

XPP Bidco ApS

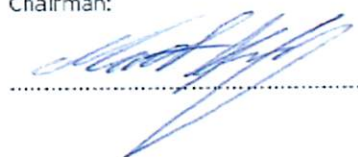
Roskildevej 39, DK-2000 Frederiksberg

CVR no. 32 30 88 13

Annual report 2018

Approved at the Company's annual general meeting on 3 May 2019

Chairman:





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Statement by the Board of Directors and the Executive Board

Today, the Executive Board has discussed and approved the annual report of XPP Bidco ApS for the financial year 1 January - 31 December 2018.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2018 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 3 May 2019
Executive Board:


.....
Gareth Ridgwell Whiley
.....
Robert Ian Knight

Independent auditor's report

To the shareholders of XPP Bidco ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of XPP Bidco ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2018 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 consolidated financial statements and the parent Company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the 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 the Management's review.

Copenhagen, 3 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jan C. Olsen
State Authorised Public Accountant
mne33717



Nicklas Rasmussen
State Authorised Public Accountant
mne43474



Management's review

Company details

Name	XPP Bidco ApS
Address, Postal code, City	Roskildevej 39, DK-2000 Frederiksberg
CVR no.	32 30 88 13
Established	4 February 2004
Registered office	Frederiksberg
Financial year	1 January - 31 December
Board of Directors	Gareth Ridgwell Whiley, Chairman Robert Ian Knight James Patrick Howaldt
Executive Board	Gareth Ridgwell Whiley Robert Ian Knight
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuhs Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights for the Group

DKKm	2018	2017	2016	2015	2014
Key figures					
Revenue	468.6	495.6	495.4	428.5	348.2
Gross margin	289.4	283.7	275.4	227.9	199.5
Operating profit	22.1	23.7	31.2	7.5	33.3
Net financials	-16.1	-19.4	-20.5	-20.4	-10.6
Profit/loss for the year	4.3	0.5	4.0	-18.6	18.0
Total assets					
Equity	288.9	285.3	288.4	279.0	291.2
Cash flows					
Cash flows from operating activities	25.4	83.8	100.9	75.3	19.5
Net cash flows from investing activities	-63.4	-51.0	-41.7	-70.3	-498.5
Cash flows from financing activities	4.8	-57.8	-19.6	15.9	504.5
Total cash flows	-33.2	-25.0	39.6	20.9	25.5
Financial ratios					
Gross margin	61.8%	57.2%	55.6%	53.2%	57.3%
Equity ratio	43.9%	46.0%	41.5%	38.7%	41.5%

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

Business review

The Group's business concept is to develop, market and sell high quality digital camera systems and software solutions. Our main customers are:

- ▶ The World's professional photographers, serious private photo enthusiasts, production studios and cultural heritage applications. This segment comprises both customers buying our full camera systems and customers looking for our highly appraised image workflow software, Capture One Pro.
- ▶ Industrial imaging end-users and integrators within Aerial mapping/documentation, inspection, surveillance and homeland security applications. All our customers are characterised by their need for world-class image quality and highly efficient workflow.

It is our goal to be the world-wide market leader within all our target customer groups and applications. In this way, we can ensure satisfactory earnings and at the same time we can attract and retain the best product developers and sales & marketing experts within digital imaging.

Recognition and measurement uncertainties

Financial review

The year 2018 overall shows satisfactory results, considering 2018 has been a transition year where significant funds have been invested in order to secure the technological leadership in the years to come. The Group's revenue amounted to DKK 469 million in 2018 (DKK 496 million in 2017). The Group profit after tax amounted to DKK 4.2 million in 2018 (DKK 0.5 million in 2017).

As stated above, the Group continued to invest heavily in 2018. The Group invests in both new market areas and distribution systems within digital photography as well as in the further development of the unique and patented series of portable digital cameras, lenses, backs and software solutions.

Parent Company

The Parent Company's revenue amounted to DKK 0 million in 2018 (DKK 0 million in 2017). The Parent Company's profit after tax amounts to DKK 4,2 million in 2018 (DKK 0,5 million in 2017).

The Parent Company's equity amounted to DKK 289 million at 31 December 2018 (DKK 285 million at 31 December 2017).

No other issues regarding the Parent Company are relevant, which are not already mentioned in the operating review for the Group.

Knowledge resources

It is essential for the future growth of the Group to attract and retain highly skilled and qualified professionals, including employees with expertise in development and sales & marketing of digital camera systems, camera lenses, workflow software, etc.

In order to ensure a high and competitive product quality, the Group uses modern production processes. This requires a high competence level, and considerable resources are invested in the development of the Group's products and in maintaining the skills of the Group's employees.

Special risks

Due to the Group's activities in the USA and Asia, the profit and equity as well as cash flows are influenced by the USD and JPY exchange rate development. The Group's policy is to primarily offset the currency risk by matching purchases and sales in USD and JPY. Secondly, Phase One partly hedges the excess exchange rate risk by means of forward exchange contracts.

In addition to the before-mentioned currencies, the Group has considerable activities denominated in Euro and Israeli Shekel. Hedging is not made in respect of these currencies, as it is not considered optimal from a risk and cost point-of-view.

Management's review

Research and development activities

For the Software Imaging Solutions (SIS) division, Phase One has in 2018 launched yet a major update of the award winning Capture One RAW processing workflow software. Capture One now supports more than 500 top cameras and has a strong and growing following among high-end photographers. Phase One is the only camera manufacturer to offer a first class application software, which helps the top photographers optimise their creativity, workflow and quality of work. Our Software business has grown significantly in 2018, which was further aided by partnering with Fujifilm which allows the Fujifilm users to gain access to both a free and paid brand version of the Capture One solution. The brand solution offers tailored applications for users such as popular film styles when editing camera files. Increased use of subscriptions and a large development of SW resellers help secure record SW results.

For the Specialty Photography (SP) business, Phase One launched the long awaited revolutionary IQ4 150MP camera system - a fully-integrated system comprising the XF camera, a brand new 150MP digital back that rests on the infinity platform, which will also support future generations in the IQ-series. The new camera system has been extremely well received in Q4 2018 and consolidates Phase One's position as market leading within the high-end Photography business. Phase One continues to offer the widest range of professional lenses on the market for the medium-format shooters.

The Industrial (INDU) business of Phase One continued to develop its highly durable and high resolution IX aerial camera systems with the launch of the iXM-RS camera systems, which offer a 150 MP fully-integrated solution for mapping and surveying. Phase One continues to invest and grow this business segment including a new distribution system. INDU is becoming an increasingly important part of the Company's total sales.

Statutory CSR report

The Group is a knowledge intensive group, and its staff is considered the most important resource and an important part of the Group's corporate social responsibility. The Group wants to be an attractive place to work, which can attract and maintain qualified and dedicated employees. In 2018, the Work Environment Committee held several meetings evaluating and optimizing the work environment. The Work Environment Committee is carrying out periodical measurements of employee satisfaction and, historically, these show a high degree of satisfaction in line with the Group's goal. Next survey is scheduled to be carried out during 2019.

The Group perceives human rights as closely linked to employee rights in the Group's enterprises and at the Group's suppliers. Consequently, the Group adopted a Code of Conduct for Employee Rights by the end of 2015. Among other things, the Code of Conduct includes elimination of discrimination with respect to employment based on age, gender, religion or race. The Group has not measured the effect of the implementation of said Code of Conduct.

In 2018, the Company adopted an anti-slavery policy which seeks to limit the risk of modern slavery occurring in the Company's supply chain.

The Group does not carry out production activities which has a significant impact on the environment and climate. Therefore, the Group has not prepared an environmental nor a climate policy.

Other leadership posts comprise the Executive Board, middle managers and team managers. The policy of the Group for women in other leadership roles is to have the best qualified candidates and at the same time enhance the qualifications of talented female leaders. The Group aims at having at least one male and one female candidate among the top-three candidates for other leadership roles. At present, the number of female leaders has increased by one compared to last year.

Anti-corruption

The Group policy related to anti-corruption secures that we act according to high ethical standards forbidding the participation in any kind of bribery. The policy was adopted in the second half of 2015 and implemented in the first half of 2016. Risks of anti-corruption behaviour have been identified mainly in the supplier chain and in order to prevent such behaviour in both the supply chain and among own employees, all new employees in 2018 have been introduced to and trained in the corporate anti-corruption policy. Management are not aware of any violation of the policy.

Management's review

Account of the gender composition of Management

The Group believes that diversity among its employees, including gender balance, contributes positively to the work environment and strengthens the Group's performance and competitiveness.

Events after the balance sheet date

No events have occurred which affect the consolidated financial statements and the Parent Company financial statements for 2018.

Outlook

The demand for the best in class imaging workflow software and commercial drones/robotics is expected to drive the revenue growth going forward. The combination of presence on markets which are growing at double digit growth rates, and having top of the line software and hardware solutions underpins the positive outlook that is reflected in our expectations for the future. The Software Division will continue its high growth in 2019, based on new products, new distribution systems and new OEM partnerships.

Based on our recently launched camera systems for both SP and the INDU market segment and with current and planned products, we expect large growth in both revenue and earnings in 2019.

The Group's global market share is estimated to constitute approximately 60% of the market for high-quality digital camera systems in the professional market. The Group has significant growth opportunities in both the high end private photo-enthusiast market and especially in the industrial market segments.

The Group will continue to invest in the further development and knowledge of the Group's products, targeted distribution systems as well as potential new strategic partnerships.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

Note	DKK'000	Group		Parent company	
		2018	2017	2018	2017
2	Revenue	468,551	495,621	0	0
	Production costs	-179,195	-211,949	0	0
	Gross margin	289,356	283,672	0	0
	Distribution costs	-108,361	-99,415	0	0
16,3	Administrative expenses	-97,306	-102,154	-53	-26
	Operating profit/loss	83,689	82,103	-53	-26
16	Research and development costs	-61,589	-58,410	0	0
	Profit/loss before net financials	22,100	23,693	-53	-26
	Income from investments in group enterprises	0	0	13,197	9,833
4	Financial income	5,210	1,994	0	0
5	Financial expenses	-21,331	-21,436	-11,372	-11,889
	Profit/loss before tax	5,979	4,251	1,772	-2,082
6	Tax for the year	-1,693	-3,716	2,514	2,617
	Profit for the year	4,286	535	4,286	535

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group		Parent company	
		2018	2017	2018	2017
	ASSETS				
	Fixed assets				
7	Intangible assets				
	Completed development projects	65,028	27,420	0	0
	Developed technology	67,100	80,700	0	0
	Trademarks and trade names	55,500	63,250	0	0
	Patents and licences	8,265	18,250	0	0
	Acquired trademarks and trade names	80,268	88,201	0	0
	Goodwill	89,074	94,947	0	0
	Development projects in progress and prepayments for intangible assets	22,636	26,528	0	0
		<u>387,871</u>	<u>399,296</u>	<u>0</u>	<u>0</u>
8	Property, plant and equipment				
	Fixtures and fittings, other plant and equipment	8,784	11,339	0	0
	Leasehold improvements	389	486	0	0
		<u>9,173</u>	<u>11,825</u>	<u>0</u>	<u>0</u>
9	Investments				
	Investments in group enterprises	0	0	432,272	439,816
		<u>0</u>	<u>0</u>	<u>432,272</u>	<u>439,816</u>
	Total fixed assets	<u>397,044</u>	<u>411,121</u>	<u>432,272</u>	<u>439,816</u>
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	39,001	23,564	0	0
	Work in progress	30,088	14,711	0	0
	Finished goods and goods for resale	61,920	48,007	0	0
		<u>131,009</u>	<u>86,282</u>	<u>0</u>	<u>0</u>
	Receivables				
	Trade receivables	87,150	49,119	0	0
	Receivables from group enterprises	2,129	375	32,570	22,179
10,13	Deferred tax assets	7,227	3,632	2,514	994
	Corporation tax receivable	0	6,764	0	2,066
	Other receivables	9,116	7,042	0	0
11	Prepayments	2,479	695	0	0
		<u>108,101</u>	<u>67,627</u>	<u>35,084</u>	<u>25,239</u>
	Cash	<u>21,680</u>	<u>55,381</u>	<u>0</u>	<u>1</u>
	Total non-fixed assets	<u>260,790</u>	<u>209,290</u>	<u>35,084</u>	<u>25,240</u>
	TOTAL ASSETS	<u>657,834</u>	<u>620,411</u>	<u>467,356</u>	<u>465,056</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group		Parent company	
		2018	2017	2018	2017
		EQUITY AND LIABILITIES			
		Equity			
12	Share capital	2,740	2,740	2,740	2,740
	Retained earnings	286,129	282,585	286,129	282,585
	Total equity	288,869	285,325	288,869	285,325
	Provisions				
13	Deferred tax	61,752	63,347	0	0
	Other provisions	7,445	6,673	0	0
15	Total provisions	69,197	70,020	0	0
	Liabilities other than provisions				
14	Non-current liabilities other than provisions				
	Bank debt	162,633	168,244	158,133	159,407
	Lease liabilities	1,588	1,392	0	0
	Other credit institutions	5,451	6,508	0	0
		169,672	176,144	158,133	159,407
	Current liabilities other than provisions				
	Bank debt	35,886	23,739	19,506	19,321
	Lease liabilities	2,110	3,013	0	0
	Other credit institutions	1,041	1,022	0	0
	Trade payables	54,946	27,826	0	0
	Corporation tax payable	4,043	5,407	0	0
	Other payables	32,070	27,915	848	1,003
		130,096	88,922	20,354	20,324
	Total liabilities other than provisions	299,768	265,066	178,487	179,731
	TOTAL EQUITY AND LIABILITIES	657,834	620,411	467,356	465,056

- 1 Accounting policies
- 17 Contractual obligations and contingencies, etc.
- 18 Collateral
- 19 Related parties
- 20 Fee to the auditors appointed by the Company in general meeting

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

		Group		
Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2018	2,740	282,585	285,325
	Transfer through appropriation of profit	0	4,286	4,286
	Adjustment of investments through foreign exchange adjustments	0	-742	-742
	Equity at 31 December 2018	2,740	286,129	288,869

		Parent company		
Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2018	2,740	282,585	285,325
21	Transfer, see "Appropriation of profit"	0	4,286	4,286
	Adjustment of investments through foreign exchange adjustments	0	-742	-742
	Equity at 31 December 2018	2,740	286,129	288,869

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group	
		2018	2017
	Profit for the year	4,286	535
22	Adjustments	95,835	103,657
	Cash generated from operations (operating activities)	100,121	104,192
23	Changes in working capital	-57,095	8,863
	Cash generated from operations (operating activities)	43,026	113,055
	Interest received, etc.	5,210	1,985
	Interest paid, etc.	-21,331	-15,429
	Income taxes paid	-1,483	-15,826
	Cash flows from operating activities	25,422	83,785
	Additions of intangible assets	-58,595	-43,807
	Additions of property, plant and equipment	-4,775	-7,192
	Cash flows to investing activities	-63,370	-50,999
	Bank overdraft	7,381	0
	Repayments, long-term liabilities	-2,590	-57,786
	Cash flows from financing activities	4,791	-57,786
	Net cash flow	-33,157	-25,000
	Cash and cash equivalents at 1 January	55,381	87,286
	Foreign exchange adjustments	-544	-6,905
	Cash and cash equivalents at 31 December	21,680	55,381

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of XPP Bidco ApS for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

External business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

The date of acquisition is the date when the group actually obtains control of the acquiree.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The acquisition method is applied to the acquisition of new entities of which the group obtains control. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the consolidated financial statements are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The consideration paid for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement.

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

Foreign subsidiaries are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Foreign exchange adjustments of balances with separate foreign subsidiaries, which are considered part of the aggregate investment in the subsidiary, are taken directly to equity.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at closing rates. Non-monetary items are translated at the exchange rate at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date. However, items derived from non-monetary items are translated at historical exchange rates for the non-monetary items.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Sale of software licences is recognised as sale of goods whereby revenue is recognised when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff and advertising.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Development costs

The item includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

The proportionate share of the individual subsidiaries' profit/loss after tax, after full elimination of internal gains/losses, are recognised in the Parent Company's income statement.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over an amortisation period of 20 years. The amortisation period is fixed on the basis of the expected repayment horizon, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually two years.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The basis of amortisation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The amortisation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Other intangible assets

Other intangible assets comprising intangible assets acquired in connection with a business combination are measured at cost less accumulated amortisation and impairment. Other intangible assets are amortised over the estimated useful lives, which usually is:

-Trademarks and trade names are usually amortised over 10-15 years.

-Developed technology is usually amortised over 10 years.

-The amortisation period for customer relationship is dependent on the individual customer relationship. Customer relationships are usually amortised over 12 years.

-Patents and licences are measured at cost less accumulated amortisation and impairment. Patents are amortised over the remaining term of the patent, and licenses are amortised over the term of license, however not exceeding 10 years.

Other intangible assets are recognised in connection with a strategically acquired enterprise with a strong market position and a long-term earnings profile. The estimated useful lives of the acquired intangibles assets are assessed to exceed 5 years.

The basis of amortisation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The amortisation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal including non-amortised goodwill and anticipated costs of disposal. Gains or losses are recognised in the income statement as financial income or financial expenses.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Provisions for warranty commitments are measured at net realisable value and recognised based on past experience. Liabilities that are expected to be settled after one year after the balance sheet date are discounted at average bond yields.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Cash flow statement

The cash flow statement shows the Group's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related expenses as well as raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

2 Segment information

The Company has not disclosed the breakdown of revenue by geographical and business segment, see section 96(1) of the Danish Financial Statements Act. The market for medium format camera solutions consists of very few competitors. On this basis, specific segment information is not disclosed, as this could have a negative impact on the Company's competitive position.

DKK'000	Group		Parent company	
	2018	2017	2018	2017
3 Amortisation/depreciation of intangible assets and property, plant and equipment				
Amortisation of intangible assets	69,787	71,052	0	0
Depreciation of property, plant and equipment	7,462	8,338	0	0
	<u>77,249</u>	<u>79,390</u>	<u>0</u>	<u>0</u>

Amortisation/depreciation of intangible assets and property, plant and equipment is recognised in the income statement under the following items:

DKK'000	Group		Parent company	
	2018	2017	2018	2017
Administrative expenses	41,402	41,128	0	0
Development costs	35,847	38,262	0	0
	<u>77,249</u>	<u>79,390</u>	<u>0</u>	<u>0</u>
4 Financial income				
Interest income	0	122	0	0
Exchange gain	341	9	0	0
Other financial income	4,869	1,863	0	0
	<u>5,210</u>	<u>1,994</u>	<u>0</u>	<u>0</u>
5 Financial expenses				
Interest expenses	9,695	10,991	9,695	10,066
Exchange losses	966	4,088	0	0
Fair value adjustments of financial instruments	2,154	1,145	0	0
Amortisation of financing costs	1,677	2,140	1,677	1,823
Other financial expenses	6,839	3,072	0	0
	<u>21,331</u>	<u>21,436</u>	<u>11,372</u>	<u>11,889</u>
6 Tax for the year				
Estimated tax charge for the year	6,883	1,234	-1,988	-2,617
Deferred tax adjustments in the year	-4,238	2,392	-1,520	0
Tax adjustments, prior years	-952	90	0	0
Refund in joint taxation	0	0	994	0
	<u>1,693</u>	<u>3,716</u>	<u>-2,514</u>	<u>-2,617</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

7 Intangible assets

	Group							Total
	Completed development projects	Developed technology	Trademarks and trade names	Patents and licences	Acquired trademarks and trade names	Goodwill	Development projects in progress and prepayments for intangible assets	
DKK'000								
Cost at 1 January 2018	175,439	136,000	93,000	39,706	119,000	117,460	26,528	707,133
Foreign exchange adjustments	-1,246	0	0	105	0	0	0	-1,141
Additions	42,199	0	0	1,006	0	0	15,390	58,595
Transferred	31,772	0	0	-12,490	0	0	-19,282	0
Cost at 31 December 2018	248,164	136,000	93,000	28,327	119,000	117,460	22,636	764,587
Impairment losses and amortisation at 1 January 2018	148,019	55,300	29,750	21,456	30,799	22,513	0	307,837
Foreign exchange adjustments	-965	0	0	57	0	0	0	-908
Amortisation for the year	32,756	13,600	7,750	1,875	7,933	5,873	0	69,787
Transferred	3,326	0	0	-3,326	0	0	0	0
Impairment losses and amortisation at 31 December 2018	183,136	68,900	37,500	20,062	38,732	28,386	0	376,716
Carrying amount at 31 December 2018	65,028	67,100	55,500	8,265	80,268	89,074	22,636	387,871
Amortised over	2 years	10 years	12 years	5-10 years	15 years	20 years		

Completed development projects

Completed development projects include development of software and new products. Management has not identified any evidence of impairment relative to the carrying amount of the completed development projects.

Development projects in progress

Development projects in progress include development and test of new software and products. The relating expenses primarily consist of internal expenses in the form of payroll costs and production overheads, which are recorded through the Company's internal project module.

The development projects are expected to be complete in 2019, after which marketing and selling efforts will be made.

Management has not identified any evidence of impairment relative to the carrying amount of development projects in progress.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

8 Property, plant and equipment

DKK'000	Group		
	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2018	43,320	4,983	48,303
Foreign exchange adjustments	35	0	35
Additions	4,608	167	4,775
Disposals	-2,928	0	-2,928
Cost at 31 December 2018	45,035	5,150	50,185
Impairment losses and depreciation at 1 January 2018	31,981	4,497	36,478
Depreciation	7,198	264	7,462
Reversal of accumulated depreciation and impairment of assets disposed	-2,928	0	-2,928
Impairment losses and depreciation at 31 December 2018	36,251	4,761	41,012
Carrying amount at 31 December 2018	8,784	389	9,173
Property, plant and equipment include finance leases with a carrying amount totalling	2,815	0	2,815
Depreciated over	3 years	3 years	

9 Investments

DKK'000	Parent company Investments in group enterprises
Cost at 1 January 2018	503,079
Cost at 31 December 2018	503,079
Value adjustments at 1 January 2018	-63,263
Foreign exchange adjustments	-741
Dividend received	-20,000
Profit/loss for the year	13,197
Value adjustments at 31 December 2018	-70,807
Carrying amount at 31 December 2018	432,272

Parent company

Name	Domicile	Interest
Subsidiaries		
Phase One A/S	Copenhagen	100.00%
Phase One United States Inc.	USA	100.00%
Leaf Imaging Ltd.	Israel	100.00%
Phase One Japan Co. Ltd.	Japan	100.00%
Phase One Asia Pacific Co. Ltd.	Hong Kong	100.00%

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

10 Deferred tax assets

Group

At 31 December 2018, the Group recognised an asset totalling DKK 7,227 thousand. The tax asset consists of non-utilised tax deductions in the form of timing differences.

Based on the budget for 2019, Management considers it likely that there will be future taxable income against which non-utilised tax losses and tax deductions can be offset.

11 Prepayments

Group

Prepayments include accrual of expenses relating to subsequent financial years, including rent and insurance policies.

DKK'000	Parent company				
	2018	2017			
12 Share capital					
Analysis of the share capital:					
274,008,837.00 A shares of DKK 0.01 nominal value each	2,740	2,740			
	<u>2,740</u>	<u>2,740</u>			
Analysis of changes in the share capital over the past 5 years:					
DKK'000	2018	2017	2016	2015	2014
Opening balance	2,740	2,740	2,740	2,740	0
Capital increase	0	0	0	0	2,740
	<u>2,740</u>	<u>2,740</u>	<u>2,740</u>	<u>2,740</u>	<u>2,740</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	Group		Parent company	
	2018	2017	2018	2017
13 Deferred tax				
Deferred tax at 1 January	59,715	64,831	-994	-941
Adjustment for the year	-4,238	-4,105	-2,514	-53
Foreign exchange adjustment	0	-12	0	0
Deferred tax adjustment, prior years	-952	-999	0	0
Refund in joint taxation	0	0	994	0
Deferred tax at 31 December	54,525	59,715	-2,514	-994
Deferred tax relates to:				
Intangible assets	62,938	62,063	0	0
Property, plant and equipment	-750	-486	0	0
Inventories	-3,016	-2,649	0	0
Other taxable temporary differences	-4,647	787	-2,514	-994
	54,525	59,715	-2,514	-994
Analysis of the deferred tax				
Deferred tax assets	-7,227	-3,632	-2,514	-994
Deferred tax liabilities	61,752	63,347	0	0
	54,525	59,715	-2,514	-994

14 Non-current liabilities other than provisions

Group

Of the long-term liabilities, DKK 497 thousand falls due for payment after more than 5 years after the balance sheet date.

15 Provisions

Group

Other provisions comprise anticipated expenses relating to warranty commitments. Other provisions are expected to mature within 5 years.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	Group		Parent company	
	2018	2017	2018	2017
16 Staff costs				
Wages/salaries	152,297	146,521	0	0
Pensions	820	820	0	0
Other social security costs	7,630	7,630	0	0
	<u>160,747</u>	<u>154,971</u>	<u>0</u>	<u>0</u>

Group

Total remuneration to Group management : DKK 4,388 thousand (2017: DKK 5,526 thousand)

Parent company

The Parent Company has no employees.

17 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	Group		Parent company	
	2018	2017	2018	2017
Rent and lease liabilities	<u>9,187</u>	<u>9,014</u>	<u>0</u>	<u>0</u>

Parent company

The Group and the Parent Company are jointly taxed with its parent, XPP TopCo A/S, which acts as management company, and other Danish group entities. The Company is jointly and severally liable with other jointly taxed group entities for payment of income taxes and withholding taxes.

18 Collateral

The shares in Phase One A/S have been provided as collateral for the Group's and the Parent Company's loans to credit institutions. Furthermore, guarantees for group entities have been provided to credit institutions.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

19 Related parties

Group

XPP Bidco ApS' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
XPP Midco ApS	Copenhagen	Participating interest

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
XPP Midco ApS	Copenhagen	The consolidated financial statements can be retrieved by contacting the Company.
Phase One Imaging Holdings Ltd.	England	The consolidated financial statements can be retrieved by contacting the Company.

Related party transactions

DKK'000	<u>2018</u>	<u>2017</u>
Parent Company		
Receivables from group enterprises	32,570	22,179

Group

There has been no related party transaction, which has not been eliminated in the consolidated financial statements.

Information on the remuneration to management

Information on the remuneration to Management appears from note 16, "Staff costs".

20 Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act, as audit fees are disclosed for the Group as such in the consolidated financial statements for XPP TopCo ApS.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Parent company	
DKK'000		2018	2017
21	Appropriation of profit		
	Recommended appropriation of profit		
	Retained earnings/accumulated loss	4,286	535
		<u>4,286</u>	<u>535</u>
		Group	
DKK'000		2018	2017
22	Adjustments		
	Financial income	-5,210	-1,994
	Financial expenses	21,331	21,436
	Depreciation	77,249	79,390
	Tax for the year	1,693	3,716
	Changes in other provisions	772	1,109
		<u>95,835</u>	<u>103,657</u>
23	Changes in working capital		
	Change in inventories	-44,727	19,604
	Change in receivables	-43,643	-3,077
	Change in trade and other payables	31,275	-7,664
		<u>-57,095</u>	<u>8,863</u>