates to time differences on fixed assets, trade receivables and receivables from financial instruments.

8. Prepayments

Prepayments comprise expenses held related to subsequent financial year.

Notes

	Number	Nominal value DKK
9. Contributed capital		
A shares	367.292	367.292
B shares	158.470	158.470
	525.762	**525.762**

10. Other provisions

Other provisions for warranty commitments for goods sold.

	2016 DKK	2015 DKK
11. Change in working capital		
Increase/decrease in inventories	51.366	(20.515.142)
Increase/decrease in receivables	(8.570.599)	3.734.111
Increase/decrease in trade payables etc	16.346.509	5.857.770
Other changes	420.704	207.138
	8.247.980	**(10.716.123)**

	2016 DKK	2015 DKK
12. Contingent liabilities		
Recourse and non-recourse guarantee commitments	15.185.856	15.186.563
Contingent liabilities in total	**15.185.856**	**15.186.563**

The Company has entered into rental and lease agreements at a total of DKK 14.888 thousand at 31 December 2016.

The Entity participates in a Danish joint taxation arrangement in which Muuto Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2014 for income taxes etc for the jointly taxed entities, and from 1 July 2014 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

13. Related parties with controlling interest

MUUTO Holding ApS, Denmark, owns all the shares in the Company and thus has controlling interest.

Notes

14. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
MUUTO Holding ApS, Denmark, CVR-no. 36 04 07 85

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (Medium).

Referring to the Danish Financial Statements Act section 112(1), MUUTO A/S has not prepared consolidated financial statements.

For competitive reasons and with reference to section 32 of the Danish Financial Statements Act, the Company has aggregated revenue and cost of sales to a net item in the income statement designated as "Gross profit".

The accounting policies applied to these financial statements are consistent with those applied last year except for the below change.

Changes in accounting policies
The Company has reassessed and standardised its principles for recognition of delivery costs for inventories. Accordingly, delivery costs related to cost for inventories are recognised. The amendment to the accounting policies has affected equity positively by DKK 2,464k at 1 January 2016 whereas profit/loss for 2015 was affected positively by DKK 972k.

Following an amendment to the Danish Financial Statements Act, financial statement items under other payables have been reclassified. This entails that financial statement items classified under other payables last year, are classified as warranty commitments or trade payables this year and thus, the comparative figures have been altered.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Accounting policies

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue and cost of sales and external expenses.

Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales
Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory writedowns.

Accounting policies

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income
Other financial income comprises interest income including interest income on receivables from trade receivables, net capital gains on transactions in foreign currencies and other financial income.

Other financial expenses
Other financial expenses comprise interest expenses, net capital losses on payables and transactions in foreign currencies.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with MUUTO Holding A/S. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise software and related intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Rights are amortised on a straight-line basis using the estimated useful lives of the asset. The amortisation period is five years, but no more than the remaining life for the rights in question.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3 - 5 years
Leasehold improvements	3 years

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprises.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories
Inventories are measured at average acquisition cost. If the net realisable value is lower than cost, inventories are written down to the lower value.

Accounting policies

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs as well as indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, and returns etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Accounting policies

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.