

XPP BidCo ApS

Roskildevej 39, DK-2000 Frederiksberg

CVR no. 32 30 88 13



Annual Report 2015

Approved at the Company's annual general meeting on 28 April 2016

Chairman:



.....
Lars Bybjerg



Building a better
working world

Contents

Statement by the Executive Board	2
Independent auditors' report	3
Management's review	5
Company details	5
Financial highlights for the Group	6
Operating review	7
Consolidated financial statements and parent company financial statements for the year ended 31 December	10
Accounting policies	10
Income statement	18
Balance sheet	19
Statement of changes in equity	21
Cash flow statement	22
Notes	23

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of XPP BidCo ApS for the financial year 1 January - 31 December 2015.

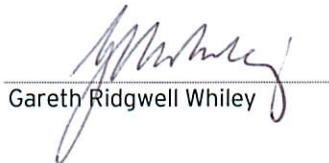
The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2015 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2015.

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, 28 April 2016
Executive Board:


Alfa Chi Kit Chan
Gareth Ridgwell Whiley

Independent auditors' report

To the shareholders of XPP BidCo ApS

Independent auditors' report on the consolidated financial statements and the parent company financial statements

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 2015, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company 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 that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

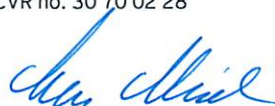
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2015 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 28 April 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Søren Christiansen
State Authorised
Public Accountant



Morten Bjerregaard
State Authorised
Public Accountant

Management's review

Company details

Name	XPP BidCo ApS
Address, zip code, city	c/o Phase One A/S, Roskildevej 39, DK-2000 Frederiksberg
CVR no.	32 30 88 13
Established	4 February 2014
Registered office	Copenhagen
Financial year	1 January - 31 December
Telephone	+45 36460111
Fax	+45 36460222
Executive Board	Alfa Chi Kit Chan Gareth Ridgwell Whiley
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, P.O. Box 250, DK-2000 Frederiksberg

Management's review

Financial highlights for the Group

DKK million	2015	2014
Key figures		
Revenue	428,5	348.2
Gross profit	227,6	196.1
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	84,5	82,2
Operating profit	7,2	29.9
Profit/loss from financial income and expenses	-20,4	-10.6
Profit/loss for the year	-18,3	15.4
Total assets		
Total assets	713,3	693.8
Portion relating to investment in property, plant and equipment	1,4	5.2
Equity	272,8	285.2
Cash flows		
Cash flows from operating activities	75,3	19.5
Net cash flows from investing activities	-70,3	-498.5
Cash flows from financing activities	15,9	504.5
Total cash flows	20,9	25.5
Financial ratios		
Gross margin ratio	53 %	56 %
Solvency ratio	38 %	41 %

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Main activities for the Group

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

- I. The World's most demanding professional photographers and serious private photo enthusiasts (WMDP).
- II. Industrial imaging end-users and integrators within Aerial mapping/documentation, cultural heritage, 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 attract and retain the best product developers and sales & marketing experts within digital imaging.

Development in activities and financial matters

The year 2015 overall shows satisfactory results and XPP BidCo continued to strengthen its market position in existing as well as in new segments by introduction of new solutions and better distribution. The Group's revenue amounted to DKK 429 million in 2015 (DKK 348 million in 2014). XPP BidCo's loss after tax amounted to DKK 19 million in 2015 (profit of DKK 15 million in 2014). The loss after tax compared to 2014 was highly affected by non-cash amortisation of intangible assets. In addition, the operational profit was affected by increased investments in strengthening the Group's organization as well as the acquired business in Japan, as discussed below.

The Group continued to invest heavily in 2015. Phase One 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.

At December 1, 2015, the Group succeeded in acquiring the assets of Mamiya Digital Imaging in Japan, in which the Group has been a minority shareholder since 2009. Having full control of the development and manufacturing of high quality cameras and lenses is considered as a big strategic leap for Phase One.

The Group employed an average of 178 employees in 2015 against 163 in 2014.

New products

For the WMDP business, The Group launched the revolutionary XF camera system - a fully integrated system comprising the new XF camera, a new digital back platform and a range of new ultra high quality 'Blue Ring' lenses. The new camera system has been extremely well received and consolidates The Group's position as market leading within the high-end Photography business. The lenses were launched in cooperation with our strategic partner Schneider Kreuznach. The Group offers the widest range of professional lenses on the market for the medium-format shooters.

For the Software business, The Group has in 2015 launched a major update of the award winning Capture One RAW processing workflow software. Capture One supports the top 400 cameras shooting RAW, and has a strong and growing following among the World's most demanding photographers. Phase One is the only camera manufacturer to offer a strong application software, which helps the top photographers optimise their creativity and quality of work.

For the Industrial business, The Group continued to develop its highly durable IXA/IXU camera systems, new simplified software and high performance lens and shutter systems. This included a range of custom lens developments.

Outlook

In January 2016, The Group introduced the World's first 100 mega pixel camera system, including a range of new high performance lenses.

Management's review

Operating review

Based on the products and solutions introduced in 2015 and early 2016, and on the many investments in building world-class targeted distribution systems, we expect growth in both revenue and earnings in 2016.

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.

Balance sheet

The Group's balance sheet total amounted to DKK 713 million (2014: DKK 694 million), of which current assets constitute 31% (2014: 23%).

The Group's equity amount to DKK 273 million at 31 December 2015 (2014: DKK 285 million).

Exchange rate 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.

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 development of the Group's products and in maintaining the skills of the Group's employees.

Corporate social responsibility and equal opportunities policy

The Group is a knowledge intensive group and its staff is considered an important resource and as 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 2015, the Work Environment Committee held several meetings, and evaluated the employee satisfaction measurement conducted in late 2014. The satisfaction measurement showed a high degree of satisfaction, which is in line with the Group's goal. Next survey is scheduled to be carried out during 2016.

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 end of 2014. 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.

The Group does not carry out production activities which has a significant impact on the environment. Therefore the Group has not prepared a climate policy.

Management's review

Operating review

Goals and policies for the underrepresented gender

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.

In connection with the change of ownership of the Group in March 2014, a new Board of Directors was elected which consisted of three men. Today the Board of Directors comprise of 4 members. Phase One aims that at least one male and one female leader must be represented in the Board of Directors appointed at the general meeting by the end of 2018. At present there are no female members of the Executive Board. During 2015 the Group has not been able to find qualified female members for the Executive Board. The Group strives to increase the number of female leaders in the Group.

Other leadership posts comprise the Executive Board, middle managers and department 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 that at least one male and one female candidate are among the top-three candidates for other leadership roles. At present, the number of female leaders is unchanged compared to last year.

Anti-corruption

The Group policy related to anti-corruption, secures that we act according to high ethical standard forbid the participation in any kind of bribery. The policy was adopted in the last part of 2014 and implemented in the early part of 2015. Management are not aware of any violation of the policy.

Subsequent events

No events have occurred which affect the consolidated financial statements and the parent company financial statements for 2015.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

The annual report of XPP BidCo ApS for 2015 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

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

Consolidated financial statements

The consolidated financial statements comprise the parent company, XPP BidCo ApS, and subsidiaries in which XPP BidCo ApS directly or indirectly holds more than 50 % of the voting rights. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Foreign currency translation

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

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

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of the intra-group balance with independent foreign subsidiary which is considered part of the investment in the subsidiary are recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

Income statement

Revenue

Revenue is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties and discounts granted in connection with the sale.

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns etc. during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions, etc.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

Development costs

Development costs comprise costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for Group management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation.

Other operating income and other operating costs

Other operating income and other operating costs comprise items secondary to the principal activities of the enterprises, including gains and losses on disposal of intangible assets and property, plant and equipment.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated and the parent company income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on receivables and payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Company is comprised by the joint taxation of the XPP TopCo ApS group companies.

XPP TopCo ApS is the administrative company under the joint taxation and accordingly pays all corporation taxes to the tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint taxation contributions from other companies that have used the tax losses to reduce their own taxable profit.

The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Goodwill

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 a maximum

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

amortisation period of 20 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles.

Development projects, patents and licences

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to the Group's development activities.

Development projects that are clearly defined and identifiable, where the technical utilisation degree, sufficient resources and a potential future market or development opportunities in the Group are evidenced, and where the Group 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 and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Development costs that are recognised in the balance sheet are measured at the lower of cost less accumulated amortisation and impairment and the recoverable amount.

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

Patents and licences are measured at cost less accumulated amortisation and impairment. Patents are amortised over the estimated useful lives, usually 5-10 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains and losses are recognised in the income statement as other operating income and other operating costs, respectively.

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 are 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.

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.

Property, plant and equipment

Leasehold improvements as well as plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful life is 2-3 years.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income and other operating costs, respectively.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Group (finance leases) are initially measured in the balance sheet at the lower of fair value and the net present value of the future lease payments. In calculating the net present value of future lease payments, the discount factor is the interest rate implicit in the lease or an alternative rate. Assets held under finance leases are subsequently treated as the Group's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability and the interest implicit in the lease is recognised in the income statement over the lease term.

All other leases are defined as operating leases. Operating lease payments and other lease payments are recognised in the income statement over the lease term. The Group's total liabilities relating to operating leases and other leases are disclosed in the notes under contingent liabilities.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Phase One A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the purchase method is applied, see Consolidated financial statements above.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired according to an individual assessment.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Treasury shares

Total acquisition and disposal cost of treasury shares is recognised directly in retained earnings under equity.

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

In accordance with the joint taxation rules, the liability of the subsidiaries for payment of corporation taxes to the tax authorities is settled as the joint taxation contributions are paid to the administrative company.

Receivable and payable joint taxation contributions are recognised in amounts owed from group enterprises and amounts owed to group enterprises.

Deferred tax is measured using the balance sheet 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 the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised under other non-current assets 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 and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Other provisions

Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Other provisions comprise obligations to make good any defects within the warranty period of up to three years. Provisions for warranties are measured and recognised based on past experience.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the 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 obligation on finance leases.

Other liabilities are measured at net realisable value.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Accounting policies

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

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

Cash flows from financing activities

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

Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Consolidated financial statements and parent company financial statements for the year ended 31 December

Income statement

Note	DKK'000	Consolidated		Parent company	
		2015	2014	2015	2014
1	Revenue	428,502	348,191	0	0
	Production costs	-200,867	-152,088	0	0
	Gross margin	227,635	196,103	0	0
3	Distribution costs	-82,218	-63,023	0	0
3	Development costs	-69,972	-37,792	0	0
2, 3	Administrative expenses	-32,414	-32,849	-88	-175
3	Amortisation of goodwill and other intangible assets in connection with business combination	-35,813	-32,500	0	0
	Operating profit	7,218	29,939	-88	-175
4	Share of profit in subsidiaries after tax	0	0	-6,869	24,360
5	Share of profit in associates after tax	-3,057	1,446	0	0
6	Financial income	250	1,525	0	0
7	Financial expenses	-20,635	-13,525	-15,481	-12,179
	Profit/loss before tax	-16,224	19,385	-22,438	12,006
8	Tax on profit for the year	-2,608	-3,953	3,606	3,426
	Profit/loss for the year	-18,832	15,432	-18,832	15,432
	Proposed profit appropriation				
	Reserve for net revaluation according to the equity method			-35,456	24,360
	Retained earnings			16,624	-8,928
				-18,832	15,432

Consolidated financial statements and parent company financial statements for the year ended 31 December

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2015	2014	2015	2014
		EQUITY AND LIABILITIES			
12	Equity				
	Share capital	2,740	2,740	2,740	2,740
	Reserve for net revaluation according to the equity method	0	0	0	27,447
	Retained earnings	270,074	282,444	270,074	254,997
	Total equity	272,814	285,184	272,814	285,184
	Provisions				
13	Deferred tax	84,862	91,204	0	0
	Other provisions	5,135	5,650	0	0
	Total provisions	89,997	96,854	0	0
14	Non-current liabilities other than provisions				
	Credit institutions	240,474	230,234	214,328	230,234
	License commitments	8,189	0	0	0
	Lease commitments	4,757	4,003	0	0
		253,420	234,237	214,328	230,234
	Current liabilities				
14	Current portion of non-current liabilities other than provisions	20,666	11,243	18,000	10,000
	Trade payables	34,181	30,277	0	0
	Amounts owed to group enterprises	9,592	11,707	0	2,209
	Corporation tax	1,995	0	0	0
	Other payables	30,659	24,250	5,275	3,597
		97,093	77,477	23,275	15,806
	Total liabilities other than provisions	350,513	311,714	237,603	246,040
	TOTAL EQUITY AND LIABILITIES	713,324	693,752	510,417	531,224
15	Contractual obligations and contingencies				
16	Collateral				
17	Staff costs				
18	Related party disclosures				

Consolidated financial statements and parent company financial statements for the year ended 31 December

Statement of changes in equity

DKK'000	Consolidated			
	Share capital	Retained earnings	Proposed dividends	Total
Equity at 4 February 2014	0	0	0	0
Establishment and capital increase	2,740	266,299	0	269,039
Transferred, see profit appropriation	0	15,432	0	15,432
Value adjustments of hedging instruments at 31 December	0	-3,145	0	-3,145
Foreign currency translation adjustments, foreign subsidiaries	0	4,000	0	4,000
Tax on hedging instruments	0	771	0	771
Tax on other changes in equity	0	-913	0	-913
Equity at 1 January 2015	2,740	282,444	0	285,184
Transferred, see profit appropriation	0	-18,832	0	-18,832
Value adjustments of hedging instruments at 31 December	0	-2,022	0	-2,022
Foreign currency translation adjustments, foreign subsidiaries	0	8,743	0	8,743
Tax on hedging instruments	0	475	0	475
Tax on other changes in equity	0	-734	0	-734
Equity at 31 December 2015	2,740	270,074	0	272,814

DKK'000	Parent company				
	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividends	Total
Equity at 4 February 2014	0	0	0	0	0
Establishment and capital increase	2,740	0	266,299	0	269,039
Transferred, see profit appropriation	0	24,360	-8,928	0	15,432
Value adjustments in subsidiaries	0	3,087	0	0	3,087
Value adjustments of hedging instruments at 31 December	0	0	-3,145	0	-3,145
Tax on hedging instruments	0	0	771	0	771
Equity at 1 January 2015	2,740	27,447	254,997	0	285,184
Transferred, see profit appropriation	0	-35,456	16,624	0	-18,832
Value adjustments in subsidiaries	0	8,009	0	0	8,009
Value adjustments of hedging instruments at 31 December	0	0	-2,022	0	-2,022
Tax on hedging instruments	0	0	475	0	475
Equity at 31 December 2015	2,740	0	270,074	0	272,814

Consolidated financial statements and parent company financial statements for the year ended 31 December

Notes

1 Segment information

The Group has not disclosed segment information cf. 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.

2 Fees paid to auditors appointed at the annual general meeting

DKK'000	Consolidated		Parent company	
	2015	2014	2015	2014
Fee regarding statutory audit	578	571	46	44
Tax assistance	669	530	0	0
Assurance engagements	0	147	0	0
Other assistance	168	3,165	0	0
	<u>1,415</u>	<u>4,413</u>	<u>46</u>	<u>44</u>

3 Depreciation and amortisation

Intangible assets	72,850	48,327	0	0
Property, plant and equipment	4,445	3,927	0	0
	<u>77,295</u>	<u>52,254</u>	<u>0</u>	<u>0</u>

Depreciation and amortisation are recognised as follows in the consolidated financial statements and the parent company financial statements:

Distribution costs	450	665	0	0
Development costs	37,037	15,827	0	0
Administration costs	3,995	3,262	0	0
Amortisation of goodwill and other intangible assets in connection with business combination	35,813	32,500	0	0
	<u>77,295</u>	<u>52,254</u>	<u>0</u>	<u>0</u>

Consolidated financial statements and parent company financial statements for the year ended 31 December

Notes

4 Investments in group enterprises

DKK'000	Parent company	
	2015	2014
Cost at the beginning of the period	503,079	0
Additions	0	503,079
Cost at 31 December	503,079	503,079
Value adjustments at the beginning of the period	27,447	0
Profit for the year	-6,869	24,360
Dividends	-42,535	0
Foreign exchange adjustments and other value adjustments	8,010	3,087
Value adjustments at 31 December	-13,947	27,447
Carrying amount at 31 December	489,130	530,526
Non-amortised goodwill	334,800	363,086

Name	Reg. office	Vote and ownership share
Phase One A/S	Copenhagen, Denmark	100%

5 Investments in associates

DKK'000	Consolidated	
	2015	2014
Cost at the beginning of the period	14,080	0
Additions in connection with business combination	0	14,080
Disposals	-14,080	0
Cost at 31 December	0	14,080
Value adjustments at the beginning of the period	1,326	0
Profit for the year	-444	1,446
Foreign exchange adjustments	1,645	-120
Reversal of value adjustments	-2,527	0
Value adjustments at 31 December	0	1,326
Carrying amount at 31 December	0	15,406

Name	Vote and ownership share	
	2015	2014
Mamiya Digital Imaging Co., Ltd., Tokyo, Japan *)	0%	45%

*) The shares in Mamiya Digital Imaging Co. Ltd. were sold at 1 December 2015. A loss of DKK 2,613 thousand has been recognised in the income statement.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Notes

6 Financial income

DKK'000	Consolidated		Parent company	
	2015	2014	2015	2014
Interest income	39	42	0	0
Foreign exchange gain	211	1,483	0	0
	<u>250</u>	<u>1,525</u>	<u>0</u>	<u>0</u>

7 Financial expenses

Interest expenses	15,613	11,384	13,332	10,345
Amortisation of financing costs	2,149	1,834	2,149	1,834
Foreign exchange losses	2,873	307	0	0
	<u>20,635</u>	<u>13,525</u>	<u>15,481</u>	<u>12,179</u>

8 Tax on profit for the year

Current joint taxation contribution	6,270	3,104	-3,263	-2,995
Adjustment of deferred tax	-8,312	-3,713	-343	-431
Other current tax	4,027	4,562	0	0
Adjustment of current tax relating to previous years	474	0	0	0
Adjustment of deferred tax relating to previous years	149	0	0	0
	<u>2,608</u>	<u>3,953</u>	<u>-3,606</u>	<u>-3,426</u>

9 Intangible assets

DKK'000	Consolidated							Total
	Goodwill	Development completed	Patents and licences	Development in progress	Trademarks and trade names	Developed technology	Customer relations	
Cost at 1 January 2015	130,624	39,876	3,721	33,073	119,000	136,000	93,000	555,294
Foreign exchange adjustments	0	1,873	0	639	0	0	0	2,512
Acquisition of subsidiaries and activities	0	0	8,279	0	0	0	0	8,279
Additions	0	0	13,477	32,753	0	0	0	46,230
Transferred	0	60,443	0	-60,443	0	0	0	0
Cost at 31 December 2015	<u>130,624</u>	<u>102,192</u>	<u>25,477</u>	<u>6,022</u>	<u>119,000</u>	<u>136,000</u>	<u>93,000</u>	<u>612,315</u>
Amortisation at 1 January 2015	4,500	14,920	907	0	7,000	14,500	6,500	48,327
Foreign exchange adjustments	0	1,445	0	0	0	0	0	1,445
Amortisation	6,530	35,860	1,177	0	7,933	13,600	7,750	72,850
Amortisation at 31 December 2015	<u>11,030</u>	<u>52,225</u>	<u>2,084</u>	<u>0</u>	<u>14,933</u>	<u>28,100</u>	<u>14,250</u>	<u>122,622</u>
Carrying amount at 31 December 2015	<u>119,594</u>	<u>51,788</u>	<u>21,572</u>	<u>6,022</u>	<u>104,067</u>	<u>107,900</u>	<u>78,750</u>	<u>489,693</u>
Amortised over	20 years	2 years	5-10 years	-	15 years	10 years	12 years	

Consolidated financial statements and parent company financial statements for the year ended 31 December

Notes

10 Property, plant and equipment

DKK'000	Consolidated		
	Leasehold improvements	Fixtures and fittings, tools and equipment	Total
Cost at the beginning of the period	1,071	12,958	14,029
Acquisition of subsidiaries and activities	0	4,636	4,636
Additions	0	1,376	1,376
Disposals	0	-5,427	-5,427
Cost at 31 December 2015	1,071	13,543	14,614
Depreciation at the beginning of the period	428	3,499	3,927
Depreciation	442	4,003	4,445
Disposals	0	-5,427	-5,427
Depreciation at 31 December 2015	870	2,075	2,945
Carrying amount at 31 December 2015	201	11,468	11,669
Hereof finance leased assets	0	5,941	5,941
Depreciated over	3 years	3 years	

11 Inventories

DKK'000	Consolidated	
	2015	2014
Raw materials and consumables	31,993	31,374
Work in progress	25,110	1,402
Finished goods and goods for resale	48,338	43,513
	105,441	76,289

12 Share capital

The share capital comprises:

274,008,837 shares of DKK 0.01 each.

Each share carries one vote.

Changes in share capital

DKK'000	2015	2014
Share capital at 1 January	2,740	0
Establishment and capital increase	0	2,740
	2,740	2,740

Consolidated financial statements and parent company financial statements for the year ended 31 December

Notes

13 Deferred tax

DKK'000	Consolidated		Parent company	
	2015	2014	2015	2014
Deferred tax at the beginning of the period	-91,204	0	431	0
Addition in connection with business combination	0	-94,917	0	0
Acquisition of subsidiaries and activities	-1,821	0	0	0
Adjustment for the year of deferred tax	8,312	3,713	343	431
Adjustment of deferred tax relating to previous years	-149	0	0	0
Deferred tax at 31 December	-84,862	-91,204	774	431

Deferred tax relates to:

Intangible assets	-89,297	-95,685	0	0
Property, plant and equipment	76	1,376	0	0
Current assets	1,854	1,915	0	0
Provisions	1,731	69	0	0
Amortisation of financing costs	774	431	0	431
Tax deficit from branch in Germany	0	690	0	0
	-84,862	-91,204	0	431

14 Amounts owed to credit institutions and lease commitments

The loans are recognised in the balance sheet as follows:

Non-current liabilities other than provisions	253,420	234,237	214,328	230,234
Current liabilities other than provisions	20,666	11,243	18,000	10,000
Total loans	274,086	245,480	232,328	240,234
Non-current liabilities other than provisions falling due more than five years after the balance sheet date (carrying amount)	3,877	161,000	3,877	161,000

15 Contractual obligations and contingencies

The Group is subject to lease obligations which constitute DKK 9,244 thousand at 31 December 2015 (2014: DKK 6,794 thousand).

The Danish Group companies are jointly taxed with the Danish group enterprises in the XPP TopCo Group. As group enterprises, together with the parent companies, the companies have joint and several unlimited liability for Danish corporation taxes in the joint taxation unit. At 2015, the net taxes payable to SKAT by the companies included in the joint taxation is disclosed in the consolidated financial statements for the administrative company for the jointly taxed companies (XPP TopCo ApS, CVR no. 32 30 87 40). Any subsequent corrections of the taxable income subject to joint taxation may entail that the companies' liability will increase. The Group as a whole is not liable to others.

Consolidated financial statements and parent company financial statements for the year ended 31 December

Notes

16 Collateral

The shares in Phase One A/S have been provided as collateral for the parent company's loan to credit institution with a carrying amount of DKK 232,328 thousand as at 31 December 2015.

17 Staff costs

	Consolidated		Parent company	
	2015	2014	2015	2014
DKK'000				
Wages and salaries, remuneration and emoluments	107,037	99,087	78,869	76,492
Pensions	523	449	0	0
Social security costs	3,408	3,354	238	223
	<u>110,968</u>	<u>102,890</u>	<u>79,107</u>	<u>76,715</u>
Average number of full-time employees	178	163	0	0

In 2015 and 2014 the parent company's Executive Board has not received any remuneration.

18 Related party disclosure

Ownership

The following shareholder are registered in the Company's register as owning minimum 5 % of the votes or minimum 5 % of the share capital:

- ▶ XPP MidCo ApS, c/o Phase One A/S, Roskildevej 39, DK-2000 Frederiksberg

Parties exercising control comprise Phase One Imaging Holdings Ltd., 5 Fleet Place, London EC4M 7RD, England, and funds advised by Silverfleet Capital Partners LLP.

The consolidated financial statements are comprised in the consolidated financial statements for XPP MidCo ApS (smallest group) and Phase One Imaging Holdings Ltd (largest group). The consolidated financial statements can be retrieved by contacting the Company.

Phase One Imaging Holdings Ltd
5 Fleet Place
London EC4M 7RD
England

Consolidated financial statements and parent company financial statements for
the year ended 31 December

Notes

19 Cash flow statement - adjustments

DKK'000	Consolidated	
	2015	2014
Interest income	-250	-1,525
Interest expenses	20,635	13,525
Depreciation	77,295	52,254
Gain on disposal of fixed assets	0	-394
Tax on profit for the year	2,608	3,953
Changes in other provisions	-649	-430
Profit in associates	3,057	-1,446
	<u>102,696</u>	<u>65,937</u>

20 Cash flow statement - changes in working capital

Changes in receivables	18,677	-17,069
Changes in inventories	-3,015	-13,880
Changes in short-term liabilities other than provisions	5,741	-561
	<u>21,403</u>	<u>-31,510</u>