
Mobile Industrial Robots ApS

Emil Neckelmanns Vej 15 F, DK-5220 Odense SØ

Annual Report for 1 January - 31 December 2018

CVR No 35 25 12 35

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
26/3 2019

Ole Nørgaard
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Mobile Industrial Robots 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 Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and the Group and of the results of the Company and Group operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Odense, 26 March 2019

Executive Board

Thomas Visti Jensen

Board of Directors

Gregory Robert Beecher
Chairman

Charles Jeffrey Gray

Michael Dennis Callahan

Independent Auditor's Report

To the Shareholder of Mobile Industrial Robots ApS

Opinion

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 the Parent Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Mobile Industrial Robots ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company

Independent Auditor's Report

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 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 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 about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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 Company's and the Group'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 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

Independent Auditor's Report

may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- 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.

Odense, 26 March 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mikael Johansen
statsautoriseret revisor
mne23318

Henrik Trangeled Kristensen
statsautoriseret revisor
mne23333

Company Information

The Company

Mobile Industrial Robots ApS
Emil Neckelmanns Vej 15 F
DK-5220 Odense SØ

CVR No: 35 25 12 35

Financial period: 1 January - 31 December

Municipality of reg. office: Odense

Board of Directors

Gregory Robert Beecher, Chairman
Charles Jeffrey Gray
Michael Dennis Callahan

Executive Board

Thomas Visti Jensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Rytterkasernen 21
DK-5000 Odense C

Financial Highlights

Seen over a three-year period, the development of the Group is described by the following financial highlights:

	Group		
	2018	2017	2016
	TDKK	TDKK	TDKK
Key figures			
Profit/loss			
Operating profit/loss	13.076	6.751	-4.106
Profit/loss before financial income and expenses	37.908	7.242	-4.106
Net financials	-2.262	-2.128	85
Net profit/loss for the year	33.655	4.189	-3.431
Balance sheet			
Balance sheet total	141.283	34.197	16.576
Equity	73.416	9.630	4.974
Investment in property, plant and equipment	2.880	297	555
Number of employees	94	42	20
Ratios			
Return on assets	26,8%	21,2%	-24,8%
Solvency ratio	52,0%	28,2%	30,0%
Return on equity	81,1%	57,4%	-138,0%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Operating profit/loss excludes special items disclosed in note 3.

Management's Review

Key activities

The Company's main activity is development and sale of autonomous mobile robots. The robots are developed and produced in Denmark and sold through distributors worldwide.

Financial review

The business has in 2018 increased activity significantly and revenue has grown by round 150 percent.

The business has during 2018 as in 2017 invested heavily in product development, building up distribution around the world, establishing of own setup/companies in USA, Germany, Spain, Singapore and China and in organization development.

The Group income statement 2018 shows a profit before tax of tDKK 35.646 against a profit of tDKK 5.114 last year, and the balance sheet at 31 December 2018 shows equity of tDKK 73.416.

Management considers the Company's financial performance in the year as very satisfying. The result is better than expected and in line with the company's long term strategy.

The business is in the coming year expected to continue significant investments in product development, sales and marketing. A significant growth in revenue and increase in activity is expected.

Income Statement 1 January - 31 December

	Note	Group		Parent company	
		2018	2017	2018	2017
		TDKK	TDKK	TDKK	TDKK
Gross profit/loss	3	118.945	30.936	69.208	26.965
Staff expenses	2 3	-78.739	-22.412	-70.850	-19.458
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2.298	-1.282	-2.298	-1.282
Profit/loss before financial income and expenses		37.908	7.242	-3.940	6.225
Income from investments in subsidiaries	3	0	0	40.904	0
Financial income		351	2	351	2
Financial expenses	4	-2.613	-2.130	-2.613	-2.127
Profit/loss before tax		35.646	5.114	34.702	4.100
Tax on profit/loss for the year	5	-1.991	-925	-1.991	-910
Net profit/loss for the year		33.655	4.189	32.711	3.190

Distribution of profit

Proposed distribution of profit

Retained earnings				32.711	3.190
				32.711	3.190

Balance Sheet 31 December

Assets

	Note	Group		Parent company	
		2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Completed development projects		21.286	5.559	21.286	5.559
Development projects in progress		4.017	2.621	4.017	2.621
Intangible assets	6	25.303	8.180	25.303	8.180
Other fixtures and fittings, tools and equipment		932	535	785	535
Leasehold improvements		1.832	113	1.773	113
Property, plant and equipment	7	2.764	648	2.558	648
Investments in subsidiaries	8	0	0	1.335	675
Deposits	9	1.169	598	902	431
Fixed asset investments		1.169	598	2.237	1.106
Fixed assets		29.236	9.426	30.098	9.934
Raw materials and consumables		7.301	2.370	7.301	2.370
Finished goods and goods for resale		4.387	3.451	4.387	2.751
Inventories		11.688	5.821	11.688	5.121
Trade receivables		36.230	10.003	36.230	5.239
Receivables from group enterprises		54.725	0	54.792	7.211
Other receivables		1.233	1.136	857	928
Prepayments	10	2.381	1.203	2.351	1.203
Receivables		94.569	12.342	94.230	14.581
Cash at bank and in hand		5.790	6.608	4.477	4.464
Currents assets		112.047	24.771	110.395	24.166
Assets		141.283	34.197	140.493	34.100

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
Share capital		1.420	1.420	1.420	1.420
Reserve for development costs		19.255	6.728	19.255	6.728
Retained earnings		52.741	1.482	52.077	1.762
Equity		73.416	9.630	72.752	9.910
Provision for deferred tax	11	3.130	1.139	3.130	1.139
Other provisions	12	1.705	263	1.705	263
Provisions		4.835	1.402	4.835	1.402
Other payables		0	10.828	0	10.828
Long-term debt	13	0	10.828	0	10.828
Trade payables		22.837	5.679	22.837	5.679
Payables to group enterprises		13.390	0	13.780	0
Other payables	13	18.507	6.658	17.991	6.281
Deferred income	14	8.298	0	8.298	0
Short-term debt		63.032	12.337	62.906	11.960
Debt		63.032	23.165	62.906	22.788
Liabilities and equity		141.283	34.197	140.493	34.100
Subsequent events	1				
Contingent assets, liabilities and other financial obligations	15				
Related parties	16				
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Statement of Changes in Equity

Group

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.420	6.728	1.482	9.630
Contribution from group	0	0	30.131	30.131
Development costs for the year	0	13.462	-13.462	0
Depreciation, amortisation and impairment for the year	0	-935	935	0
Net profit/loss for the year	0	0	33.655	33.655
Equity at 31 December	1.420	19.255	52.741	73.416

Parent company

Equity at 1 January	1.420	6.728	1.482	9.630
Net effect from change of accounting policy	0	0	280	280
Adjusted equity at 1 January	1.420	6.728	1.762	9.910
Contribution from group	0	0	30.131	30.131
Development costs for the year	0	13.462	-13.462	0
Depreciation, amortisation and impairment for the year	0	-935	935	0
Net profit/loss for the year	0	0	32.711	32.711
Equity at 31 December	1.420	19.255	52.077	72.752

Notes to the Financial Statements

1 Subsequent events

The company is converted into a Public Limited Company A/S as per 1 January 2019.

Except for the above mentioned no events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

	Group		Parent company	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK
2 Staff expenses				
Wages and salaries	73.014	19.561	66.364	17.190
Pensions	4.231	2.178	3.885	1.999
Other social security expenses	1.494	673	601	269
	78.739	22.412	70.850	19.458
Average number of employees	94	42	77	36
3 Special items				
Income from sale of US activities to Teradyne Inc	39.977	0	40.904	0
Transaction costs Teradyne Inc	-15.145	0	-15.145	0
	24.832	0	25.759	0
4 Financial expenses				
Interest paid to group enterprises	627	0	627	0
Other financial expenses	1.986	2.130	1.986	2.127
	2.613	2.130	2.613	2.127
5 Tax on profit/loss for the year				
Current tax for the year	0	15	0	0
Deferred tax for the year	1.991	910	1.991	910
	1.991	925	1.991	910

Notes to the Financial Statements

6 Intangible assets

Group

	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
Cost at 1 January	7.065	2.621	9.686
Additions for the year	14.739	3.916	18.655
Transfers for the year	2.520	-2.520	0
Cost at 31 December	24.324	4.017	28.341
Impairment losses and amortisation at 1 January	1.507	0	1.507
Amortisation for the year	1.531	0	1.531
Impairment losses and amortisation at 31 December	3.038	0	3.038
Carrying amount at 31 December	21.286	4.017	25.303

Development projects relating to the further development of the company's product portfolio. The majority of the projects in progress are expected to be finalized in the coming years and the projects are progressing as planned using the resources allocated by Management to the development.

Prior to the launching of the projects the company has studied the market and assessed that there is a need for the products.

Parent company

	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
Cost at 1 January	7.065	2.621	9.686
Additions for the year	14.739	3.916	18.655
Transfers for the year	2.520	-2.520	0
Cost at 31 December	24.324	4.017	28.341
Impairment losses and amortisation at 1 January	1.507	0	1.507
Amortisation for the year	1.531	0	1.531
Impairment losses and amortisation at 31 December	3.038	0	3.038
Carrying amount at 31 December	21.286	4.017	25.303

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
Cost at 1 January	783	216	999
Additions for the year	631	2.275	2.906
Cost at 31 December	<u>1.414</u>	<u>2.491</u>	<u>3.905</u>
Impairment losses and depreciation at 1 January	248	102	350
Depreciation for the year	234	557	791
Impairment losses and depreciation at 31 December	<u>482</u>	<u>659</u>	<u>1.141</u>
Carrying amount at 31 December	<u>932</u>	<u>1.832</u>	<u>2.764</u>

Parent company

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
Cost at 1 January	783	216	999
Additions for the year	468	2.205	2.673
Cost at 31 December	<u>1.251</u>	<u>2.421</u>	<u>3.672</u>
Impairment losses and depreciation at 1 January	248	103	351
Depreciation for the year	218	545	763
Impairment losses and depreciation at 31 December	<u>466</u>	<u>648</u>	<u>1.114</u>
Carrying amount at 31 December	<u>785</u>	<u>1.773</u>	<u>2.558</u>

Notes to the Financial Statements

	Parent company	
	2018	2017
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 January	676	7
Additions for the year	666	668
Disposals for the year	-7	0
Cost at 31 December	<u>1.335</u>	<u>675</u>
Value adjustments at 1 January	-212	-7
Net effect from change of accounting policy	<u>212</u>	<u>7</u>
Value adjustments at 31 December	<u>0</u>	<u>0</u>
Carrying amount at 31 December	<u>1.335</u>	<u>675</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
MIR GmbH	Germany	TEUR 25	100%	349	144
MIR SL	Spain	TEUR 3	100%	194	142
MIR PTE. LTD.	Singapore	TSGD 100	100%	627	420
MIR (Shanghai) Cp. Ltd.	China	TCNY 700	100%	828	161

9 Other fixed asset investments

	Group	Parent company
	Deposits	Deposits
	TDKK	TDKK
Cost at 1 January	598	431
Additions for the year	<u>571</u>	<u>471</u>
Cost at 31 December	<u>1.169</u>	<u>902</u>
Carrying amount at 31 December	<u>1.169</u>	<u>902</u>

Notes to the Financial Statements

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, exhibitions and materials.

11 Provision for deferred tax

The recognised tax asset comprises tax loss carry-forwards expected to be utilised within the next years. In connection with the assessment of the utilisation of the tax asset, special emphasis has been placed on the Company's expected growth in the coming years.

	Group		Parent company	
	2018 TDKK	2017 TDKK	2018 TDKK	2017 TDKK

12 Other provisions

The Company provides warranties of 1 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of kDKK 1.705 (2017: kDKK 263) have been recognised for expected warranty claims.

Other provisions	1.705	263	1.705	263
	1.705	263	1.705	263

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Other payables

Between 1 and 5 years	0	10.828	0	10.828
Long-term part	0	10.828	0	10.828
Within 1 year	0	3.026	0	3.026
Other short-term payables	18.507	3.632	17.991	3.255
Short-term part	18.507	6.658	17.991	6.281
	18.507	17.486	17.991	17.109

Notes to the Financial Statements

14 Deferred income

Deferred income relates to accrual of revenue from future services relating to the company's delivered products, grants and payments received in respect of income in subsequent years.

Group		Parent company	
2018	2017	2018	2017
TDKK	TDKK	TDKK	TDKK

15 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

Floating charge of TDKK 5.000, pledged in goodwill, operating equipment, unregistered vehicles, inventory, and simple claims at a total booked value of

104.352	18.500	104.352	18.500
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Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	452	415	224	415
Between 1 and 5 years	509	0	213	0
	961	415	437	415

Rental obligations, non-cancellation period 3-27 month

5.629	3.215	4.583	3.215
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Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Teradyne Holdings Denmark ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

16 Related parties

	<u>Basis</u>
Controlling interest	
Teradyne Inc.	Ultimate Parent

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for sale of Mobile Industrial Robots Inc. (note 3), intercompany transactions and normal management remuneration.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company

<u>Name</u>	<u>Place of registered office</u>
Teradyne Inc.	North Reading, MA, USA

The Group Annual Report of Teradyne Inc. may be obtained by contacting Mobile Industrial Robots ApS.

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Mobile Industrial Robots ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Consolidated and Parent Company Financial Statements for 2018 are presented in TDKK.

Changes in accounting policies

The company has changed accounting policies for measuring of investments in subsidiaries from equity method to cost. The change in 2017 has reduced the profit by TDKK 999 and increased assets and equity at year end by TDKK 280. The company's cash flow has not been affected.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Mobile Industrial Robots ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Compa-

Notes to the Financial Statements

17 Accounting Policies (continued)

ny's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is recognised in "Amortisation, depreciation and impairment losses".

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

17 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

17 Accounting Policies (continued)

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amorti-

Notes to the Financial Statements

17 Accounting Policies (continued)

sation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	2-3 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

Notes to the Financial Statements

17 Accounting Policies (continued)

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, exhibitions and materials.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1 year. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes

Notes to the Financial Statements

17 Accounting Policies (continued)

in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$