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Triax Holding A/S

Bjørnkærvej 3
8783 Hornsyld
Central Business Registration
No 36919620

Annual report 2018

The Annual General Meeting adopted the annual report on 19.03.2019

Chairman of the General Meeting

Name: Allan Jensen Vestergaard

Contents

Entity details

Entity
Triax Holding A/S
Bjørnkærvej 3
8783 Hornsyld

Central Business Registration No (CVR): 36919620
Registered in: Hedensted
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
Allan Jensen Vestergaard, chairman
Niels-Christian Worning
Jan Johan Kühl
Henrik Hvidtfeldt
Lars Rønn

Executive Board
Peter Lyhne Uhrenholt, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Værkmestergade 2
8000 Aarhus

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Triax Holding A/S for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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.

Hornsyld, 19.03.2019

Executive Board

Peter Lyhne Uhrenholt
CEO

Board of Directors

Allan Jensen Vestergaard
chairman

Niels-Christian Worning

Jan Johan Kühl

Henrik Hvidtfeldt

Lars Rønn

Independent auditor's report

To the shareholders of Triax Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Triax Holding A/S for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent 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.

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 exists. Misstatements

Independent auditor's report

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.

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.

Independent auditor's report

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.

Aarhus, 19.03.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

P. A. [signature]

Peter Aslak Storgaard
State Authorised Public Accountant
Identification No (MNE) mne33767

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights				
Key figures				
Revenue	465.827	493.836	616.321	212.348
Gross profit/loss	135.915	140.710	176.342	59.360
EBITDA before restructuring cost	12.472	3	46.075	14.267
Restructuring cost	(5.096)	(11.643)	(3.023)	(2.436)
Operating profit/loss	(10.687)	(21.314)	25.301	6.184
Net financials	(13.337)	(8.959)	(10.176)	(3.606)
Profit/loss for the year	(26.872)	(32.533)	14.685	1.320
Total assets	345.577	375.793	442.185	397.479
Investments in property, plant and equipment	1.143	1.069	10.645	1.012
Equity	123.805	55.648	89.198	71.062
Average number of employees	293	318	321	289
Ratios				
Gross margin (%)	29,2	28,5	28,6	28,0
Net margin (%)	(5,8)	(6,6)	2,4	0,6
Return on equity (%)	(29,9)	(44,9)	18,3	1,9
Equity ratio (%)	35,8	35,2	29,9	26,7

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
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity including shareholder loans} \times 100}{\text{Total assets}}$	The financial strength of the entity including shareholder loans

Key figures for 2015 are 4 months.

Management commentary

Primary activities

Triax is an international supplier of reliable and innovative solutions for the reception and distribution of video, audio and data signals. The Company's products and solutions are used by broadcasters, cable operators, local networks and in private homes, among others.

In the following, the name 'Triax' is used as a general name covering all Triax and therefore applies to the Group, Triax Holding A/S, Triax A/S and all underlying subsidiaries.

Development in activities and finances

In line with the defined strategy of being a strong technology provider of new unique products to selected major customer and market segments, TRIAX continued its investments in core technology platforms in 2018. As a result, a series of innovations and new products were launched during 2018 and more are planned to be launched in 2019.

Several of the markets in which TRIAX operates have been challenged during the year. There have been no technical switchovers similar to the market opportunities following the change in broadcasting signals in France during 2016, which had a significant positive revenue impact on TRIAX. At the same time, many markets are affected by changes in the operator landscape and some markets are seeing a shift towards increased use of streaming. In response to the market changes, management initiated several organizational restructurings in order to create a leaner, more focused and efficient organization by reducing the cost base, and at the same time to strengthen the organization with resources to support the implementation of the strategy. These changes entailed extraordinary one-off restructuring costs of DKK 2,1m in 2018. The savings will have effect from the beginning of 2019.

Revenue was DKK 466m in 2018 (2017: DKK 493m). Revenue was negatively affected by a delayed launch of some products as well as challenging market conditions, which also characterized 2017.

EBITDA before restructuring costs improved to DKK 12,5m (2017: DKK 1,0m), and TRIAX posted a loss for the year of DKK 26,7m (2017: a loss of DKK 32,5m). The result is considered unsatisfactory as EBITDA before restructuring was expected to be above DKK 20m. It is expected to be improved significantly in 2019 with EBITDA before restructuring cost to reach DKK 20 – 25m.

Employees

The Group had 290 employees at the end of the financial year.

The development in staff is illustrated below:

	Denmark	**Rest of the world**
Number of employees beginning of year	138	165
Net addition / reduction during the year	-5	-8
Number of employees at year-end	**133**	**157**

Management commentary

Research and development activities are increased

TRIAX further expanded its research and development activities in 2018, mainly driven internally by the R&D department. This will strengthen and expand the product and solutions offering and TRIAX' ability to support customers with highly competitive products and solutions.

The cost is capitalized in the balance sheet in order to align the cost and income from the new products and technologies. This is in line with last year but a change to previous years accounting policies, where internal development was recognized and expensed in the yearly income statement.

Outlook for 2019

TRIAX expects modest revenue growth in 2019. This development is expected based on enhanced focus on key product ranges, launch of new products as well as expected growth in several markets. Profitability is expected to increase due to a shift in product mix as well as a lower cost base.

The efforts towards development of new and updated products and solutions will continue during 2019. Together with a dedicated market focus in the two Strategic Business Units, this will be key steps in the ongoing strategic transformation towards a more technology based product and service offering to meet the changing market demands.

The Board of Directors and the Executive Board like to take this opportunity to thank all members of staff in Denmark and abroad for their committed efforts throughout the year.

EBITDA before restructuring cost is expected to reach 20m – 25m DKK.

Particular risks

The Group's business is not found to be exposed to any particular risks other than those to which the business is usually subject to.

Management assesses on a regular basis whether the TRIAX Group has a sufficient capital structure, and Management assesses on a continuing basis whether the Company's capital structure is consistent with the Company's and its stakeholders' interests. The general objective is to ensure a capital structure that supports long-term and profitable growth.

At 31 December 2018, the Group's net interest-bearing bank debt totals DKK 89m, which is found to be a reasonable level taking into account the current need for financial flexibility. At 31 December 2017 it was DKK 77m. The debt increase is solely from operational performance, and offset by reduced working capital and a subordinated shareholder loan of DKK 11m taken up during the year. All subordinated loans were converted to equity at the end of the year.

Management commentary

It is Management's assessment that the present capital structure provides the necessary flexibility to meet the Company's future strategy.

Statutory report on corporate social responsibility

As a natural continuation of its standards of value, TRIAX assumes responsibility for its products and production, also when it comes to environmental issues and social conditions.

Business model

TRIAX produces and sources various products related to the reception and distribution of signals for TV, radio and data. The products are sold through subsidiaries, directly to CATV operators and as well as through various sales channels such as wholesellers. TRIAX also develops products and solutions to the hospitality segment such as hotels and elderly homes. These products and solution are sold through partners.

TRIAX is represented by subsidiaries in Denmark, Sweden, Germany, France, Spain, Austria, Hungary, UK and China. TRIAX also has a branch in Dubai.

Environmental and climate change issues

TRIAX affects environment with production plants in Denmark and the UK, transportation of products and employees and indirectly also with the production sourced out by TRIAX as well as the use and disposal of products at customers and end-users.

As TRIAX is aware of the potential risk of impacting the environment from our activities, we wish to be an environmentally conscious and responsible enterprise and cooperative partner. To achieve this, TRIAX will contribute to a sustainable development by reducing the volume of waste and energy consumption and by continuously aiming to prevent pollution and improve the environmental conditions in the entire enterprise. A method to achie this is by grouping deliveries to bulk deliveries to customers when possible.

TRIAX A/S has been ISO 14001 certified since May 2006, and this was renewed without comments in 2018.

Social and employee aspects

The employees are TRIAX' most important resource, and TRIAX is very conscious of the importance of attracting, retaining and developing the right talents and competences in order to remain competitive. TRIAX strives to have an international group of employees from various cultures and with different backgrounds. TRIAX has a policy for physical and mental health on the work place, and have clear guidelines for how to handle incidents. The policy is given to all new employees and is easily available for all staff at TRIAX's intranet.

The staff association is active and offers social activities for employees throughout the year.

The employee satisfaction and safety is also measured through the KPI's for work accidents and sick absence. In 2018 the goals and achieved results were:

Management commentary

KPI	2018 goals	2018 status
Work accidents in production units	Maximum 10	5
Sick absence in Denmark	Maximum 3.5% in Denmark	2.2% for hourly workers in Denmark 1.26% for white collar employees in Denmark

Five work accidents are still five too many, but compared with the 13 in 2016 TRIAX has had progress in identifying and reducing the risk.

Social responsibility for society

TRIAX supports the UN Global Compact initiative and its ten principles of human rights, labour, environment and anti-corruption. For TRIAX the main risks related to this are connected to sourcing and selling in high risk countries regarding labour, environment and anti-corruption. To mitigate these risks, it is ensured that these principles are observed in TRIAX' production areas in Denmark and the UK as well as at the suppliers worldwide, TRIAX has implemented guiding principles of behavioral codex by ensuring all employees have read the codex through having everybody sign it. The codex is an integrated part of the day-to-day business dialog with customers, suppliers and colleagues. TRIAX has seen no violations of the codex during 2018.

For additional information, please see: www.TRIAX.com / About / Policies & Certifications

Statutory report on the underrepresented gender

At TRIAX, women are underrepresented on the Board of Directors and the Executive Board. In TRIAX, qualifications always have the highest priority. It is, however, TRIAX' aim to have an equal representation of men and women on the Board of Directors and the Executive Board soonest possible, yet respecting the pace of which there is an actual need to make changes to the Board of Directors or Executive Board.
The gender composition has not changed and the Board of Directors and the Executive Board continues to consist of men only.
TRIAX' goal is to have a minimum share of women on the board of Directors as well as the Executive Board of 40% by 2024 at the latest.

It continues to remain the objective to have an equal representation of men and women and TRIAX strives to find suitable female candidates when recruiting for other management positions. In the hiring process, it is ensured that both genders are equally considered for these positions through dialog between management, HR and the hiring manager. At the end of 2018, 32% of international general management positions within TRIAX are filled by women.

Management commentary

Statutory report on corporate governance

TRIAX' Board of Directors and Executive Board always strive to ensure that the Group's management structure and control system remain appropriate and function satisfactorily. Management continuously assesses whether this is the case.

The planning of the Board of Directors and the Executive Board's tasks is based on the Danish Companies Act, the Danish Financial Statements Act, the Company's Articles of Association as well as normal practice for enterprises of the same size and of the same international scope as the TRIAX Group. Moreover, in its capacity of an enterprise owned by a private equity fund, the Company acts upon the DVCA guidelines for responsible ownership and corporate governance. On this basis, a number of internal procedures are continuously being developed and maintained, which ensures an active and cost effective management of the Group.

The report on the TRIAX Group's recommendations and policies is published on the Group's website www.TRIAX.com / About / Policies

Recommendations for active ownership and corporate governance for private equity funds

In June 2015, the Danish Venture Capital and Private Equity Association ('DVCA') published updated guidelines for responsible ownership and corporate governance for equity funds and their controlled enterprises.

The guidelines include a description of a number of circumstances in the management commentary, including corporate governance and social responsibility.

As a company owned by a private equity fund, the TRIAX Group must either act upon these recommendations or explain why the recommendations are not acted upon in part or fully. For further information on DVCA, see www.dvca.dk and www.dvca.dk/kapitalfonde/

Audit committee

Due to the Company's size, the current dialogue as well as high meeting frequency of the chairmanship, it is not considered necessary to set up an audit committee.

Internal audit

The TRIAX Group has not found it relevant and appropriate to set up an internal audit.

Risk management

The Board of Directors continuously – and at least once a year – assesses the TRIAX Group's total risks and the individual risk factors involved in the Company's activities. The Board of Directors adopts guidelines for the key risk areas, follows the development and prepares action plans for reduction and management of the individual risk factors, including financial and business risks, insurance and environmental issues as well as observance of the competition legislation.

Realization of strategy and targets

It is TRIAX' opinion that effective risk management and an effective internal control system contribute to reducing strategic risks and business risks, to ensuring observance of current rules and regulations and to ensuring the quality of the basis for Management's decisions and the financial reporting. The Company's

Management commentary

strategic choice results in natural risks. It is important that the risks are identified and communicated and that the risks are handled appropriately.

TRIAX also believes that effective risk management and internal controls are a condition for the top management body and the Executive Board being able to perform the tasks assigned to these bodies. It is therefore important that the top management body ensures that effective risk management and effective internal controls are present.

Financial reporting

The Board of Directors and the Executive Board have the overall responsibility for the Group's risk management and internal controls in connection with the financial reporting process.

The organizational structure and the internal guidelines constitute the control environment together with laws and other rules applicable for the Group. Management regularly evaluates the Group's organizational structure and staffing and lays down and approves overall policies, procedures and controls as part of the financial reporting process.

In relation to the financial reporting, Management pays special attention to the internal controls in the enterprise's business management system supporting that the financial reporting is conducted satisfactorily.

The TRIAX Group has established a formal reporting process, which comprises monthly reporting on the individual countries and individual products and which includes budget follow-up, assessment of performance and observance of adopted targets etc.

Business risks

When updating and approving the strategy plan each year, Management also evaluates the business risks. As part of the risk assessment, Management considers, as necessary, the finance, hedging and insurance policies for the Group which have been approved by the Board of Directors.

The Group's primary business risks relate to the Company's ability to maintain a leading position as a supplier of advanced high-quality solutions at competitive prices compared to the general development in the European demand for the enterprise's products and solutions. TRIAX markets a wide portfolio of products and solutions to a large number of customers in many different markets. Thus, TRIAX has a very large risk diversification in its revenue.

TRIAX' risk management, including internal controls relating to the financial reporting process, is designed with a view to minimizing the risk of errors and omissions.

The Executive Board is responsible for the risks always being identified, assessed and treated in order to reduce the financial implications and/or the probability that the risks are realized.

Board work

The Board of Directors handles the overall management of the Group, including employment of the Executive Board, establishment of guidelines for and execution of control of the Executive Board's work, ensuring a proper organization of the Group's business, determination of the philosophy and strategy, as well as an

Management commentary

assessment of the propriety of the Group's capital resources.

The Board of Directors of the TRIAX Group convenes according to a fixed meeting schedule approx. 5 times per year. Normally, the Board of Directors and all members of the Executive Board participate in all meetings.

The Board of Directors consists of 5 members elected by the general meeting. In the period between the ordinary board meetings, the Board of Directors is continuously briefed in writing on the development in the Company's and the Group's results and financial position, and the Group's chairmanship meets with the Group's Executive Board when necessary. Extraordinary meetings will be convened when necessary.

The Board of Directors can appoint committees for special tasks, but has so far not found any reason to establish fixed committees.

The Board of Directors of the TRIAX Group ensures that the Executive Board observes all adopted targets, strategies and processes. Once a month, the Executive Board submits a report on the Group's financial position, development in profitability and capital resources. Furthermore, the chairmanship meets with the Executive Board approx. every second month, the participants consisting of the Chairman of the Board of Directors, a member of the Board of Directors and the CEO. Moreover, a strategy day is held annually when the Group's vision, targets and strategy are laid down.

Remuneration of the Board of Directors and the Executive Board

To attract and retain the Group's managerial competences, remuneration of the Board of Directors, Executive Board members and executive staff is determined in consideration of tasks, value creation and conditions in comparable enterprises.

Remuneration of the Board of Directors and the Executive Board has been detailed in a note to the annual report.

Dividend policy

Payment of dividend must take place in consideration of necessary consolidation of equity as basis for the Group's continued development and in consideration of the existing agreements with financing sources.

The Board of Directors recommends to the Annual General Meeting that no dividends are paid for the financial year 2018.

Ownership and capital structure

TRIAX Holding A/S is ultimately owned by the private equity fund Polaris Private Equity IV K/S with 90,26% represented by member of the Board of Directors Niels-Christian Worning and Jan Johan Kühl. The Board of Directors, Management of TRIAX and former employees hold the remaining 9,74% of the shares. The other members of the Board of Directors are independent but appointed by the owners. The Board of Directors of TRIAX Holding A/S is the same as the Board of Directors of TRIAX A/S, which, however, also has three members elected by the employees.

Whistleblower

The board has discussed the need for establishing a whistleblower function but has not found this necessary

Management commentary

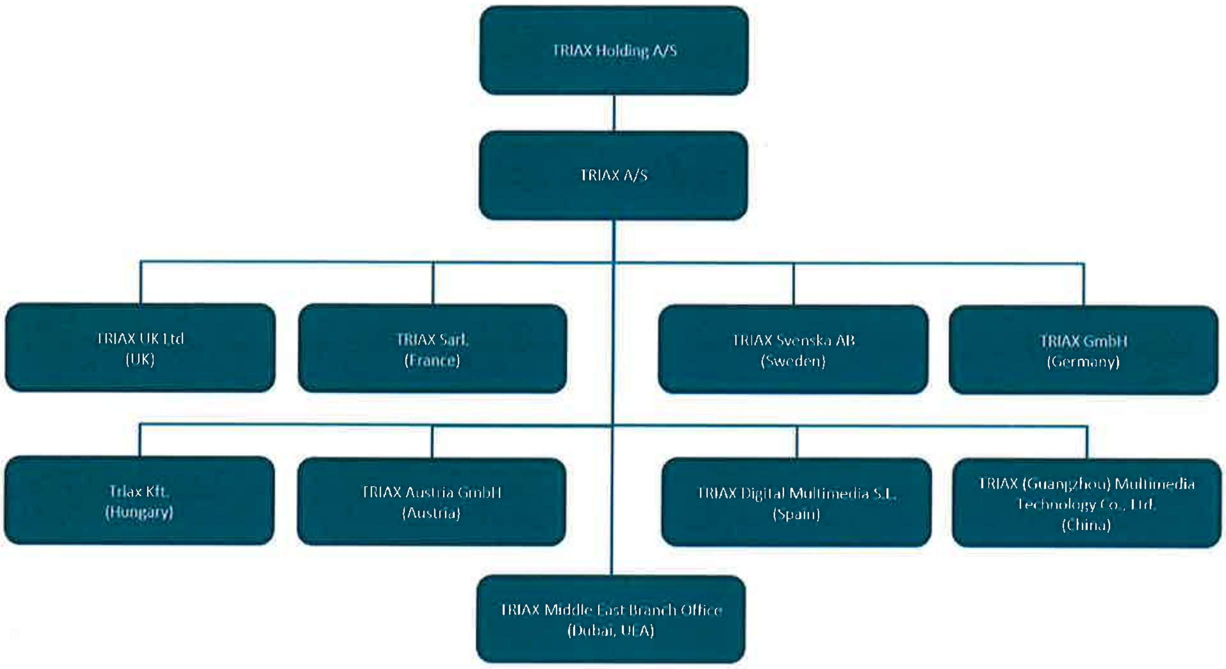
for the time being.

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.

Management commentary

Group Chart



All subsidiaries are 100% owned.

Management commentary

Board members' directorships and executive positions
Board of Directors is made up of chairman Allan Jensen Vestergaard, vice chairman Henrik Hvidtfeldt, Lars Rønn, Jan Johan Kühl, Niels-Christian Worning and director Peter Lyhne Uhrenholt

Allan Jensen Vestergaard

Member of the Board of:

Triax A/S (chairman)
Triax Holding A/S (chairman)
Graphic West Scandinavia ApS (chairman)
Configit Build A/S (chairman)
Configit A/S (chairman)
Configit Holding A/S (chairman)
KH OneStop A/S
Mikkelsen Electronics A/S
MT Americas, Inc., Virginia, USA (chairman)
Zonaar, Inc., California, USA

Member of Executive Board:
Vestergaard Group, Inc., USA

Henrik Hvidtfeldt

Member of the Board of:

Triax Holding A/S (vice chairman)
Triax A/S (vice chairman)
Flight4000 (chairman)
Cbrain A/S (chairman)
Xena Networks ApS

Member of Executive Board:

Hvista ApS

Lars Rønn

Member of the Board of:
Triax A/S
Triax Holding A/S
On Robot A/S
MapsPeople a/s
KUBO ApS

Jan Johan Kühl

Member of the Board of:

Triax A/S
Molslinjen A/S
PWT Group A/S
Det Danske Madhus A/S
Brøndum Holding A/S
Brøndum A/S
Inter Primo A/S
Menu A/S
Part Unique ApS
And several holding companies in connection with Polaris Private Equity

Member of Executive Board:
Business Synergy Group ApS
Polaris Management A/S
And several holding companies in connection with Polaris Private Equity

Niels-Christian Worning

Member of the Board of:

Triax A/S
BabySam A/S
And several holding companies in connection with Polaris Private Equity

Member of Executive Board:
Worning ApS
And several holding companies in connection with Polaris Private Equity

Peter Lyhne Uhrenholt

Member of the Board of:
Profort A/S

Member of Executive Board:
Triax A/S (CEO)
Triax Holding A/S (CEO)
PLUH af 2015 Aps
PL Management

Consolidated income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	1	465.827	493.836
Production costs	3	(329.912)	(353.126)
Gross profit/loss		**135.915**	**140.710**
Distribution costs		(88.153)	(96.977)
Administrative expenses	2	(57.788)	(65.834)
Other operating income		4.435	12.430
Restructuring cost		(5.096)	(11.643)
Operating profit/loss		**(10.687)**	**(21.314)**
Other financial income	4	489	896
Other financial expenses	5	(13.826)	(9.855)
Profit/loss before tax		**(24.024)**	**(30.273)**
Tax on profit/loss for the year		(2.848)	(2.260)
Profit/loss for the year	6	**(26.872)**	**(32.533)**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Completed development projects		9.989	2.000
Acquired rights		3.317	2.730
Goodwill		111.905	127.706
Development projects in progress		14.297	12.816
Intangible assets	7	**139.508**	**145.252**
Land and buildings		3.783	4.026
Plant and machinery		3.782	4.488
Other fixtures and fittings, tools and equipment		4.128	6.490
Property, plant and equipment in progress		259	813
Property, plant and equipment	8	**11.952**	**15.817**
Other investments		1.158	1.421
Deferred tax	10	25.022	25.133
Fixed asset investments	9	**26.180**	**26.554**
Fixed assets		**177.640**	**187.623**
Raw materials and consumables		12.777	11.357
Work in progress		3.677	3.286
Manufactured goods and goods for resale		60.297	67.881
Inventories		**76.751**	**82.524**
Trade receivables		73.676	85.452
Other receivables		9.791	5.699
Income tax receivable		1.633	4.053
Prepayments		241	0
Receivables		**85.341**	**95.204**
Cash		**5.845**	**10.442**
Current assets		**167.937**	**188.170**
Assets		**345.577**	**375.793**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		16.886	7.405
Retained earnings		106.919	48.243
Equity		**123.805**	**55.648**
Deferred tax	10	399	423
Other provisions	11	19.165	20.097
Provisions		**19.564**	**20.520**
Bank loans		41.369	58.404
Payables to shareholders and management		0	76.596
Non-current liabilities other than provisions	12	**41.369**	**135.000**
Current portion of long-term liabilities other than provisions	12	17.175	25.945
Bank loans		35.591	10.486
Prepayments received from customers		320	0
Trade payables		53.182	70.097
Income tax payable		1.751	1.908
Other payables		52.820	56.189
Current liabilities other than provisions		**160.839**	**164.625**
Liabilities other than provisions		**202.208**	**299.625**
Equity and liabilities		**345.577**	**375.793**

Financial instruments	14
Unrecognised rental and lease commitments	15
Assets charged and collateral	16
Transactions with related parties	17
Subsidiaries	18

Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	7.405	48.243	55.648
Increase of capital	9.481	85.333	94.814
Purchase of treasury shares	0	(78)	(78)
Sale of treasury shares	0	328	328
Exchange rate adjustments	0	(354)	(354)
Other entries on equity	0	319	319
Profit/loss for the year	0	(26.872)	(26.872)
Equity end of year	**16.886**	**106.919**	**123.805**

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Operating profit/loss		(10.687)	(21.314)
Amortisation, depreciation and impairment losses		22.498	9.675
Working capital changes	13	(7.484)	59.769
Other adjustments		(2.317)	0
Cash flow from ordinary operating activities		**2.010**	**48.130**
Financial income received		491	896
Financial expenses paid		(6.431)	(6.677)
Income taxes refunded/(paid)		(414)	(13.667)
Cash flows from operating activities		**(4.344)**	**28.682**
Acquisition etc of intangible assets		(12.123)	(17.211)
Acquisition etc of property, plant and equipment		(1.066)	(1.069)
Sale of property, plant and equipment		0	17.856
Other cash flows from investing activities		266	353
Cash flows from investing activities		**(12.923)**	**(71)**
Acquisition of treasury shares		(78)	(1.086)
Sale of treasury shares		328	0
Cash increase of capital		94.814	435
Repayment of loans		(113.314)	(46.500)
Change in long term liabilities		11.000	41.500
Other cash flows from financing activities		(5.148)	17
Cash flows from financing activities		**(12.398)**	**(5.634)**
Increase/decrease in cash and cash equivalents		**(29.665)**	**22.977**
Cash and cash equivalents beginning of year		(44)	(23.247)
Currency translation adjustments of cash and cash equivalents		(37)	226
Cash and cash equivalents end of year		**(29.746)**	**(44)**
Cash and cash equivalents at year-end are composed of:			
Cash		5.845	10.442
Short-term debt to banks		(35.591)	(10.486)
Cash and cash equivalents end of year		**(29.746)**	**(44)**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
1. Revenue		
European countries	434.153	461.269
Middle East	26.097	22.681
Other countries	5.577	9.886
	465.827	**493.836**

	2018 DKK'000	2017 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	729	864
Tax services	403	592
Other services	564	223
	1.696	**1.679**

	2018 DKK'000	2017 DKK'000
3. Staff costs		
Wages and salaries	118.412	129.405
Pension costs	5.829	5.842
Other social security costs	13.607	15.523
Other staff costs	(5.096)	(9.563)
	132.752	**141.207**
Number of employees at balance sheet date	**290**	**303**
Average number of employees	**293**	**318**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Total amount for management categories	3.060	4.079
	3.060	**4.079**

	2018 DKK'000	2017 DKK'000
4. Other financial income		
Other financial income	489	896
	489	**896**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	6.803	3.244
Other financial expenses	7.023	6.611
	13.826	**9.855**

	2018 DKK'000	2017 DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	(26.872)	(32.533)
	(26.872)	**(32.533)**

	Completed development projects DKK'000	Acquired rights DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
7. Intangible assets				
Cost beginning of year	2.101	3.443	158.787	12.816
Exchange rate adjustments	47	(21)	135	(1)
Transfers	8.944	1.696	0	(10.281)
Additions	0	0	0	11.763
Disposals	0	(70)	0	0
Cost end of year	**11.092**	**5.048**	**158.922**	**14.297**
Amortisation and impairment losses beginning of year	(101)	(713)	(31.081)	0
Exchange rate adjustments	(18)	0	(16)	0
Transfers	26	(26)	0	0
Amortisation for the year	(1.010)	(1.063)	(15.920)	0
Reversal regarding disposals	0	71	0	0
Amortisation and impairment losses end of year	**(1.103)**	**(1.731)**	**(47.017)**	**0**
Carrying amount end of year	**9.989**	**3.317**	**111.905**	**14.297**

Development projects

Clearly defined and identified development projects are recognized in the balance sheet, and only when there is a direct expectation to market and sell the development or otherwise generate a financial benefit that exceeds the asset capitalized. Other development costs are recognized as expenses in the income statement when they are incurred.

Notes to consolidated financial statements

8. Property, plant and equipment	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	4.503	8.319	14.739	813
Exchange rate adjustments	(61)	(7)	(12)	4
Transfers	0	(1.607)	2.337	(1.090)
Additions	0	377	234	532
Disposals	0	(12)	(39)	0
Cost end of year	**4.442**	**7.070**	**17.259**	**259**
Depreciation and impairment losses beginning of year	(477)	(3.831)	(8.249)	0
Exchange rate adjustments	7	4	6	0
Transfers	0	1.642	(1.639)	0
Depreciation for the year	(189)	(1.103)	(3.220)	0
Reversal regarding disposals	0	0	(29)	0
Depreciation and impairment losses end of year	**(659)**	**(3.288)**	**(13.131)**	**0**
Carrying amount end of year	**3.783**	**3.782**	**4.128**	**259**

9. Fixed asset investments	Other investments DKK'000	Deferred tax DKK'000
Cost beginning of year	1.421	25.133
Exchange rate adjustments	1	53
Transfers	0	(164)
Disposals	(264)	0
Cost end of year	**1.158**	**25.022**
Carrying amount end of year	**1.158**	**25.022**

Notes to consolidated financial statements

	2018 DKK'000
10. Deferred tax	
Changes during the year	
Beginning of year	24.710
Recognised in the income statement	(87)
End of year	**24.623**

The group recognises deferred tax assets, including the tax value of loss carry-forwards, where management assesses that the tax assets may be utilized in the foreseeable future or set-off against positive taxable income. The assessment is made annually and is based on budgets and business plans for future years, including planned business initiatives. Key parameters are expected revenue and EBIT development. Tax assets related to carry-forward losses are only recognized, if they are expected to be utilised within 5 years.

11. Other provisions

Other provisions comprises of warranty obligations, pension obligation and provisions for restructuring etc.

	Due within 12 months 2018 DKK'000	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK'000
12. Liabilities other than provisions			
Bank loans	17.175	18.500	41.369
Other payables	0	7.445	0
	17.175	**25.945**	**41.369**

	2018 DKK'000	2017 DKK'000
13. Change in working capital		
Increase/decrease in inventories	5.607	33.072
Increase/decrease in receivables	7.594	28.750
Increase/decrease in trade payables etc	(20.685)	(2.053)
	(7.484)	**59.769**

14. Financial instruments

The Group hedges currency risks on expected transactions in CNH within the first coming year with currency forward contracts.

Notes to consolidated financial statements

		Contractual value		Profit and loss recognized on equity	
	Period	2018 DKK'000	2017 DKK'000	2018 DKK'000	2017 DKK'000
Currency forward contracts	0-7 month	20.616	32.702	(174)	(714)
		20.616	32.702	(174)	(714)

Currency forward contracts are used to hedge the currency risk on purchase of goods in CNH and covers 75% of the expected purchase in CNH in accordance to the Group's police.

The fair value is recognized on equity and is expected realized and recognized in the profit and loss statement after the balance sheet date.

	2018 DKK'000	2017 DKK'000
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**28.723**	**36.747**

16. Assets charged and collateral

Bank loans are secured by way of floating charge registered to the mortgagor of nominal kDKK 80,000.

As security for bankloans unlisted shares of Triax A/S has been mortgaged of nominal kDKK 30,000.

17. Transactions with related parties

Transactions with related parties are only disclosed in the annual report if they are not on arm's length terms. Transactions between Triax Holding A/S and related parties are on arm's length terms.

	Registered in	Corporate form	Equity interest %
18. Subsidiaries			
Triax A/S	Denmark	A/S	100,0
Triax UK ltd.	England	ltd.	100,0
Triax Svenska AB	Sweden	AB	100,0
Triax Kft.	Hungary	Kft.	100,0
Triax Austria GmbH	Austria	GmbH	100,0
Triax Sarl.	France	Sarl.	100,0
Triax GmbH	Germany	GmbH	100,0
Triax Digital Multimedia S.L.	Spain	S.L.	100,0
Triax (Guangzhou) Multimedia Technologi Co., Ltd.	China	Ltd.	100,0

Parent income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Administrative expenses	1	(6.130)	(7.206)
Other operating income		4.800	4.800
Restructuring cost		0	(1.486)
Operating profit/loss		**(1.330)**	**(3.892)**
Income from investments in group enterprises		(17.822)	(23.482)
Other financial expenses	2	(7.720)	(5.159)
Profit/loss before tax		**(26.872)**	**(32.533)**
Tax on profit/loss for the year		0	0
Profit/loss for the year	3	**(26.872)**	**(32.533)**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Investments in group enterprises		114.060	131.914
Deferred tax	5	1.914	1.914
Fixed asset investments	4	**115.974**	**133.828**
Fixed assets		**115.974**	**133.828**
Receivables from group enterprises		9.165	18.040
Receivables		**9.165**	**18.040**
Cash		**56**	**519**
Current assets		**9.221**	**18.559**
Assets		**125.195**	**152.387**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital	6	16.886	7.405
Retained earnings		106.919	48.243
Equity		**123.805**	**55.648**
Payables to shareholders and management		0	76.596
Non-current liabilities other than provisions		**0**	**76.596**
Current portion of long-term liabilities other than provisions		0	18.500
Trade payables		321	517
Payables to group enterprises		45	314
Other payables		1.024	812
Current liabilities other than provisions		**1.390**	**20.143**
Liabilities other than provisions		**1.390**	**96.739**
Equity and liabilities		**125.195**	**152.387**
Contingent liabilities	7		
Assets charged and collateral	8		
Related parties with controlling interest	9		
Transactions with related parties	10		

Parent statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	7.405	0	48.243	55.648
Increase of capital	9.481	0	85.333	94.814
Purchase of treasury shares	0	0	(78)	(78)
Sale of treasury shares	0	0	328	328
Value adjustments	0	(354)	0	(354)
Other entries on equity	0	319	0	319
Transfer to reserves	0	35	(35)	0
Profit/loss for the year	0	0	(26.872)	(26.872)
Equity end of year	**16.886**	**0**	**106.919**	**123.805**

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
1. Staff costs		
Wages and salaries	4.455	5.336
Pension costs	321	388
Other social security costs	10	11
	4.786	**5.735**
Number of employees at balance sheet date	**3**	**3**
Average number of employees	**3**	**3**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Total amount for management categories	726	990
	726	**990**

	2018 DKK'000	2017 DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	6.803	3.244
Other interest expenses	909	1.784
Other financial expenses	8	131
	7.720	**5.159**

	2018 DKK'000	2017 DKK'000
3. Proposed distribution of profit/loss		
Retained earnings	(26.872)	(32.533)
	(26.872)	**(32.533)**

Notes to parent financial statements

	Investments in group enterprises DKK'000	Deferred tax DKK'000
4. Fixed asset investments		
Cost beginning of year	222.017	1.914
Cost end of year	**222.017**	**1.914**
Revaluations beginning of year	(90.103)	0
Exchange rate adjustments	(354)	0
Amortisation of goodwill	(10.273)	0
Share of profit/loss for the year	(7.546)	0
Other adjustments	319	0
Revaluations end of year	**(107.957)**	**0**
Carrying amount end of year	**114.060**	**1.914**

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

	2018 DKK'000	2017 DKK'000
5. Deferred tax		
Tax losses carried forward	1.914	1.914
	1.914	**1.914**

Changes during the year	
Beginning of year	1.914
End of year	**1.914**

The group recognises deferred tax assets, including the tax value of loss carry-forwards, where management assesses that the tax assets may be utilized in the foreseeable future or set-off against positive taxable income. The assessment is made annually and is based on budgets and business plans for future years, including planned business initiatives. Key parameters are expected revenue and EBIT development. Tax assets related to carry-forward losses are only recognized, if they are expected to be utilized within 5 years.

Notes to parent financial statements

	Number	Par value DKK'000	Nominal value DKK'000
6. Contributed capital			
Aktieklasse A	5.173.702	0,1	518
Aktieklasse B	3.364.275	0,1	336
Aktieklasse C1	48.074.264	0,1	4.807
Aktieklasse C2	16.450.736	0,1	1.645
Aktieklasse C3	732.095	0,1	73
Aktieklasse C4	250.519	0,1	25
Aktieklasse D	11.280.085	0,1	1.128
Aktieklasse E	33.354.754	0,1	3.336
Aktieklasse F	50.179.078	0,1	5.018
	168.859.508		**16.886**

7. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement with Triax Holding A/S serving as the administration company and therefore jointly and severally liable with its jointly taxed companies for the total income tax from the financial year 2012 and from 1 July 2012 also for obligations, if any, to with-hold tax in interest, royalities and dividends for the jointly taxed companies. The total net liability to SKAT appears from the financial statements of Triax Holding A/S.

8. Assets charged and collateral

The Entity has guaranteed the subsidiaries bankloans. The maximum limit of the guarantee is kDKK 118,356.

As security for bankloans unlisted shares of Trias A/S has been mortgaged of nominal kDKK 30,000

9. Related parties with controlling interest

Related parties with controlling interest
Polaris Private Equity IV K/S, Copenhagen.

10. Transactions with related parties

Transactions with related parties are only disclosed in the annual report if they are not on arm's length terms. Transactions between Triax Holding A/S and related parties are on arm's length terms.

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).

Changes in accounting policies

Comparative numbers for revenue and distribution cost are adjusted for 2017 as the allocation of the commission were inaccurate. The consequences are the following: Revenue has been changed from kDKK 493,279 to kDKK 493,836 an increase of kDKK 557 and distribution cost has been changed from kDKK 96,420 to kDKK 96,977 a reduction of kDKK 557. There has been no impact on the profit of the year, the balance, or the equity.

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 statemants 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 ecercising 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.

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.

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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

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.

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 from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Accounting policies

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative expenses
Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Restructuring cost
Restructuring cost comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enter-prises' profit/loss after full elimination of internal profits or losses.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisa-tion of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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.

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

Accounting policies

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.

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

Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

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
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	5-15 years
Other fixtures and fittings, tools and equipment	3-10 years

Estimated useful lives and residual values are reassessed annually.

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

Investment property
On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Accounting policies

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date.

Fair value is determined by using the yield-based model as the calculated value in use of expected cash flows from each property. The calculation is based on budgeted net earnings for the next year that has been adjusted to normal earnings, and using a required yield rate that reflects current market yield rates for similar properties. The value is adjusted for factors not reflected in normal earnings, for example, actual vacancy rate, major refurbishments etc.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

Investments in group enterprises
Investments in group enterprises are recognised and measured 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.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straigth-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 the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually.

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

Other investments
Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted equity instruments measured at cost. Unlisted equity instruments are written down to any lower net realisable value.

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

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

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

Accounting policies

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, de-preciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

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.

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 as well as decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Provisions are made for costs relating to restructuring that are decided and published.

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.

Accounting policies

Income tax receivable or payable
Current tax receivable or payable 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 of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

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, instalments on interest-bearing debt and purchase of treasury shares.

Cash less short-term bank loans.