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Triax Holding A/S

Bjørnkærvej 3
8783 Hornsyld
Central Business Registration
No 36919620

Annual report 2017

The Annual General Meeting adopted the annual report on 31.05.2018

Chairman of the General Meeting

Name: Jens Chr. Hesse Rasmussen

Contents

Entity details

Entity
Triax Holding A/S
Bjørnkærvej 3
8783 Hornsyld

Central Business Registration No (CVR): 36919620
Registered in: Hedensted
Financial year: 01.01.2017 - 31.12.2017

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

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 01.01.2017 - 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.

Hornsyld, 22.03.2018

Executive Board

Peter Lyhne Uhrenholt
CEO

Allan Jensen Vestergaard
chairman

Niels-Christian Worning

Lars Rønn

Jan Johan Kühl

Henrik Hvidtfeldt

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 01.01.2017 - 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.

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 exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

Independent auditor's report

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, 22.03.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Thomas Rosquist Andersen	Peter Aslak Storgaard
State Authorised Public Accountant	State Authorised Public Accountant
Identification No (MNE) mne31482	Identification No (MNE) mne33767

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights			
Key figures			
Revenue	493.279	616.321	212.348
Gross profit/loss	140.153	176.342	59.360
EBITDA - before strategy expenses	3	46.075	14.267
EBIT before strategy expenses	(22.101)	28.324	8.620
Operating profit/loss	(21.314)	25.301	6.184
Net financials	(8.959)	(10.176)	(3.606)
Profit/loss for the year	(32.533)	14.685	1.320
Total assets	375.793	442.185	397.479
Investments in property, plant and equipment	1.069	10.645	1.012
Equity	55.648	89.198	71.062
Equity including shareholder loans	132.244	132.208	106.062
Cash flows from (used in) operating activities	28.682	26.848	(23.583)
Cash flows from (used in) investing activities	(71)	(62.529)	(198.446)
Cash flows from (used in) financing activities	(5.634)	48.279	184.923
Ratios			
Gross margin (%)	28,4	28,6	28,0
Net margin (%)	(6,6)	2,4	0,6
Return on equity (%)	(44,9)	18,3	1,9
Equity ratio (%)	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 (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
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 (%)	$\frac{\text{Equity including shareholder loans x 100}}{\text{Total assets}}$	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 in 2017 further accelerated investments compared to previous years. As a result, a series of innovations and new products will be launched during 2018 supporting the ongoing transformation of Triax.

In October 2016 Triax acquired the company Macnetix GmbH, which is now fully integrated and consolidated in the financial statement. With the integration of Macnetix, Triax acquired new solutions, customers and a competent and well-recognized organization within the Hospitality market.

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 IP based distribution of TV signals and increased use of streaming. As a consequence of the market challenges, Triax chose to sharpen focus on its core geographical markets in 2017. These developments, along with a declining GBP rate compared to 2016, impacted Triax' business and led to a decline in revenue. 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 updated strategy. These changes entailed extraordinary one-off restructuring costs of DKK 12m in 2017. The savings will have effect from the beginning of 2018.

At end of 2017, the Sales organization was restructured into two Strategic Business Units, each with its core focus on Products and Solutions, respectively. This will strengthen the sales approach and further support the ongoing strategic transformation of Triax to meet the changing market demands.

Revenue was DKK 493m in 2017 (2016: DKK 616m). Revenue was negatively affected by the lack of extraordinary market opportunities, which characterized 2016, as well as the declining GBP exchange rate.

EBITDA before non-recurring costs amounted to DKK 0m (2016: DKK 46m), and Triax posted a loss for the year of DKK 33m (2016: a profit of DKK 15m). The result is considered unsatisfactory and is expected to be improved significantly in 2018.
Despite the challenged market conditions and lower revenue and earnings in 2017, Triax managed to generate a positive cash flow of DKK 29m partly from the sale of a building in France and partly from a reduction in Net Working Capital which was reduced by 61% during the year. This development was supported by the

Management commentary

insourcing of the French Warehouse functions into a shared warehouse in Germany and the implementation of a number of other specific optimization projects.

Employees
The Group had 303 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	134	186
Net addition / reduction during the year	4	(21)
Number of employees at year-end	**138**	**165**

Research and development activities are increased
Triax increased its research and development in 2017, mainly driven by a substantial expansion of the R&D department. This will further strengthen and expand the product and solutions offering and Triax' ability to support customers with highly competitive products and solutions.

The cost is capitalized as there is a direct expectation to market and sell the products and services associated with the development, generating a financial benefit that exceeds the asset capitalized.

As the capitalized asset becomes available for sale, amortization of the value will commence thereby aligning the timing of cost and income related to these new products and technologies.

Previous years where internal development costs have not met criteria for capitalization and was recognized as expenses in the yearly income statement.

Outlook for 2018
Triax expects modest revenue growth in 2018 leading to a revenue at the DKK 500m level. This development is expected based on enhanced focus on key product ranges, launch of new product platforms as well as expected growth in several markets. Operating profit 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 at a high level during 2018.Together with 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 wish to thank all members of staff in Denmark and abroad for their committed efforts throughout the year.

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 commentary

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 2017, the Group's net interest-bearing bank debt totals DKK 77m, which is found to be a reasonable level taking into account the current need for financial flexibility. At 31 December 2016 it was DKK 135m. The debt reduction is partly due to a subordinated shareholder loan of DKK 30m taken up during the year.

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.

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.

Triax wishes to be an environmentally conscious and responsible enterprise and cooperative partner. To achieve this aim, 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.

Triax A/S has been ISO 14001 certified since May 2006.

In 2017 Triax has achieved the following:

- Triax measures and follows up on our KPI's for energy consumption. In 2017 the power consumption decreased in the Danish production with 9%, due to outsourcing of the aerials production.
- The gas and water consumption was reduced with 14% and 53% respectively, mainly due to a new pretreatment equipment in the painting process.

Management commentary

Social 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.

Moreover, Triax wants to support the employees' health and provide an opportunity for the employees to make healthy choices. In 2017 the new canteen concept has proven to be of great value to the employees and significantly more take advantages of the good and healthy offers. Further, 38% of the employees in Denmark participated in the annual jogging race, Beringsstafetten.

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 2017 the goals and achieved results were:

KPI	2017 goals	2017 status
Work accidents	Maximum 5 in Denmark Maximum 15 in the UK	2 in Denmark 4 in England
Sick absence	Maximum 3.5% in Denmark	2.9% for hourly workers in Danmark 1.39 % for white collar employees in Denmark 1.64 % for hourly workers in UK 0.6 % for white collar employees in UK

Two work accidents in Denmark and four in the UK is still six 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. To ensure that these principles are observed in Triax' production areas in Denmark and the UK as well as at the suppliers worldwide, Triax has implemented 10 guiding principles of behavioural codex.

At present, Triax does not have a specific company policy concerning the protection of human rights. However, in 2017 a CSR group was formed within Triax, with the purpose of, amongst others, creating clear policies and defining actions in relation to human rights, environment and climate.

Management commentary

For additional information, please see: www.triax.com/About/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.
During 2017 a new CEO of Triax was appointed. Various candidates of both genders were considered for the position and the conclusion was that the best candidate as the new CEO was an internal promotion of Mr. Peter Lyhne Uhrenholt. 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. At the end of 2017, 33% of international general management positions within Triax are filled by women.

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.

Management commentary

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.

Realisation 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 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 organisational 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 organisational structure and staffing and lays down and approves overall policies, procedures and controls as part of the financial reporting process.

Management commentary

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 minimising 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 realised.

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 organisation of the Group's business, determination of the philosophy and strategy, as well as an 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 a 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

Management commentary

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 2017.

Ownership and capital structure

Triax Holding A/S is ultimately owned by the private equity fund Polaris Private Equity IV K/S with 92% represented by member of the Board of Directors Niels-Christian Worning. The Board of Directors and Management of Triax hold the remaining 8% 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 two members elected by the employees.

Whistleblower

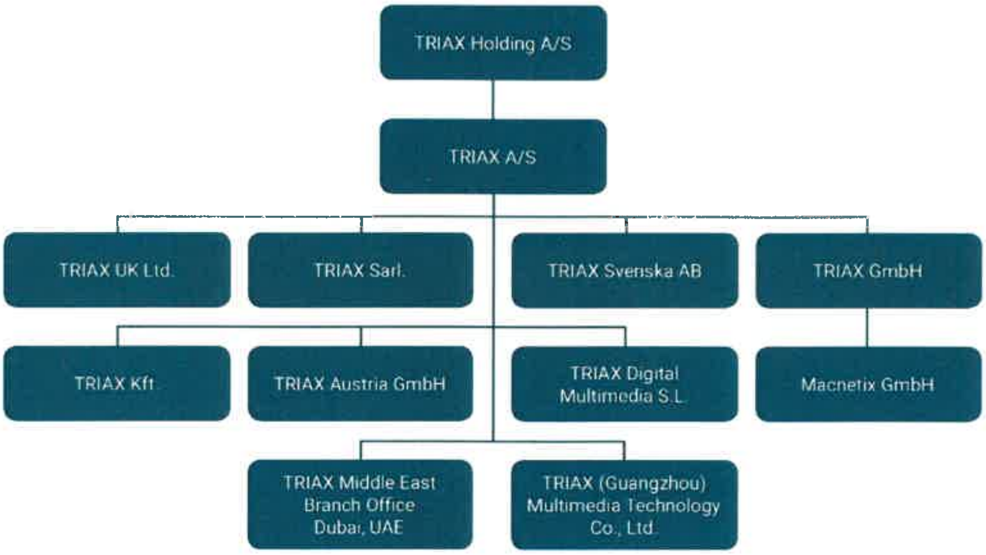
The board has discussed the need for establishing a whistleblower function but has not found this necessary for the time being.

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 chaiman Allan Jensen Vestergaard, vice chairman Henrik Hvidtfeldt, Lars Rønn, Jan Johan Kühl, Niels-Christian Worning og director Peter Lyhne Uhrenholt.

Allan Jensen Vestergaard

Member of the Board of:
Triax A/S (chairman)
Triax Holding A/S (chairman)
Global Lightning Protection Services A/S (chairman)
Configit Build A/S (chairman)
Configit A/S (chairman)
Configit Holding A/S (chairman)
Roll-O-Matic A/S
KH OneStop A/S (chairman)
Mikkelsen Electronics A/S
MT Americas, Inc., Virginia, USA
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)

Cbbrain 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

Merus Audio ApS
MapsPeople a/s
KUBO ApS

Member of Executive Board:

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
Part Unique ApS
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 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	1	493.279	616.321
Production costs	3	(353.126)	(439.979)
Gross profit/loss		**140.153**	**176.342**
Distribution costs	3	(96.420)	(89.794)
Administrative expenses	2, 3	(65.834)	(58.224)
Other operating income		12.430	0
Other operating expenses		(11.643)	(3.023)
Operating profit/loss		**(21.314)**	**25.301**
Other financial income	4	896	2.221
Other financial expenses	5	(9.855)	(12.397)
Profit/loss before tax		**(30.273)**	**15.125**
Tax on profit/loss for the year		(2.260)	(440)
Profit/loss for the year	6	**(32.533)**	**14.685**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Completed development projects		2.000	0
Acquired rights		2.730	497
Goodwill		127.706	143.184
Development projects in progress		12.816	0
Intangible assets	7	**145.252**	**143.681**
Land and buildings		4.026	9.342
Plant and machinery		4.488	3.317
Other fixtures and fittings, tools and equipment		6.490	9.797
Property, plant and equipment in progress		813	4.348
Property, plant and equipment	8	**15.817**	**26.804**
Other investments		1.421	1.771
Deferred tax	10	25.133	24.774
Fixed asset investments	9	**26.554**	**26.545**
Fixed assets		**187.623**	**197.030**
Raw materials and consumables		11.357	10.551
Work in progress		3.286	3.832
Manufactured goods and goods for resale		67.881	102.078
Inventories		**82.524**	**116.461**
Trade receivables		85.452	103.649
Other receivables	11	5.699	17.866
Income tax receivable		4.053	0
Contributed capital in arrears		0	578
Receivables		**95.204**	**122.093**
Cash		**10.442**	**6.601**
Current assets		**188.170**	**245.155**
Assets		**375.793**	**442.185**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		7.405	7.386
Retained earnings		48.243	81.812
Equity		**55.648**	**89.198**
Deferred tax	10	423	116
Other provisions	12	20.097	19.902
Provisions		**20.520**	**20.018**
Bank loans		58.404	78.837
Payables to shareholders and management		76.596	43.010
Other payables		0	5.204
Non-current liabilities other than provisions	13	**135.000**	**127.051**
Current portion of long-term liabilities other than provisions	13	25.945	35.230
Bank loans		10.486	29.848
Trade payables		70.097	61.834
Income tax payable		1.908	8.957
Other payables		56.189	70.049
Current liabilities other than provisions		**164.625**	**205.918**
Liabilities other than provisions		**299.625**	**332.969**
Equity and liabilities		**375.793**	**442.185**
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 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	7.386	81.812	89.198
Increase of capital	19	416	435
Purchase of treasury shares	0	(1.086)	(1.086)
Exchange rate adjustments	0	(1.080)	(1.080)
Other entries on equity	0	714	714
Profit/loss for the year	0	(32.533)	(32.533)
Equity end of year	**7.405**	**48.243**	**55.648**

Consolidated cash flow statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Operating profit/loss		(21.314)	25.301
Amortisation, depreciation and impairment losses		9.675	17.751
Working capital changes	14	59.769	2.842
Cash flow from ordinary operating activities		**48.130**	**45.894**
Financial income received		896	2.221
Financial income paid		(6.677)	(12.575)
Income taxes refunded/(paid)		(13.667)	(8.692)
Cash flows from operating activities		**28.682**	**26.848**
Acquisition etc of intangible assets		(17.211)	(35)
Acquisition etc of property, plant and equipment		(1.069)	(10.645)
Sale of property, plant and equipment		17.856	0
Acquisition of enterprises		0	(51.701)
Other cash flows from investing activities		353	(148)
Cash flows from investing activities		**(71)**	**(62.529)**
Acquisition of treasury shares		(1.086)	0
Cash increase of capital		435	8.344
Repayment of loans		(46.500)	0
Change in long term liabilities		41.500	39.884
Other cash flows from financing activities		17	51
Cash flows from financing activities		**(5.634)**	**48.279**
Increase/decrease in cash and cash equivalents		**22.977**	**12.598**
Cash and cash equivalents beginning of year		(23.247)	(36.836)
Currency translation adjustments of cash and cash equivalents		226	991
Cash and cash equivalents end of year		**(44)**	**(23.247)**
Cash and cash equivalents at year-end are composed of:			
Cash		10.442	6.601
Short-term debt to banks		(10.486)	(29.848)
Cash and cash equivalents end of year		**(44)**	**(23.247)**

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
1. Revenue		
European countries	460.781	578.006
Other countries	32.498	38.315
	493.279	**616.321**

	2017 DKK'000	2016 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	864	867
Tax services	592	274
Other services	223	135
	1.679	**1.276**

	2017 DKK'000	2016 DKK'000
3. Staff costs		
Wages and salaries	129.405	121.197
Pension costs	5.842	5.447
Other social security costs	15.523	13.313
Other staff costs	(9.563)	0
	141.207	**139.957**
Number of employees at balance sheet date	**303**	**320**
Average number of employees	**318**	**321**

	Remuneration of management 2017 DKK'000
Executive Board	3.206
Board of Directors	870
	4.076

	2017 DKK'000	2016 DKK'000
4. Other financial income		
Other financial income	896	2.221
	896	**2.221**

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	3.244	2.808
Other financial expenses	6.611	9.589
	9.855	**12.397**

	2017 DKK'000	2016 DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	(32.533)	14.685
	(32.533)	**14.685**

	Completed develop-ment projects DKK'000	Acquired rights DKK'000	Goodwill DKK'000	Develop-ment projects in progress DKK'000
7. Intangible assets				
Cost beginning of year	0	920	158.274	0
Exchange rate adjustments	0	(134)	93	0
Transfers	2.101	2.684	150	(2.061)
Additions	0	50	270	14.877
Disposals	0	(77)	0	0
Cost end of year	**2.101**	**3.443**	**158.787**	**12.816**
Amortisation and impairment losses beginning of year	0	(423)	(15.090)	0
Exchange rate adjustments	0	85	(6)	0
Amortisation for the year	(101)	(375)	(15.985)	0
Amortisation and impairment losses end of year	**(101)**	**(713)**	**(31.081)**	**0**
Carrying amount end of year	**2.000**	**2.730**	**127.706**	**12.816**

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

	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
8. Property, plant and equipment				
Cost beginning of year	9.883	5.819	13.773	4.348
Exchange rate adjustments	(96)	(37)	112	(2)
Transfers	0	2.891	510	(4.233)
Additions	25	0	344	700
Disposals	(5.309)	(354)	0	0
Cost end of year	**4.503**	**8.319**	**14.739**	**813**
Depreciation and impairment losses beginning of year	(541)	(2.502)	(3.976)	0
Exchange rate adjustments	(42)	29	(68)	0
Depreciation for the year	(412)	(1.358)	(4.205)	0
Reversal regarding disposals	518	0	0	0
Depreciation and impairment losses end of year	**(477)**	**(3.831)**	**(8.249)**	**0**
Carrying amount end of year	**4.026**	**4.488**	**6.490**	**813**

	Other investments DKK'000	Deferred tax DKK'000
9. Fixed asset investments		
Cost beginning of year	1.771	24.774
Exchange rate adjustments	3	0
Additions	113	359
Disposals	(466)	0
Cost end of year	**1.421**	**25.133**
Carrying amount end of year	**1.421**	**25.133**

	2017 DKK'000
10. Deferred tax	
Changes during the year	
Beginning of year	24.658
Recognised in the income statement	52
End of year	**24.710**

Notes to consolidated financial statements

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 receivables

The Group hedges currency risks on expected transactions in USD and CNY within the first coming year with cur-rency forward contracts.

		Contractual value		Profit and loss recognized on equity	
	Period	2017 DKK'000	2016 DKK'000	2017 DKK'000	2016 DKK'000
Currency forward contracts	0-6 month	32,702	7,522	(714)	96
		32,702	7,522	(714)	96

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

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

12. Other provisions

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

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
13. Liabilities other than provisions				
Bank loans	18.500	33.000	58.404	0
Payables to shareholders and management	0	0	76.596	76.596
Other payables	7.445	2.230	0	0
	25.945	**35.230**	**135.000**	**76.596**

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
14. Change in working capital		
Increase/decrease in inventories	33.072	9.977
Increase/decrease in receivables	28.750	5.692
Increase/decrease in trade payables etc	(2.053)	(12.827)
	59.769	**2.842**

	2017 DKK'000	2016 DKK'000
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**36.747**	**42.112**

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
Macnetix 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 2017

	Notes	2017 DKK'000	2016 DKK'000
Administrative expenses	1	(7.206)	(6.788)
Other operating income		4.800	4.900
Other operating expenses		(1.486)	(606)
Operating profit/loss		**(3.892)**	**(2.494)**
Income from investments in group enterprises		(23.482)	20.746
Other financial expenses	2	(5.159)	(5.060)
Profit/loss before tax		**(32.533)**	**13.192**
Tax on profit/loss for the year	3	0	1.493
Profit/loss for the year	4	**(32.533)**	**14.685**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Investments in group enterprises		131.914	180.766
Deferred tax	6	1.914	1.914
Fixed asset investments	5	**133.828**	**182.680**
Fixed assets		**133.828**	**182.680**
Receivables from group enterprises		18.040	15.885
Contributed capital in arrears		0	578
Receivables		**18.040**	**16.463**
Cash		**519**	**183**
Current assets		**18.559**	**16.646**
Assets		**152.387**	**199.326**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		7.405	7.386
Retained earnings		48.243	81.812
Equity		**55.648**	**89.198**
Bank loans		0	32.000
Payables to shareholders and management		76.596	43.010
Non-current liabilities other than provisions	7	**76.596**	**75.010**
Current portion of long-term liabilities other than provisions	7	18.500	33.000
Trade payables		517	385
Payables to group enterprises		314	0
Other payables		812	1.733
Current liabilities other than provisions		**20.143**	**35.118**
Liabilities other than provisions		**96.739**	**110.128**
Equity and liabilities		**152.387**	**199.326**
Contingent liabilities	8		
Assets charged and collateral	9		
Related parties with controlling interest	10		
Transactions with related parties	11		

Parent statement of changes in equity for 2017

	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	7.386	0	81.812	89.198
Increase of capital	19	0	416	435
Decrease of capital	0	0	(1.086)	(1.086)
Exchange rate adjustments	0	(1.080)	0	(1.080)
Other entries on equity	0	714	0	714
Transfer to reserves	0	366	(366)	0
Profit/loss for the year	0	0	(32.533)	(32.533)
Equity end of year	**7.405**	**0**	**48.243**	**55.648**

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
1. Staff costs		
Wages and salaries	5.336	4.981
Pension costs	388	332
Other social security costs	11	5
	5.735	**5.318**
Number of employees at balance sheet date	**3**	**3**
Average number of employees	**3**	**3**

	Remuneration of management 2017 DKK'000
Executive Board	3.206
Board of Directors	870
	4.076

	2017 DKK'000	2016 DKK'000
2. Other financial expenses		
Financial expenses from group enterprises	3.244	2.808
Other interest expenses	1.784	2.243
Other financial expenses	131	9
	5.159	**5.060**

	2017 DKK'000	2016 DKK'000
3. Tax on profit/loss for the year		
Change in deferred tax	0	(1.493)
	0	**(1.493)**

	2017 DKK'000	2016 DKK'000
4. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	0	4.893
Retained earnings	(32.533)	9.792
	(32.533)	**14.685**

Notes to parent financial statements

	Invest-ments in group enterprises DKK'000	Deferred tax DKK'000
5. Fixed asset investments		
Cost beginning of year	222.017	1.914
Cost end of year	**222.017**	**1.914**
Revaluations beginning of year	(41.251)	0
Exchange rate adjustments	(1.080)	0
Amortisation of goodwill	(10.276)	0
Share of profit/loss for the year	(13.206)	0
Dividend	(25.000)	0
Other adjustments	710	0
Revaluations end of year	**(90.103)**	**0**
Carrying amount end of year	**131.914**	**1.914**

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

	2017 DKK'000	2016 DKK'000
6. 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

7. Liabilities other than provisions	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
Bank loans	18.500	33.000	0	0
Payables to shareholders and management	0	0	76.596	76.596
	18.500	**33.000**	**76.596**	**76.596**

8. 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.

9. Assets charged and collateral

The Entity has guaranteed the subsidiaries bankloans. The maximum limit of the guarantee is kDKK 127,000.

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

10. Related parties with controlling interest

Related parties with controlling interest

Polaris Private Equity IV K/S, Copenhagen.

11. Transactions with related parties

Transactions with related parties are only disclosed in the annual report if they are not 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

Group comparative numbers for production cost, distribution cost and administrative expenses are adjusted for 2016 as the allocation of depreciation, amortization, loss on assets and other operating expenses were inaccurate. The consequences are the following: Production costs has been changed from DKK 456.021m to DKK 439.979m a reduction of DKK 16.042m. Distribution costs has been changed from DKK 88.894m to DKK 89.794m an increase of DKK 0.900m. Administrative expenses has been changed from DKK 43.082m to DKK 58.224m an increase of DKK 15.142m. There has been no impact on the profit for the year, the balance, and 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

Accounting policies

on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

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

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

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.

Fair value adjustments of investment property

Fair value adjustment of investment properties for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

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 ordi-nary write-down of inventories.

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.

Accounting policies

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Enti-ty'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, in-cluding 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 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 intangi-ble 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.

Accounting policies

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.

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.

Accounting policies

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 sepa-rate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reas-sessed annually.

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

Contributed capital in arrears

Contributed capital in arrears consists of capital subscribed, but not paid up, which is recognised as a separate amount receivable in assets and a separate reserve in equity (gross method). The amount receivable is measured at amortised cost.

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, con¬sumables, direct labour costs and indirect production costs.

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 manufactur-ing 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.

Accounting policies

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

Income tax payable or receivable
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
Cash comprises cash in hand and bank deposits.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments as well as decid-ed 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.

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 op-erating 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.

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, instalments on interest-bearing debt dand pur-chase of treasury shares.

Cash less short-term bank loans.