

MUUTO A/S
Østergade 36 - 38, 4.
1100 København K
Business Registration No
28683944

Annual report 2017

The Annual General Meeting adopted the annual report on 23.03.2018

Chairman of the General Meeting

Name: Michael Adam Pollner

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Entity details

Entity

MUUTO A/S
Østergade 36 - 38, 4.
1100 København K

Central Business Registration No (CVR): 28683944

Registered in: København

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Charles Wesley Rayfield, Chairman of the Board
Antonella Serrao
Michael Adam Pollner

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 01.01.2017 - 31.12.2017.

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 Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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, 23.03.2018

Executive Board

Anders Cleemann
CEO

Board of Directors

Charles Wesley Rayfield
Chairman of the Board

Antonella Serrao

Michael Adam Pollner

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 01.01.2017 - 31.12.2017, 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 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 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.

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, 23.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Bjørn Winkler Jakobsen
State-Authorised Public Accountant
Identification No (MNE) mne32127

Henrik Hartmann Olesen
State-Authorised Public Accountant
Identification No (MNE) mne34143

Management commentary

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	197.896	132.271	98.410	74.503	47.982
EBITDA	105.355	77.738	53.226	42.447	27.896
Operating profit/loss	100.920	74.328	50.949	42.136	27.135
Net financials	(3.854)	(603)	(435)	(4.032)	(1.111)
Profit/loss for the year	70.215	57.128	38.678	28.620	19.478
Total assets	168.034	137.824	106.697	80.593	59.588
Investments in property, plant and equipment	3.427	3.416	3.811	3.444	2.671
Equity	61.191	72.977	50.521	45.143	36.038
Ratios					
Return on equity (%)	104,7	92,5	80,9	70,5	63,2
Equity ratio (%)	36,4	52,9	47,3	56,0	60,5

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

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

Management commentary

Primary activities

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

Description of material changes in activities and finances

There are no material changes in Company activities in 2017.

Development in activities and finances

In previous years, MUUTO A/S has gained a strong market position which provides the opportunity for a further expansion on many key focus areas such as accessories, lamps and furniture. Management thus expects a further expansion for these key focus areas.

Profit/loss for the year in relation to expected developments

EBITDA has increased from DKK 77.7m in 2016 to DKK 105.4m in 2017 corresponding to an increase in EBITDA of 36%.

Profit after tax for 2017 of DKK 70.2m constitutes an increase of DKK 13.1m compared to 2016 corresponding to an increase of 23%.

According to Management the results are satisfactory.

Uncertainty relating to recognition and measurement

There is no significant uncertainty to recognition and measurement.

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 2018, and double digit growth in revenue and results is expected.

Particular risks

Risks related to receivables, 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.

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.

Management commentary

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 the 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 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit		197.896.009	132.271.426
Staff costs	1	(92.541.367)	(54.533.410)
Depreciation, amortisation and impairment losses		<u>(4.434.504)</u>	<u>(3.410.122)</u>
Operating profit/loss		100.920.138	74.327.894
Income from investments in group enterprises		2.708.570	181.579
Other financial income		193.378	57.573
Other financial expenses		<u>(6.755.759)</u>	<u>(842.052)</u>
Profit/loss before tax		97.066.327	73.724.994
Tax on profit/loss for the year	2	<u>(26.851.788)</u>	<u>(16.597.454)</u>
Profit/loss for the year	3	<u>70.214.539</u>	<u>57.127.540</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Completed development projects		261.799	0
Acquired intangible assets		4.910.497	3.353.060
Intangible assets	4	5.172.296	3.353.060
Other fixtures and fittings, tools and equipment		6.685.741	6.296.364
Leasehold improvements		1.158.744	1.315.950
Property, plant and equipment	5	7.844.485	7.612.314
Investments in group enterprises		2.921.989	213.654
Deposits		1.796.881	1.501.565
Fixed asset investments	6	4.718.870	1.715.219
Fixed assets		17.735.651	12.680.593
Manufactured goods and goods for resale		50.735.442	46.762.796
Prepayments for goods		1.558.517	1.177.255
Inventories		52.293.959	47.940.051
Trade receivables		60.499.939	41.034.059
Receivables from group enterprises		5.575.884	2.533.244
Deferred tax	7	287.000	133.875
Other receivables		1.937.062	1.900.770
Prepayments	8	2.714.977	1.863.114
Receivables		71.014.862	47.465.062
Cash		26.989.683	29.738.312
Current assets		150.298.504	125.143.425
Assets		168.034.155	137.824.018

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital	9	525.762	525.762
Reserve for net revaluation according to the equity method		2.913.962	205.627
Reserve for development expenditure		204.203	0
Retained earnings		57.547.433	32.245.432
Proposed dividend		0	40.000.000
Equity		<u>61.191.360</u>	<u>72.976.821</u>
Other provisions	10	3.708.582	4.039.242
Provisions		<u>3.708.582</u>	<u>4.039.242</u>
Prepayments received from customers		1.695.255	1.502.241
Trade payables		40.850.610	35.170.266
Income tax payable		23.839.129	15.585.370
Other payables		36.749.219	8.550.078
Current liabilities other than provisions		<u>103.134.213</u>	<u>60.807.955</u>
Liabilities other than provisions		<u>103.134.213</u>	<u>60.807.955</u>
Equity and liabilities		<u>168.034.155</u>	<u>137.824.018</u>
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Related parties with controlling interest	14		
Transactions with related parties	15		
Group relations	16		

Statement of changes in equity for 2017

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK
Equity beginning of year	525.762	205.627	0	32.245.432
Ordinary dividend paid	0	0	0	0
Extraordinary dividend paid	0	0	0	(42.000.000)
Transfer to reserves	0	0	204.203	(204.203)
Profit/loss for the year	0	2.708.335	0	67.506.204
Equity end of year	525.762	2.913.962	204.203	57.547.433

	Proposed dividend DKK	Total DKK
Equity beginning of year	40.000.000	72.976.821
Ordinary dividend paid	(40.000.000)	(40.000.000)
Extraordinary dividend paid	0	(42.000.000)
Transfer to reserves	0	0
Profit/loss for the year	0	70.214.539
Equity end of year	0	61.191.360

Cash flow statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Operating profit/loss		100.920.138	74.327.894
Amortisation, depreciation and impairment losses		4.434.504	3.410.122
Other provisions		(330.660)	1.639.242
Working capital changes	11	<u>5.401.443</u>	<u>8.247.980</u>
Cash flow from ordinary operating activities		110.425.425	87.625.238
Financial income received		193.378	57.573
Financial income paid		(6.755.759)	(791.302)
Income taxes refunded/(paid)		<u>(17.829.834)</u>	<u>(19.086.472)</u>
Cash flows from operating activities		86.033.210	67.805.037
Acquisition etc of intangible assets		(3.117.652)	(2.054.028)
Acquisition etc of property, plant and equipment		(3.427.018)	(3.415.762)
Sale of property, plant and equipment		58.147	0
Acquisition of fixed asset investments		(304.825)	0
Sale of fixed asset investments		<u>9.509</u>	<u>538.251</u>
Cash flows from investing activities		(6.781.839)	(4.931.539)
Dividend paid		<u>(82.000.000)</u>	<u>(35.000.000)</u>
Cash flows from financing activities		(82.000.000)	(35.000.000)
Increase/decrease in cash and cash equivalents		(2.748.629)	27.873.498
Cash and cash equivalents beginning of year		<u>29.738.312</u>	<u>1.864.814</u>
Cash and cash equivalents end of year		26.989.683	29.738.312

Notes

	2017	2016
	DKK	DKK
1. Staff costs		
Wages and salaries	83.611.291	47.775.304
Pension costs	3.168.047	2.624.146
Other social security costs	3.249.122	2.080.036
Other staff costs	2.512.907	2.053.924
	92.541.367	54.533.410
Average number of employees	115	99
	Remunera-	Remunera-
	tion of	tion of
	manage-	manage-
	ment	ment
	2017	2016
	DKK	DKK
Total amount for management categories	17.178.061	3.680.000
	17.178.061	3.680.000

Special incentive programmes

In connection with the sale of Muuto Holding ApS selected employees earned a transaction bonus of DKK 25,568k which is recognised in FY2017, as the assumption of continued employment is met at the presentation of the accounts.

In accordance with section 98 (b) subsection 3.1 of the Danish Financial Statements Act the total amount for management categories is stated.

In connection with the sale of Muuto Holding ApS, Management participated in a warrant programme in which 773,196 warrants were issued.

	2017	2016
	DKK	DKK
2. Tax on profit/loss for the year		
Current tax	26.912.358	16.499.614
Change in deferred tax	(153.125)	(80.000)
Adjustment concerning previous years	92.555	177.840
	26.851.788	16.597.454

Notes

	2017	2016
	DKK	DKK
3. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	40.000.000
Retained earnings	<u>70.214.539</u>	<u>17.127.540</u>
	<u>70.214.539</u>	<u>57.127.540</u>
	Completed	Acquired
	develop-	intangibile
	ment	assets
	projects	assets
	DKK	DKK
4. Intangible assets		
Cost beginning of year	0	4.282.149
Additions	280.000	2.837.652
Disposals	<u>0</u>	<u>(58.147)</u>
Cost end of year	<u>280.000</u>	<u>7.061.654</u>
Amortisation and impairment losses beginning of year	0	(929.089)
Amortisation for the year	(18.201)	(1.221.456)
Reversal regarding disposals	<u>0</u>	<u>(612)</u>
Amortisation and impairment losses end of year	<u>(18.201)</u>	<u>(2.151.157)</u>
Carrying amount end of year	<u>261.799</u>	<u>4.910.497</u>

Development projects comprise projects with the purpose of supporting Muuto's business. The capitalised project, which is completed and in use in this financial year, is an interior design concept to be presented in shops.

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
5. Property, plant and equipment		
Cost beginning of year	12.324.138	2.511.014
Additions	<u>2.918.801</u>	<u>508.217</u>
Cost end of year	<u>15.242.939</u>	<u>3.019.231</u>
Depreciation and impairment losses beginning of year	(6.027.774)	(1.195.064)
Depreciation for the year	<u>(2.529.424)</u>	<u>(665.423)</u>
Depreciation and impairment losses end of year	<u>(8.557.198)</u>	<u>(1.860.487)</u>
Carrying amount end of year	<u>6.685.741</u>	<u>1.158.744</u>
	Invest- ments in group enterprises DKK	Deposits DKK
6. Fixed asset investments		
Cost beginning of year	8.027	1.501.565
Additions	0	304.825
Disposals	<u>0</u>	<u>(9.509)</u>
Cost end of year	<u>8.027</u>	<u>1.796.881</u>
Revaluations beginning of year	205.627	0
Share of profit/loss for the year	2.708.570	0
Other adjustments	<u>(235)</u>	<u>0</u>
Revaluations end of year	<u>2.913.962</u>	<u>0</u>
Carrying amount end of year	<u>2.921.989</u>	<u>1.796.881</u>

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

Notes

	2017
	DKK
	<u> </u>
7. Deferred tax	
Changes during the year	
Beginning of year	133.875
Recognised in the income statement	<u>153.125</u>
End of year	<u>287.000</u>

Deferred tax relates to time differences on fixed assets and inventories.

8. Prepayments

Prepayments comprise expenses held related to subsequent financial year.

	Number	Nominal value DKK
	<u> </u>	<u> </u>
9. Contributed capital		
A shares	367.292	367.292
B shares	<u>158.470</u>	<u>158.470</u>
	<u>525.762</u>	<u>525.762</u>

10. Other provisions

Other provisions for warranty commitments for goods sold.

	2017	2016
	DKK	DKK
	<u> </u>	<u> </u>
11. Change in working capital		
Increase/decrease in inventories	(4.353.908)	51.366
Increase/decrease in receivables	(23.549.800)	(8.570.599)
Increase/decrease in trade payables etc	34.072.499	16.346.509
Other changes	<u>(767.348)</u>	<u>420.704</u>
	<u>5.401.443</u>	<u>8.247.980</u>
	2017	2016
	DKK	DKK
	<u> </u>	<u> </u>
12. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>12.252.870</u>	<u>14.887.793</u>

Notes

	2017	2016
	DKK	DKK
13. Contingent liabilities		
Recourse and non-recourse guarantee commitments	15.000.000	15.185.856
Contingent liabilities in total	15.000.000	15.185.856

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.

14. Related parties with controlling interest

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

15. Transactions with related parties

No related party transactions have been made on a non-arm's length basis.

16. 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.

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.

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.

Accounting policies

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, 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.

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.

Accounting policies

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).

Balance sheet

Intellectual property rights etc

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

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are five years.

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.

Accounting policies

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.

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.

Accounting policies

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.

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.

Accounting policies

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.