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MUUTO Holding ApS
Østergade 36-38
1100 København K
Central Business Registration
No 36040785

Annual report 2016

The Annual General Meeting adopted the annual report on 21.04.2017

Chairman of the General Meeting

Name: Anders Cleemann

Contents

Entity details

Entity
MUUTO Holding ApS
Østergade 36-38
1100 København K

Central Business Registration No: 36040785
Registered in: København
Financial year: 01.01.2016 - 31.12.2016

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

Executive Board
Anders Cleemann, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

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

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

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

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

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

Copenhagen, 21.04.2017

Executive Board

Anders Cleemann
CEO

Board of Directors

Kristian Byrge Chairman of the Board	Henrik Althoehn Henriksen	Erik Preben Holm

Thomas Riis

Independent auditor's report

To the shareholders of MUUTO Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of MUUTO Holding ApS for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

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

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

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

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

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

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

Copenhagen, 21.04.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Bjørn Winkler Jakobsen
State-authorised Public Accountant

Henrik Hartmann Olesen
State-authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights			
Key figures			
Gross profit	134.599	99.336	40.404
EBITDA	75.648	53.099	21.183
Operating profit/loss	58.046	36.630	15.161
Net financials	(8.099)	(12.515)	(5.334)
Profit/loss for the year	34.810	15.137	6.042
Total assets	388.012	371.076	351.964
Investments in property, plant and equipment	3.416	3.811	1.738
Equity	161.668	126.530	111.042
Employees in average	102	66	52
Ratios			
Return on equity (%)	24,2	12,7	5,4
Equity ratio (%)	41,7	34,1	31,5

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

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

Management commentary

Primary activities

The objective of the Group is to operate within production, trade and service as well as related activities.

The objective of the Parent is to be a holding company for entities with the above-mentioned objective.

Development in activities and finances

Profit after tax amounts to DKK 34,810 which is considered satisfactory.

During the year, the Group has experienced a rapid development in its market position which provides the opportunity for a further expansion within many of its key focus areas such as accessories, lamps and furniture. Management thus expects a further expansion within the key focus areas.

Uncertainty relating to recognition and measurement

There is no significant uncertainty related to recognition and measurement.

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

Unusual circumstances affecting recognition and measurement

Group assets, liabilities and financial position at 31 December 2016 as well as the results of the Group's activities and cash flows were not affected by unusual circumstances.

Outlook

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

Particular risks

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

Intellectual capital resources

The operations of the Group are based on knowledge and skills within its key focus areas that are subject to further development.

Staff

The Group has established internal guidelines for development of employees and staff retention.

Environmental performance

The Group constantly seeks to reduce its cost of goods sold as well as packaging for the benefit of the environment.

Management commentary

Research and development activities

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

Events after the balance sheet date

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

Consolidated income statement for 2016

	Notes	2016 DKK	2015 DKK
Gross profit		**134.598.586**	**99.335.995**
Staff costs	1	(58.951.226)	(46.237.459)
Depreciation, amortisation and impairment losses	2	(17.601.696)	(16.468.345)
Operating profit/loss		**58.045.664**	**36.630.191**
Other financial income		57.573	234.468
Other financial expenses		(8.156.792)	(12.749.635)
Profit/loss before tax		**49.946.445**	**24.115.024**
Tax on profit/loss for the year	3	(15.135.953)	(8.978.428)
Profit/loss for the year	4	**34.810.492**	**15.136.596**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Acquired intangible assets		3.353.060	1.985.859
Goodwill		250.126.485	264.318.059
Intangible assets	5	**253.479.545**	**266.303.918**
Other fixtures and fittings, tools and equipment		6.296.364	6.280.025
Leasehold improvements		1.315.950	706.822
Property, plant and equipment	6	**7.612.314**	**6.986.847**
Deposits		1.501.565	2.039.817
Fixed asset investments	7	**1.501.565**	**2.039.817**
Fixed assets		**262.593.424**	**275.330.582**
Manufactured goods and goods for resale		48.130.067	46.255.689
Prepayments for goods		1.177.255	1.735.725
Inventories		**49.307.322**	**47.991.414**
Trade receivables		41.034.059	35.186.335
Deferred tax	8	133.875	364.257
Other receivables		1.900.590	1.126.876
Prepayments		1.863.114	2.447.377
Receivables		**44.931.638**	**39.124.845**
Cash		**31.179.262**	**8.629.035**
Current assets		**125.418.222**	**95.745.294**
Assets		**388.011.646**	**371.075.876**

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Contributed capital		25.000.000	25.000.000
Share premium		0	80.000.000
Other reserves		185	185
Retained earnings		136.668.284	21.529.643
Equity		**161.668.469**	**126.529.828**
Other provisions	9	4.039.242	2.400.000
Provisions		**4.039.242**	**2.400.000**
Subordinate loan capital		0	74.770.606
Bank loans		137.000.000	96.000.018
Non-current liabilities other than provisions		**137.000.000**	**170.770.624**
Current portion of long-term liabilities other than provisions		25.000.000	21.562.814
Bank loans		0	6.672.713
Prepayments received from customers		1.502.241	0
Trade payables		35.199.185	23.134.296
Income tax payable		14.123.919	14.023.376
Other payables		9.478.590	5.982.225
Current liabilities other than provisions		**85.303.935**	**71.375.424**
Liabilities other than provisions		**222.303.935**	**242.146.048**
Equity and liabilities		**388.011.646**	**371.075.876**
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Mortgages and securities	13		
Subsidiaries	14		

Consolidated statement of changes in equity for 2016

	Contributed capital DKK	Share premium DKK	Other reserves DKK	Retained earnings DKK
Equity beginning of year	25.000.000	80.000.000	185	19.065.147
Changes in accounting policies	0	0	0	2.464.496
Adjusted equity, beginning of year	**25.000.000**	**80.000.000**	**185**	**21.529.643**
Transferred from share premium	0	(80.000.000)	0	80.000.000
Fair value adjustments of hedging instruments	0	0	0	420.704
Tax of equity postings	0	0	0	(92.555)
Profit/loss for the year	0	0	0	34.810.492
Equity end of year	**25.000.000**	**0**	**185**	**136.668.284**

	Total DKK
Equity beginning of year	124.065.332
Changes in accounting policies	2.464.496
Adjusted equity, beginning of year	**126.529.828**
Transferred from share premium	0
Fair value adjustments of hedging instruments	420.704
Tax of equity postings	(92.555)
Profit/loss for the year	34.810.492
Equity end of year	**161.668.469**

Consolidated cash flow statement for 2016

	Notes	2016 DKK	2015 DKK
Operating profit/loss		58.045.664	36.630.192
Amortisation, depreciation and impairment losses		17.601.696	16.468.345
Other provisions		1.639.242	1.422.766
Working capital changes	10	10.131.118	(10.364.294)
Cash flow from ordinary operating activities		**87.417.720**	**44.157.009**
Financial income received		57.573	234.468
Financial income paid		(8.101.644)	(12.749.635)
Income taxes refunded/(paid)		(14.952.734)	(2.102.815)
Cash flows from operating activities		**64.420.915**	**29.539.027**
Acquisition etc of intangible assets		(2.054.028)	(2.026.275)
Acquisition etc of property, plant and equipment		(3.415.761)	(3.810.994)
Sale of property, plant and equipment		67.000	0
Acquisition of fixed asset investments		(51.079)	(6.830)
Sale of fixed asset investments		589.331	0
Other cash flows from investing activities		0	(925.974)
Cash flows from investing activities		**(4.864.537)**	**(6.770.073)**
Instalments on loans etc		(30.333.438)	(23.076.945)
Cash flows from financing activities		**(30.333.438)**	**(23.076.945)**
Increase/decrease in cash and cash equivalents		**29.222.940**	**(307.991)**
Cash and cash equivalents beginning of year		1.956.322	2.264.313
Cash and cash equivalents end of year		**31.179.262**	**1.956.322**
Cash and cash equivalents at year-end are composed of:			
Cash		31.179.262	8.629.035
Short-term debt to banks		0	(6.672.713)
Cash and cash equivalents end of year		**31.179.262**	**1.956.322**

Notes to consolidated financial statements

	2016 DKK	2015 DKK
1. Staff costs		
Wages and salaries	51.642.561	41.945.233
Pension costs	2.624.146	1.389.071
Other social security costs	2.433.718	1.822.915
Other staff costs	2.250.801	1.080.240
	58.951.226	**46.237.459**
Average number of employees	**102**	**66**

	Remuneration of management 2016 DKK	Remuneration of management 2015 DKK
Total amount for management categories	5.466.000	3.427.000
	5.466.000	**3.427.000**

	2016 DKK	2015 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	14.878.401	14.407.342
Depreciation of property, plant and equipment	2.673.000	2.061.003
Profit/loss from sale of intangible assets and property, plant and equipment	50.295	0
	17.601.696	**16.468.345**

	2016 DKK	2015 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	15.053.277	8.746.218
Change in deferred tax for the year	(95.164)	(26.270)
Adjustment concerning previous years	177.840	258.480
	15.135.953	**8.978.428**

	2016 DKK	2015 DKK
4. Proposed distribution of profit/loss		
Retained earnings	34.810.492	15.136.597
	34.810.492	**15.136.597**

Notes to consolidated financial statements

	Acquired intangible assets DKK	Goodwill DKK
5. Intangible assets		
Cost beginning of year	2.228.121	283.831.473
Additions	2.054.028	0
Cost end of year	**4.282.149**	**283.831.473**
Amortisation and impairment losses beginning of year	(242.262)	(19.513.414)
Amortisation for the year	(686.827)	(14.191.574)
Amortisation and impairment losses end of year	**(929.089)**	**(33.704.988)**
Carrying amount end of year	**3.353.060**	**250.126.485**

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

	Deposits DKK
7. Fixed asset investments	
Cost beginning of year	2.039.817
Additions	51.079
Disposals	(589.331)
Cost end of year	**1.501.565**
Carrying amount end of year	**1.501.565**

Notes to consolidated financial statements

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

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

9. Other provisions

Other provisions for warranty commitments for goods sold.

	2016 DKK	2015 DKK
10. Change in working capital		
Increase/decrease in inventories	(1.315.908)	(19.089.323)
Increase/decrease in receivables	(6.037.175)	(6.807.412)
Increase/decrease in trade payables etc	17.063.495	15.325.303
Other changes	420.706	207.138
	10.131.118	**(10.364.294)**

	2016 DKK	2015 DKK
11. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**14.888.000**	**14.296.000**

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

Guarantees are provided for by DKK 186k. The Group has provided all monies mortgages of DKK 15,000,000 with a company charge in simple claims/trade receivables and inventories.

Notes to consolidated financial statements

13. Mortgages and securities

Bank balances are secured by way of mortgages on all shares of the subsidiary Muuto A/S as well as a guarantee for payment of the balances.

Bank deposits have been pledged to banks.

	Registered in	Corporate form	Equity interest %	Equity DKK	Profit/loss DKK
14. Subsidiaries					
MUUTO A/S	Copenhagen, Denmark	A/S	100,0	72.976.821	57.127.540
MUUTO Inc.	New York, US	Inc.	100,0	213.654	181.579

Parent income statement for 2016

	Notes	2016 DKK	2015 DKK
Gross loss		**(32.125)**	**(183.163)**
Income from investments in group enterprises		40.540.653	24.486.667
Other financial expenses		(7.314.036)	(12.039.150)
Profit/loss before tax		**33.194.492**	**12.264.354**
Tax on profit/loss for the year	1	1.616.000	2.872.243
Profit/loss for the year	2	**34.810.492**	**15.136.597**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Investments in group enterprises		320.708.177	314.839.375
Fixed asset investments	3	**320.708.177**	**314.839.375**
Fixed assets		**320.708.177**	**314.839.375**
Income tax receivable		1.616.000	4.203.891
Receivables		**1.616.000**	**4.203.891**
Cash		**1.381.292**	**0**
Current assets		**2.997.292**	**4.203.891**
Assets		**323.705.469**	**319.043.266**

Parent balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK
Contributed capital	4	25.000.000	25.000.000
Share premium		0	80.000.000
Reserve for net revaluation according to the equity method		5.708.177	0
Other reserves		185	185
Retained earnings		130.960.107	21.529.643
Equity		**161.668.469**	**126.529.828**
Subordinate loan capital		0	74.770.606
Bank loans		137.000.000	96.000.018
Non-current liabilities other than provisions		**137.000.000**	**170.770.624**
Current portion of long-term liabilities other than provisions		25.000.000	21.562.814
Other payables		37.000	180.000
Current liabilities other than provisions		**25.037.000**	**21.742.814**
Liabilities other than provisions		**162.037.000**	**192.513.438**
Equity and liabilities		**323.705.469**	**319.043.266**
Contingent liabilities	5		
Mortgages and securities	6		

Parent statement of changes in equity for 2016

	Contributed capital DKK	Share premium DKK	Reserve for net revaluation according to the equity method DKK	Other reserves DKK
Equity beginning of year	25.000.000	80.000.000	0	185
Changes in accounting policies	0	0	0	0
Adjusted equity, beginning of year	**25.000.000**	**80.000.000**	**0**	**185**
Transferred from share premium	0	(80.000.000)	0	0
Other equity postings	0	0	328.149	0
Profit/loss for the year	0	0	5.380.028	0
Equity end of year	**25.000.000**	**0**	**5.708.177**	**185**

	Retained earnings DKK	Total DKK
Equity beginning of year	19.065.147	124.065.332
Changes in accounting policies	2.464.496	2.464.496
Adjusted equity, beginning of year	**21.529.643**	**126.529.828**
Transferred from share premium	80.000.000	0
Other equity postings	0	328.149
Profit/loss for the year	29.430.464	34.810.492
Equity end of year	**130.960.107**	**161.668.469**

Notes to parent financial statements

	2016 DKK	2015 DKK
1. Tax on profit/loss for the year		
Tax on current year taxable income	(1.616.000)	(2.872.243)
	(1.616.000)	**(2.872.243)**

	2016 DKK	2015 DKK
2. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	5.380.028	(8.652.497)
Retained earnings	29.430.464	23.789.094
	34.810.492	**15.136.597**

	Investments in group enterprises DKK
3. Fixed asset investments	
Cost beginning of year	315.000.000
Cost end of year	**315.000.000**
Revaluations beginning of year	16.888.293
Changes in accounting policies	2.464.496
Adjustments on equity	328.149
Share of profit/loss for the year	57.127.540
Adjustment of intra-group profits	(2.395.313)
Dividend	(35.000.000)
Revaluations end of year	**39.413.165**
Impairment losses beginning of year	(19.513.414)
Amortisation of goodwill	(14.191.574)
Impairment losses end of year	**(33.704.988)**
Carrying amount end of year	**320.708.177**

The remaining goodwill value is DKK 250.126k

Notes to parent financial statements

	Number	Par value DKK	Nominal value DKK
4. Contributed capital			
A-shares	11.250.000	1	11.250.000
B-shares	13.375.000	1	13.375.000
C-shares	375.000	1	375.000
	25.000.000		**25.000.000**

5. Contingent liabilities

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2014 for income taxes etc for the jointly taxed entities and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

6. Mortgages and securities

All shares in the subsidiary MUUTO A/S have been charged as security for balances with banks.

The Parent has granted a guarantee of payment for MUUTO A/S for all balances with bank connections.

Accounting policies

Reporting class

These consolidated financial statements and parent financial statements have been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (Medium).

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

Changes in accounting policies

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

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

Recognition and measurement

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

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

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

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

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

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Accounting policies

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life which is no more than 20 years. Negative balances (negative goodwill) reflecting expected unfavourable developments of the enterprises in question, are recognised in the balance sheet as separate prepayments and recognised in the income statement when the unfavourable developments are realised.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or

Accounting policies

financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

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

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

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

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

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

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

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

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

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

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

Accounting policies

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

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

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

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

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

Balance sheet
Goodwill
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area.

Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Accounting policies

Intellectual property rights etc
Intellectual property rights etc comprise acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

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

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

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

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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

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

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

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

Accounting policies

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually ten years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

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

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

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

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

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

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

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

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

Accounting policies

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

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

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

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

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

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

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

Cash and cash equivalents comprise cash.