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MUUTO HOLDING ApS

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

Annual report 2017

The Annual General Meeting adopted the annual report on 23.03.2018

Chairman of the General Meeting

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Name: Michael Adam Pollner

Contents

Entity details

Entity
MUUTO HOLDING ApS
Østergade 36 - 38
1100 København K

Central Business Registration No (CVR): 36040785
Registered in: København
Financial year: 01.01.2017 - 31.12.2017

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

Executive Board
Anders Cleemann, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of MUUTO HOLDING ApS for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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

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

Copenhagen, 23.03.2018

Executive Board

Anders Cleemann
CEO

Board of Directors

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

Independent auditor's report

To the shareholder of MUUTO HOLDING ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of MUUTO HOLDING ApS for the financial year 01.01.2017 - 31.12.2017, 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 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Other matterManagement'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

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 scepticism 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, 23.03.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

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

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

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights				
Key figures				
Revenue	461.983	326.694	238.765	89.140
Gross profit/loss	200.029	134.599	99.336	40.404
EBITDA	100.687	75.648	53.099	21.183
Operating profit/loss	81.818	58.046	36.630	15.161
Net financials	(9.067)	(8.099)	(12.515)	(5.334)
Profit/loss for the year	44.672	34.810	15.137	6.042
Total assets	406.448	388.012	371.076	351.964
Investments in property, plant and equipment	3.427	3.416	3.811	1.738
Equity	206.340	161.668	126.530	111.042
Average numbers of employees	122	102	82	52
Ratios				
Return on equity (%)	24,3	24,2	12,7	5,4
Equity ratio (%)	50,8	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	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

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

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

Development in activities and finances

Profit after tax amounts to DKK 44,672 which is considered satisfactory.

During the year, the Group has gained a strong market position which provides the opportunity for a further expansion on many key focus areas such as accessories, lamps and furniture. Management thus expects a further expansion within these key focus areas.

Uncertainty relating to recognition and measurement

There is no significant uncertainty related to recognition and measurement.

Unusual circumstances affecting recognition and measurement

Group assets, liabilities and financial position at 31 December 2017 as well as the results of the Group's activities and cash flows were not affected by unusual circumstances.

Outlook

A cautious assessment has been made of market conditions for 2018, and double digit growth in revenue and results is expected.

Particular risks

Risks related to receivables, creditors, supply and currency are considered normal. The Group 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.

Research and development activities

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

Management commentary

Statutory report on corporate social responsibility

MUUTO HOLDING ApS complies with all legal requirements in terms of social responsibility, environmental considerations, human rights and combat against corruption. Due to the size and limited resources of the organisation, the Company has not prepared separate CSR policies and thus, involvement in corporate social responsibilities is not reported separately in the management commentary.

Statutory report on the underrepresented gender

It is the policy of the Group to secure the best professional competence possible at all levels of the Group. The share of women at the Board of Directors of MUUTO HOLDING ApS constitutes 33.3%, corresponding to one out of three board members. Based on the specific assessment of the Company's situation, including the competences to be present at the Board of Directors, the target is to keep the minimum share of women at the Board of Directors at 33.3% in 2020. This is considered an achievable and ambitious target figure.

The gender composition objective for other categories of employees is considered fulfilled when at least 25-50% of each staff group are represented.

The members of Management are solely appointed based on their qualifications and not based on their gender. By doing so, equal opportunities for both genders are secured provided that the candidates applying for the management positions possess the professional skills required. Through its recruiting activities, Muuto will ensure that both genders are represented in the selection of candidates. All employments will still be made based on an overall assessment of who is best suited for the job.

Gender distribution for 2017 has been as follows:

Total employees, 61 men, 61 woman

Management group, 71% men / 29% women

Board of directors, 66,6% men / 33,3 women

The objective has been fulfilled in most areas.

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. The controlling interest of the Company has been sold to Knoll Inc in 2018.

Consolidated income statement for 2017

	Notes	2017 DKK	2016 DKK
Revenue	2	461.982.851	326.693.778
Cost of sales		(201.584.776)	(147.049.973)
Other external expenses	3	(60.368.629)	(45.045.219)
Gross profit/loss		**200.029.446**	**134.598.586**
Staff costs	4	(99.585.169)	(58.951.226)
Depreciation, amortisation and impairment losses	5	(18.626.078)	(17.601.696)
Operating profit/loss		**81.818.199**	**58.045.664**
Other financial income		193.521	57.573
Other financial expenses		(9.260.794)	(8.156.792)
Profit/loss before tax		**72.750.926**	**49.946.445**
Tax on profit/loss for the year	6	(28.079.162)	(15.135.953)
Profit/loss for the year	7	**44.671.764**	**34.810.492**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Completed development projects		261.799	0
Acquired intangible assets		4.910.497	3.353.060
Goodwill		235.934.911	250.126.485
Intangible assets	8	**241.107.207**	**253.479.545**
Other fixtures and fittings, tools and equipment		6.685.741	6.296.364
Leasehold improvements		1.158.744	1.315.950
Property, plant and equipment	9	**7.844.485**	**7.612.314**
Deposits		1.915.541	1.501.565
Fixed asset investments	10	**1.915.541**	**1.501.565**
Fixed assets		**250.867.233**	**262.593.424**
Manufactured goods and goods for resale		54.233.399	48.130.067
Prepayments for goods		1.558.517	1.177.255
Inventories		**55.791.916**	**49.307.322**
Trade receivables		62.391.941	41.034.059
Deferred tax	11	287.000	133.875
Other receivables		1.936.626	1.900.590
Prepayments		2.714.977	1.863.114
Receivables		**67.330.544**	**44.931.638**
Cash		**32.458.216**	**31.179.262**
Current assets		**155.580.676**	**125.418.222**
Assets		**406.447.909**	**388.011.646**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Contributed capital		25.000.000	25.000.000
Other reserves		185	185
Retained earnings		181.340.048	136.668.284
Equity		**206.340.233**	**161.668.469**
Other provisions	12	3.708.582	4.039.242
Provisions		**3.708.582**	**4.039.242**
Bank loans		60.000.000	137.000.000
Non-current liabilities other than provisions	13	**60.000.000**	**137.000.000**
Current portion of long-term liabilities other than provisions	13	30.000.000	25.000.000
Prepayments received from customers		1.695.255	1.502.241
Trade payables		42.391.574	35.199.185
Income tax payable		25.096.205	14.123.919
Other payables		37.216.060	9.478.590
Current liabilities other than provisions		**136.399.094**	**85.303.935**
Liabilities other than provisions		**196.399.094**	**222.303.935**
Equity and liabilities		**406.447.909**	**388.011.646**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
Transactions with related parties	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK	Other reserves DKK	Retained earnings DKK	Total DKK
Equity beginning of year	25.000.000	185	136.668.284	161.668.469
Profit/loss for the year	0	0	44.671.764	44.671.764
Equity end of year	**25.000.000**	**185**	**181.340.048**	**206.340.233**

Consolidated cash flow statement for 2017

	Notes	2017 DKK	2016 DKK
Operating profit/loss		81.818.199	58.045.664
Amortisation, depreciation and impairment losses		18.626.078	17.601.696
Other provisions		(330.660)	1.639.242
Working capital changes	14	5.472.025	10.131.118
Cash flow from ordinary operating activities		**105.585.642**	**87.417.720**
Financial income received		193.521	57.573
Financial income paid		(9.260.794)	(8.101.644)
Income taxes refunded/(paid)		(16.338.916)	(14.952.734)
Cash flows from operating activities		**80.179.453**	**64.420.915**
Acquisition etc of intangible assets		(3.117.652)	(2.054.028)
Sale of intangible assets		58.147	0
Acquisition etc of property, plant and equipment		(3.427.018)	(3.415.761)
Sale of property, plant and equipment		0	67.000
Acquisition of fixed asset investments		(423.485)	(51.079)
Sale of fixed asset investments		9.509	589.331
Cash flows from investing activities		**(6.900.499)**	**(4.864.537)**
Repayments of loans etc		(72.000.000)	(30.333.438)
Cash flows from financing activities		**(72.000.000)**	**(30.333.438)**
Increase/decrease in cash and cash equivalents		**1.278.954**	**29.222.940**
Cash and cash equivalents beginning of year		31.179.262	1.956.322
Cash and cash equivalents end of year		**32.458.216**	**31.179.262**

Notes to consolidated financial statements

1. 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. The controlling interest of the Company has been sold to Knoll Inc in 2018.

	2017 DKK	2016 DKK
2. Revenue		
Revenue by geographical market		
Denmark	35.038.809	32.145.153
Other EU countries	248.022.711	192.458.728
Other European countries	43.266.366	36.933.025
North America	97.993.280	41.247.422
Other Countries	37.661.685	23.909.450
	461.982.851	**326.693.778**
Revenue by activity		
Furniture, lightning and accessories	461.982.851	326.693.778
	461.982.851	**326.693.778**

	2017 DKK	2016 DKK
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	568.750	127.000
Other assurance engagements	131.250	0
Tax services	33.997	10.000
Other services	193.555	56.250
	927.552	**193.250**

	2017 DKK	2016 DKK
4. Staff costs		
Wages and salaries	89.917.733	51.642.561
Pension costs	3.168.047	2.624.146
Other social security costs	3.722.858	2.433.718
Other staff costs	2.776.531	2.250.801
	99.585.169	**58.951.226**
Average number of employees	**122**	**102**

Notes to consolidated financial statements

	Remuneration of management 2017 DKK	Remuneration of management 2016 DKK
Total amount for management categories	17.178.061	5.466.000
	17.178.061	**5.466.000**

Special incentive programmes

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

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

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

	2017 DKK	2016 DKK
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	15.431.231	14.878.401
Depreciation of property, plant and equipment	3.194.847	2.673.000
Profit/loss from sale of intangible assets and property, plant and equipment	0	50.295
	18.626.078	**17.601.696**

	2017 DKK	2016 DKK
6. Tax on profit/loss for the year		
Current tax	28.139.732	15.053.277
Change in deferred tax	(153.125)	(95.164)
Adjustment concerning previous years	92.555	177.840
	28.079.162	**15.135.953**

	2017 DKK	2016 DKK
7. Proposed distribution of profit/loss		
Retained earnings	44.671.764	34.810.492
	44.671.764	**34.810.492**

Notes to consolidated financial statements

	Completed develop-ment projects DKK	Acquired intangible assets DKK	Goodwill DKK
8. Intangible assets			
Cost beginning of year	0	4.282.149	283.831.473
Additions	280.000	2.837.652	0
Disposals	0	(58.147)	0
Cost end of year	**280.000**	**7.061.654**	**283.831.473**
Amortisation and impairment losses beginning of year	0	(929.089)	(33.704.988)
Amortisation for the year	(18.201)	(1.221.456)	(14.191.574)
Reversal regarding disposals	0	(612)	0
Amortisation and impairment losses end of year	**(18.201)**	**(2.151.157)**	**(47.896.562)**
Carrying amount end of year	**261.799**	**4.910.497**	**235.934.911**

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

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
9. Property, plant and equipment		
Cost beginning of year	12.324.138	2.511.014
Additions	2.918.801	508.217
Cost end of year	**15.242.939**	**3.019.231**
Depreciation and impairment losses beginning of year	(6.027.774)	(1.195.064)
Depreciation for the year	(2.529.424)	(665.423)
Depreciation and impairment losses end of year	**(8.557.198)**	**(1.860.487)**
Carrying amount end of year	**6.685.741**	**1.158.744**

Notes to consolidated financial statements

	Deposits DKK
10. Fixed asset investments	
Cost beginning of year	1.501.565
Additions	423.485
Disposals	(9.509)
Cost end of year	**1.915.541**
Carrying amount end of year	**1.915.541**

	2017 DKK
11. Deferred tax	
Changes during the year	
Beginning of year	133.875
Recognised in the income statement	153.125
End of year	**287.000**

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

12. Other provisions

Other provisions consists of warranty commitments for goods sold.

	Due within 12 months 2017 DKK	Due within 12 months 2016 DKK	Due after more than 12 months 2017 DKK
13. Liabilities other than provisions			
Bank loans	30.000.000	25.000.000	60.000.000
	30.000.000	**25.000.000**	**60.000.000**

	2017 DKK	2016 DKK
14. Change in working capital		
Increase/decrease in inventories	(6.484.594)	(1.315.908)
Increase/decrease in receivables	(22.398.906)	(6.037.175)
Increase/decrease in trade payables etc	35.122.873	17.063.495
Other changes	(767.348)	420.706
	5.472.025	**10.131.118**

Notes to consolidated financial statements

	2017 DKK	2016 DKK
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**12.252.870**	**14.888.000**

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

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

17. Assets charged and collateral

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.

18. Transactions with related parties

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

	Registered in	Corporate form	Equity interest %	Equity DKK	Profit/loss DKK
19. Subsidiaries					
MUUTO A/S	Copenhagen, Denmark	A/S	100,0	61.191.360	70.214.539
MUUTO Inc.	New York, US	Inc.	100,0	2.921.989	2.708.570

Parent income statement for 2017

	Notes	2017 DKK	2016 DKK
Other external expenses		(5.501.743)	(32.125)
Operating profit/loss		**(5.501.743)**	**(32.125)**
Income from investments in group enterprises		52.212.853	40.540.653
Other financial expenses		(2.749.893)	(7.314.036)
Profit/loss before tax		**43.961.217**	**33.194.492**
Tax on profit/loss for the year	2	710.547	1.616.000
Profit/loss for the year	3	**44.671.764**	**34.810.492**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Investments in group enterprises		290.921.030	320.708.177
Fixed asset investments	4	**290.921.030**	**320.708.177**
Fixed assets		**290.921.030**	**320.708.177**
Income tax receivable		710.392	1.616.000
Receivables		**710.392**	**1.616.000**
Cash		**5.145.811**	**1.381.292**
Current assets		**5.856.203**	**2.997.292**
Assets		**296.777.233**	**323.705.469**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Contributed capital	5	25.000.000	25.000.000
Reserve for net revaluation according to the equity method		0	5.708.177
Other reserves		185	185
Retained earnings		181.340.048	130.960.107
Equity		**206.340.233**	**161.668.469**
Bank loans		60.000.000	137.000.000
Non-current liabilities other than provisions		**60.000.000**	**137.000.000**
Current portion of long-term liabilities other than provisions		30.000.000	25.000.000
Other payables		437.000	37.000
Current liabilities other than provisions		**30.437.000**	**25.037.000**
Liabilities other than provisions		**90.437.000**	**162.037.000**
Equity and liabilities		**296.777.233**	**323.705.469**
Staff costs	1		
Contingent liabilities	6		
Assets charged and collateral	7		
Transactions with related parties	8		

Parent statement of changes in equity for 2017

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Other reserves DKK	Retained earnings DKK
Equity beginning of year	25.000.000	5.708.177	185	130.960.107
Profit/loss for the year	0	(5.708.177)	0	50.379.941
Equity end of year	**25.000.000**	**0**	**185**	**181.340.048**

	Total DKK
Equity beginning of year	161.668.469
Profit/loss for the year	44.671.764
Equity end of year	**206.340.233**

Notes to parent financial statements

	2017	2016
1. Staff costs		
Average number of employees	**0**	**0**

	2017 DKK	2016 DKK
2. Tax on profit/loss for the year		
Current tax	(710.547)	(1.616.000)
	(710.547)	**(1.616.000)**

	2017 DKK	2016 DKK
3. Proposed distribution of profit/loss		
Retained earnings	44.671.764	34.810.492
	44.671.764	**34.810.492**

	Invest-ments in group enterprises DKK
4. Fixed asset investments	
Cost beginning of year	315.000.000
Cost end of year	**315.000.000**
Revaluations beginning of year	39.413.165
Share of profit/loss for the year	70.214.539
Adjustment of intra-group profits	(3.810.112)
Dividend	(82.000.000)
Revaluations end of year	**23.817.592**
Impairment losses beginning of year	(33.704.988)
Amortisation of goodwill	(14.191.574)
Impairment losses end of year	**(47.896.562)**
Carrying amount end of year	**290.921.030**

The remaining goodwill value totals DKK 235,934k.

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Notes to parent financial statements

	Number	Par value DKK	Nominal value DKK
5. 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**

6. 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.

7. Assets charged and collateral

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

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

8. Transactions with related parties

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

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

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

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

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

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

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

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.

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.

Accounting policies

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.

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 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
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.

Accounting policies

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

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

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

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

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

Accounting policies

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.

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

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

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

Intellectual property rights acquired are measured at cost less accumulated amortisation. Rights are amortised on a straight-line basis using the estimated useful lives of the asset. The amortisation period is five years, but no more than the remaining life for the rights in question.

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

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.

Accounting policies

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.

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.

Accounting policies

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.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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.

Accounting policies

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.