

Triax Holding A/S

Bjørnkærvej 3
8783 Hornsyld
Central Business Registration
No 36919620

Annual report 2019

The Annual General Meeting adopted the annual report on 24.06.2020

Chairman of the General Meeting

Name: Allan Jensen Vestergaard

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Entity details

Entity

Triax Holding A/S
Bjørnkærvej 3
8783 Hornsyld

Central Business Registration No (CVR): 36919620
Registered in: Hedensted
Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Allan Jensen Vestergaard
Niels-Christian Worning
Jan Johan Kühl
Henrik Hvidtfeldt
Lars Rønn
Morten Jørgensen

Executive Board

Peter Lyhne Uhrenholt

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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 24.06.2020

Executive Board

Peter Lyhne Uhrenholt

Board of Directors

Allan Jensen Vestergaard

Niels-Christian Worning

Jan Johan Kühl

Henrik Hvidtfeldt

Lars Rønn

Morten Jørgensen

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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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.

Material uncertainty related to going concern

Referring to note 1 in the consolidated financial statements as well as the parent financial statement, we note that Management has assessed material uncertainties related to conditions that may cast doubt upon the Group's ability to continue as a going concern. As disclosed, the assumption for continuing as a going concern relates mainly to the Group's ability to obtain additional financing.

At the approval of the financial statements, Management expects that the additional financing will be obtained and has, therefore, presented the financial statements on the basis of the Group continuing as a going concern.

Our conclusion is not modified.

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.

Independent auditor's report

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 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

Independent auditor's report

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.

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, 24.06.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Henrik Vedel
State Authorised Public Accountant
Identification No (MNE) mne10052

Tommy Schormand Johansen
State Authorised Public Accountant
Identification No (MNE) mne44080

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Revenue	411.085	465.827	493.836	616.321	212.348
Gross profit/loss	114.967	135.915	140.710	176.342	59.360
EBITDA before restructuring cost	(2.348)	12.472	3	46.075	14.267
Restructuring cost	(3.892)	(5.096)	(11.643)	(3.023)	(2.436)
Operating profit/loss	(40.180)	(10.687)	(21.314)	25.301	6.184
Net financials	(6.285)	(13.337)	(8.959)	(10.176)	(3.606)
Profit/loss for the year	(73.531)	(26.872)	(32.533)	14.685	1.320
Total assets	280.558	345.577	375.793	442.185	397.479
Investments in property, plant and equipment	1.256	1.143	1.069	10.645	1.012
Equity	49.148	123.805	55.648	89.198	71.062
Average number of employees	258	293	318	321	289
Ratios					
Gross margin (%)	28,0	29,2	28,5	28,6	28,0
Net margin (%)	(17,9)	(5,8)	(6,6)	2,4	0,6
Return on equity (%)	(85,0)	(29,9)	(44,9)	18,3	1,9
Equity ratio (%)	19,0	35,8	35,2	29,9	26,7

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" issued by the CFA Society Denmark.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)		The entity's operating gearing.
Net margin (%)		The entity's operating profitability.
Return on equity (%)		The entity's return on capital invested in the entity by the owners.
Equity ratio (%)		The financial strength of the entity including shareholder loans

Key figures for 2015 are 4 months.

Management commentary

Primary activities

TRIX 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 – all centered around 'connectivity'.

In the following, the name 'TRIX' is used as a general name covering all TRIAX units 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 customers and market segments, TRIAX continued its investments in core technology platforms in 2019. As a result, a series of innovations and new products were launched during 2019 and more are planned to be launched in 2020.

Several of the markets in which TRIAX operates have been challenged during the year. There have been no significant technical switchovers generating a natural need for equipment and upgrades. 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. This trend will continue and, therefore, Management will focus on optimising the organisation with respect to both staffing and processes.

Revenue was DKK 411.1m in 2019 (2018: DKK 466m). Revenue was negatively affected by a delayed launch of some products as well as challenging market conditions, which also characterized 2018.

EBITDA before non-recurring costs was realised at DKK -5m (2018: DKK 12.5m), and TRIAX posted a loss for the year of DKK 73.5m (2018: a loss of DKK 26.9m). The result is considered unsatisfactory as an improvement in EBITDA before non-recurring costs was budgeted. For 2020, the company has budgeted for an increase in the result. However, with Covid-19 virus affecting business all over Europe, this can turn out to be a challenge for Triax.

A review of intangible assets resulted in an impairment loss of DKK 12.5m on goodwill. The review focused on the estimated free cash flow for the following years in the Group, and although some scenarios indicated that the net present value of the free cash flow was sufficient to justify the value of the goodwill before impairment loss, the most likely scenario led to the impairment loss.

The Group has tax losses carried forward from previous years, and although there is no expiry date on utilising the tax losses, the recent years performance and immediate outlook for future taxable income do not indicate utilisation of the losses. As a consequence, the value of deferred tax asset is reduced by DKK 25.0m.

Management commentary

Employees

The Group had 244 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	130	160
Net addition / reduction during the year	-20	-26
Number of employees at year-end	110	134

Research and development activities are increased

TRIAX further expanded its research and development activities in 2019, 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 capitalised in the balance sheet in order to align the cost and income from the new products and technologies.

Outlook for 2020

Revenue is expected to be reduced in Q2 and Q3, but as most countries are in the process of re-opening, it is the expectation of Management that the revenue will be almost normalised in Q4 of 2020. Management has initiated several initiatives to mitigate the impact of the reduced revenue. Some of those initiatives are exploring new verticals for the Group's products, solutions and services, reducing sourcing of goods to avoid cash drain from increasing inventories, utilised government programs for fiscal support, sent staff on government supported furlough and reduced working hours and in general implemented detailed cost control to reduce cost.

The effort towards development of new and updated products and solutions will continue during 2020. Together with a dedicated market focus within 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 would like to take this opportunity to thank all members of staff in Denmark and abroad for their committed effort 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. Having said that, 2020 will be negatively affected by the Covid-19 virus in most of its markets.

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 2019, the Group's net interest bearing bank debt totals DKK 94m, which is acceptable taking into account the current need for credit lines throughout the year. At 31 December 2018, it was DKK 89m. The debt increase is from operational performance, and offset by reduced working capital and a subordinated shareholder loan of DKK 4.3m 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.

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 Cable TV (CATV) operators and as well as through various sales channels such as wholesalers. TRIAX also develops products and solutions to the hospitality segment such as hotels and elderly homes. These products and solutions 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 the 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 within the entire enterprise. One method to achieve this, is by pooling orders 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 2019.

Social and employee aspect

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.

Management commentary

TRIAX has a policy for physical and mental health on the work place and has clear guidelines for how to handle incidents. The policy is given to all new employees and is easily available for all staff at TRIAX' intranet.

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

The employee satisfaction and safety are also measured through the KPIs for work accidents and sick absence. In 2019 the goals and achieved results were:

KPI	2019 goals	2019 status
Work accidents	Maximum 5 in Denmark Maximum 5 in the UK	1 in Denmark 3 in the UK
Sick absence	Maximum 3.5% in Denmark	1.9% for hourly workers in Denmark 2.36% for white collar employees in Denmark (2 long-term ill) 0.4% for hourly workers in the UK 2.9% for white collar employees in the UK (2 long-term ill)

One work accident in Denmark and three in the UK are still four 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 within 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 behavioural 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 2019.

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

Management commentary

and women on the Board of Directors and the Executive Board as soon as possible, yet respecting the pace of which there is an actual need to make changes to the Board of Directors or the Executive Board.

The gender composition has not changed and the Board of Directors and the Executive Board continue 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 2019, 30% 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 ensure 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 January 2019, 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.

Management commentary

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.

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

Management commentary

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 high 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 per year. Normally, the Board of Directors and all members of the Executive Board participate in all meetings.

The Board of Directors consists of 6 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 such 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

Management commentary

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 where 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 2019.

Ownership and capital structure

TRIAX Holding A/S is ultimately owned by the private equity fund Polaris Private Equity IV K/S with 92.96% 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 7.04% 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 for the time being.

Events after the balance sheet date

During March 2020, the existing shareholders made a capital contribution of DKK 7.5m to the Company. At the same time, the combined credit lines were increased within the existing bank agreement and certain terms and conditions were altered to ensure a long-term financing facility.

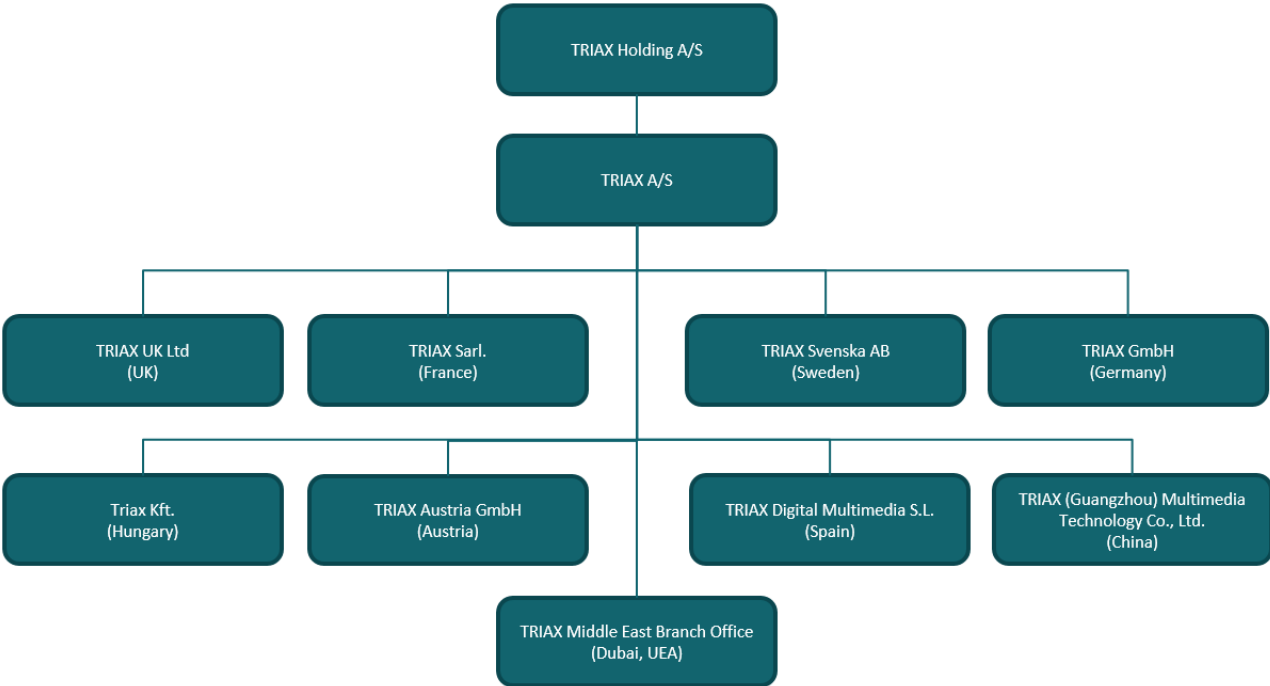
The global outbreak of the Covid-19 virus is expected to have an impact on the revenue for the Group from the implemented restrictions in most of the Group's markets. The Executive Board has implemented measures in all companies to reduce the impact through utilisation of various government support programs,

Management commentary

as well as exploring new verticals for the Group’s products, solutions and services, reducing sourcing of goods to avoid cash drain from increasing inventories and in general implemented detailed cost control to reduce cost.

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

Group chart



All subsidiaries are wholly owned.

Management commentary

Board members' directorships and Executive positions

The Board of Directors is made up of chairman Allan Jensen Vestergaard, vice chairman Henrik Hvidfeldt, Lars Rønn, Morten Jørgensen, Jan Johan Kühl, Niels-Christian Worning and director Peter Lyhne Uhrenholt.

Allan Jensen Vestergaard	Jan Johan Kühl	Niels-Christian Worning
Member of the Board of:	Member of the Board of:	Member of the Board of:
Triax A/S (chairman)	TRIAX A/S	TRIAX A/S
Triax Holding A/S (chairman)	TRIAX Holding A/S	TRIAX Holding A/S
Mikkelsen Electronics A/S	Molslinjen A/S	Babysam A/S
KH Onestop A/S	PWT Group A/S	
Configit A/S (chairman)	Brøndum Holding A/S	
Configit Build A/S (chairman)	Brøndum A/S	
Configit Holding A/S (chairman)	Inter Primo A/S	
MEMOX ApS (chairman)	Part Unique A/S	
MT Americas, Inc. (chairman)	Advantage Private Equity Management A/S	
Zonaar, Inc.		
Compatio, LLC		
	And several holding companies in connection with Polaris Private Equity	And several holding companies in connection with Polaris Private Equity
Member of Executive Board:	Member of Executive Board:	Member of Executive Board:
Vestergaard Group, Inc., USA	Business Synergy Group ApS	Worning ApS
	Polaris Management A/S	
	And several holding companies in connection with Polaris Private Equity	And several holding companies in connection with Polaris Private Equity

Management commentary

Morten Jørgensen

Member of the Board of:

TRIAX A/S
TRIAX Holding A/S

Henrik Hvidtfeldt

Member of the Board of:

TRIAX A/S (vice chairman)
TRIAX Holding A/S (vice chairman)
Digitaqq ApS
CBrain A/S (chairman)
Flight4000 A/S (chairman)
Xena Networks ApS

Lars Rønn

Member of the Board of:

TRIAX A/S
TRIAX Holding A/S
On Robot A/S
MapsPeople A/S
KUBO Aps
Tentoma A/S
Effimat A/S

Member of Executive Board:

Hvista ApS
Digitaqq ApS

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 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Revenue	3	411.085	465.827
Production costs	5	(296.118)	(329.912)
Gross profit/loss		114.967	135.915
Distribution costs	5	(82.675)	(88.153)
Administrative expenses	4, 5	(69.849)	(57.788)
Other operating income		1.269	4.435
Other operating expenses		(3.892)	(5.096)
Operating profit/loss		(40.180)	(10.687)
Other financial income	6	342	489
Other financial expenses	7	(6.627)	(13.826)
Profit/loss before tax		(46.465)	(24.024)
Tax on profit/loss for the year	8	(27.066)	(2.848)
Profit/loss for the year	9	(73.531)	(26.872)

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019</u> <u>DKK'000</u>	<u>2018</u> <u>DKK'000</u>
Completed development projects		14.105	9.989
Acquired rights		2.600	3.317
Goodwill		83.663	111.905
Development projects in progress		18.436	14.297
Intangible assets	10	118.804	139.508
Land and buildings		3.861	3.783
Plant and machinery		2.928	3.782
Other fixtures and fittings, tools and equipment		2.784	4.128
Property, plant and equipment in progress		526	259
Property, plant and equipment	11	10.099	11.952
Other investments		862	1.158
Deferred tax	13	0	25.022
Fixed asset investments	12	862	26.180
Fixed assets		129.765	177.640
Raw materials and consumables		11.587	12.777
Work in progress		3.179	3.677
Manufactured goods and goods for resale		59.284	60.297
Inventories		74.050	76.751
Trade receivables		63.450	73.676
Other receivables		6.686	9.791
Income tax receivable		1.042	1.633
Prepayments		0	241
Receivables		71.178	85.341
Cash		5.565	5.845
Current assets		150.793	167.937
Assets		280.558	345.577

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital		16.886	16.886
Retained earnings		32.262	106.919
Equity		49.148	123.805
Deferred tax	13	0	399
Other provisions	14	18.900	19.165
Provisions		18.900	19.564
Bank loans		24.198	41.369
Payables to shareholders and management		4.270	0
Non-current liabilities other than provisions	15	28.468	41.369
Current portion of long-term liabilities other than provisions	15	17.180	17.175
Bank loans		57.799	35.591
Prepayments received from customers		0	320
Trade payables		59.161	53.182
Income tax payable		1.112	1.751
Other payables		48.790	52.820
Current liabilities other than provisions		184.042	160.839
Liabilities other than provisions		212.510	202.208
Equity and liabilities		280.558	345.577
Going concern	1		
Events after the balance sheet date	2		
Financial instruments	17		
Unrecognised rental and lease commitments	18		
Assets charged and collateral	19		
Transactions with related parties	20		
Subsidiaries	21		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	16.886	106.919	123.805
Exchange rate adjustments	0	433	433
Other entries on equity	0	(1.559)	(1.559)
Profit/loss for the year	0	(73.531)	(73.531)
Equity end of year	16.886	32.262	49.148

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Operating profit/loss		(40.180)	(10.687)
Amortisation, depreciation and impairment losses		35.209	22.498
Working capital changes	16	16.245	(7.484)
Other adjustments		0	(2.317)
Cash flow from ordinary operating activities		11.274	2.010
Financial income received		0	491
Financial expenses paid		(5.955)	(6.431)
Income taxes refunded/(paid)		(2.530)	(414)
Cash flows from operating activities		2.789	(4.344)
Acquisition etc of intangible assets		(11.870)	(12.123)
Acquisition etc of property, plant and equipment		(636)	(1.066)
Other cash flows from investing activities		296	266
Cash flows from investing activities		(12.210)	(12.923)
Loans raised		4.000	0
Acquisition of treasury shares		0	(78)
Sale of treasury shares		0	328
Cash increase of capital		0	94.814
Repayment of loans		(17.179)	(113.314)
Change in long term liabilities		0	11.000
Other cash flows from financing activities		(237)	(5.148)
Cash flows from financing activities		(13.416)	(12.398)
Increase/decrease in cash and cash equivalents		(22.837)	(29.665)
Cash and cash equivalents beginning of year		(29.746)	(44)
Currency translation adjustments of cash and cash equivalents		349	(37)
Cash and cash equivalents end of year		(52.234)	(29.746)
Cash and cash equivalents at year-end are composed of:			
Cash		5.565	5.845
Short-term debt to banks		(57.799)	(35.591)
Cash and cash equivalents end of year		(52.234)	(29.746)

Notes to consolidated financial statements

1. Going concern

The Group has for the last two financial years seen a net decrease in liquidity from operating and investing activities, excluding financing, of over DKK 26m. This development, combined with a need for a transformation of the business, has resulted in a need for additional liquidity. For the Group to continue its operation and develop future market platform, it is necessary to seek new sources of financing. Based on the budgets and plans, Management estimates that financing of DKK 5m to 20m is needed for the Group to continue as a going concern in 2020.

Management has pursued multiple sources of financing including extended credit facilities, share capital increases and mergers. On 5 March 2020, a share capital increase by cash contribution of DKK 7.5m was passed and at the same time a shareholder loan of DKK 4.3m was converted to equity. Furthermore, the Group's banks have agreed to extend an additional line of credit to the amount of DKK 7.5m.

The Group is also actively pursuing additional financing from other sources including potential mergers with other companies.

In Management's opinion, the sources of financing already secured - together with the likelihood of additional financing from the different options being pursued - are sufficient for the Group to be considered a going concern.

2. Events after the balance sheet date

During March, the existing shareholders made a capital contribution of DKK 7.5m to the Company. At the same time, the combined credit lines were increased within the existing bank agreement and certain terms and conditions were altered to ensure a long-term financing facility.

The global outbreak of the Covid-19 virus is expected to have an impact on the revenue for the Group from the implemented restrictions in most of the Group's markets. The Executive Board has implemented measures in all companies to reduce the impact through utilisation of various government support programs, as well as exploring new verticals for the Group's products, solutions and services, reducing sourcing of goods to avoid cash drain from increasing inventories and in general implemented detailed cost control to reduce cost.

	2019 DKK'000	2018 DKK'000
3. Revenue		
European countries	375.762	434.153
Middle East	29.724	26.097
Other countries	5.599	5.577
	411.085	465.827

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
4. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	922	729
Tax services	285	403
Other services	188	564
	1.395	1.696
	2019 DKK'000	2018 DKK'000
5. Staff costs		
Wages and salaries	105.771	118.412
Pension costs	5.686	5.829
Other social security costs	13.002	13.607
Other staff costs	(3.892)	(5.096)
	120.567	132.752
Number of employees at balance sheet date	244	290
Average number of employees	258	293
	Remunera- tion of manage- ment 2019 DKK'000	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	3.069	3.060
	3.069	3.060
	2019 DKK'000	2018 DKK'000
6. Other financial income		
Other financial income	342	489
	342	489
	2019 DKK'000	2018 DKK'000
7. Other financial expenses		
Financial expenses from group enterprises	270	6.803
Other financial expenses	6.357	7.023
	6.627	13.826

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
8. Tax on profit/loss for the year		
Current tax	2.437	2.848
Change in deferred tax	24.629	0
	27.066	2.848

	2019 DKK'000	2018 DKK'000
9. Proposed distribution of profit/loss		
Retained earnings	(73.531)	(26.872)
	(73.531)	(26.872)

	Completed develop- ment projects DKK'000	Acquired rights DKK'000	Goodwill DKK'000	Develop- ment projects in progress DKK'000
10. Intangible assets				
Cost beginning of year	11.092	5.048	158.922	14.297
Exchange rate adjustments	2	(2)	(8)	0
Transfers	6.726	633	151	(7.359)
Additions	0	227	48	11.498
Disposals	0	0	(7)	0
Cost end of year	17.820	5.906	159.106	18.436
Amortisation and impairment losses beginning of year	(1.103)	(1.731)	(47.017)	0
Exchange rate adjustments	(2)	0	2	0
Transfers	0	0	(40)	0
Impairment losses for the year	0	0	(12.500)	0
Amortisation for the year	(2.610)	(1.575)	(15.895)	0
Reversal regarding disposals	0	0	7	0
Amortisation and impairment losses end of year	(3.715)	(3.306)	(75.443)	0
Carrying amount end of year	14.105	2.600	83.663	18.436

Development projects

Clearly defined and identified development projects are recognised 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 capitalised. Other development costs are recognised as expenses in the income statement when they are incurred.

Notes to consolidated financial statements

Management of TRIAX Holding A/S has conducted impairment tests on the usefulness of the carrying amount of goodwill in the group companies. The test has been carried out by the Senior Management of the Group estimating the expected free cash flow within a 10-year budget and forecast period for the years 2020-2029. The free cash flow after tax is added to a discounted cash flow model ("value in use" principle) to assess the value and goodwill of the Company, which is then compared with the book value of the TRIAX Group.

Determination of the return requirement is calculated at a WACC where the risk-free interest rate is based on the current yield requirement on a 10-year government bond. To this is added a risk premium depending on the individual industry and geography, as well as the Company's capital structure, based on a peer group that is the market perspective on an optimal capital structure. The growth rate for extrapolating cash flow for businesses in the years 2025-2029 is set at 0%.

TRIAX continues to transition from a product business to a solution business and has a product portfolio that is prepared to benefit from the increased demand world-wide for data transmission and stable broadcasting equipment. Growth rate in the overall revenue is 2%-6% with increasing margins from transitioning to higher margin products. The future growth can be achieved on the current cost base.

As part of the test, sensitivity analyses have been carried out to assess whether reduced cash flows will result in impairment requirements. The sensitivity analysis shows that the most likely scenarios result in a recoverable value lower than the book value of goodwill and, as a consequence, an impairment loss of DKK 12.5m has been recognised.

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
11. Property, plant and equipment				
Cost beginning of year	4.442	7.070	17.259	259
Exchange rate adjustments	259	21	16	0
Transfers	56	0	532	(903)
Additions	0	69	17	1.170
Disposals	0	0	(18)	0
Cost end of year	4.757	7.160	17.806	526
Depreciation and impairment losses beginning of year	(659)	(3.288)	(13.131)	0
Exchange rate adjustments	(38)	(16)	(8)	0
Transfers	0	(60)	195	0
Depreciation for the year	(199)	(868)	(2.095)	0
Reversal regarding disposals	0	0	17	0
Depreciation and impairment losses end of year	(896)	(4.232)	(15.022)	0
Carrying amount end of year	3.861	2.928	2.784	526
12. Fixed asset investments				
Cost beginning of year			1.158	25.022
Additions			25	0
Disposals			(321)	0
Cost end of year			862	25.022
Impairment losses for the year			0	(25.022)
Impairment losses end of year			0	(25.022)
Carrying amount end of year			862	0
13. Deferred tax				

The Group recognises deferred tax assets, including the tax value of loss carry-forwards, where Management assesses that the tax assets may be utilised 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,

Notes to consolidated financial statements

including planned business initiatives. Key parameters are expected revenue and EBIT development. Tax assets related to carry-forward losses are only recognised, if they are expected to be utilised within 5 years.

Management has for the 2019 financial statements evaluated short-term utilisation of the deferred tax assets and has deemed it unlikely that it will be used to the full extent over the coming years. Therefore, Management has decided to recognise an impairment loss related to deferred tax.

14. Other provisions

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

	Due within 12 months 2019 DKK'000	Due within 12 months 2018 DKK'000	Due after more than 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
15. Liabilities other than provisions				
Bank loans	17.180	17.175	24.198	0
Payables to shareholders and management	0	0	4.270	N/A
	17.180	17.175	28.468	4.270

	2019 DKK'000	2018 DKK'000
16. Change in working capital		
Increase/decrease in inventories	3.534	5.607
Increase/decrease in receivables	13.840	7.594
Increase/decrease in trade payables etc	(1.129)	(20.685)
	16.245	(7.484)

17. Financial instruments

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

		Contractual value		Profit and loss rec- ognized on equity	
	Period	2019 DKK'000	2018 DKK'000	2019 DKK'000	2018 DKK'000
Currency forward contracts	0-7 month	401	20.616	166	(174)
		401	20.616	166	(174)

Currency forward contracts are used to hedge the currency risk on purchase of goods in CNH in accordance with the Group's policy.

Notes to consolidated financial statements

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

	2019 DKK'000	2018 DKK'000
18. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	27.114	28.723

19. Assets charged and collateral

Bank loans are secured by way of floating charge registered to the mortgagor of nominal DKK 80,000k. The floating charge covers all assets not otherwise charged.

As security for bank loans, unlisted shares of Triax A/S have been mortgaged of nominal DKK 30,000k.

20. 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	Corpo- rate form	Equity inte- rest %
21. 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 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Administrative expenses	3	(7.934)	(6.130)
Other operating income		5.400	4.800
Operating profit/loss		(2.534)	(1.330)
Income from investments in group enterprises		(68.805)	(17.822)
Other financial income	4	1	0
Other financial expenses	5	(279)	(7.720)
Profit/loss before tax		(71.617)	(26.872)
Tax on profit/loss for the year	6	(1.914)	0
Profit/loss for the year	7	(73.531)	(26.872)

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Investments in group enterprises		44.129	114.060
Deferred tax	9	0	1.914
Fixed asset investments	8	44.129	115.974
Fixed assets		44.129	115.974
Receivables from group enterprises		11.878	9.165
Receivables		11.878	9.165
Cash		256	56
Current assets		12.134	9.221
Assets		56.263	125.195

Parent balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital	10	16.886	16.886
Retained earnings		32.262	106.919
Equity		49.148	123.805
Payables to shareholders and management		4.270	0
Non-current liabilities other than provisions		4.270	0
Trade payables		1.803	321
Payables to group enterprises		2	45
Other payables		1.040	1.024
Current liabilities other than provisions		2.845	1.390
Liabilities other than provisions		7.115	1.390
Equity and liabilities		56.263	125.195
Going concern	1		
Events after the balance sheet date	2		
Contingent liabilities	11		
Assets charged and collateral	12		
Related parties with controlling interest	13		
Transactions with related parties	14		

Parent statement of changes in equity for 2019

	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	16.886	0	106.919	123.805
Value adjustments	0	438	0	438
Other entries on equity	0	(1.564)	0	(1.564)
Transfer to reserves	0	1.126	(1.126)	0
Profit/loss for the year	0	0	(73.531)	(73.531)
Equity end of year	16.886	0	32.262	49.148

Notes to parent financial statements

1. Going concern

For Management's comments on going concern refer to the notes to the consolidated financial statements.

2. Events after the balance sheet date

For Management's comments on subsequent events refer to the notes to the consolidated financial statements.

	2019 DKK'000	2018 DKK'000
3. Staff costs		
Wages and salaries	4.441	4.455
Pension costs	350	321
Other social security costs	12	10
	4.803	4.786
Number of employees at balance sheet date	3	3
Average number of employees	3	3

	Remunera- tion of manage- ment 2019 DKK'000	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	728	726
	728	726

	2019 DKK'000	2018 DKK'000
4. Other financial income		
Other interest income	1	0
	1	0

	2019 DKK'000	2018 DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	270	6.803
Other interest expenses	2	909
Other financial expenses	7	8
	279	7.720

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
6. Tax on profit/loss for the year		
Change in deferred tax	1.914	0
	1.914	0
	2019 DKK'000	2018 DKK'000
7. Proposed distribution of profit/loss		
Retained earnings	(73.531)	(26.872)
	(73.531)	(26.872)
	Invest- ments in group enterprises DKK'000	Deferred tax DKK'000
8. Fixed asset investments		
Cost beginning of year	222.017	1.914
Cost end of year	222.017	1.914
Revaluations beginning of year	(107.957)	0
Exchange rate adjustments	438	0
Amortisation of goodwill	(10.276)	0
Share of profit/loss for the year	(46.029)	0
Other adjustments	(1.564)	0
Revaluations end of year	(165.388)	0
Impairment losses on goodwill	(12.500)	0
Impairment losses for the year	0	(1.914)
Impairment losses end of year	(12.500)	(1.914)
Carrying amount end of year	44.129	0

For Management's comments on valuation of goodwill related to investments in group enterprises refer to the notes to the consolidated financial statements.

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

9. Deferred tax

The Group recognises deferred tax assets, including the tax value of loss carry-forwards, where Management assesses that the tax assets may be utilised in the foreseeable future or set-off against positive taxable

Notes to parent financial statements

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 recognised, if they are expected to be utilised within 5 years.

For Management's comments on valuation of deferred tax assets refer to the notes to the consolidated financial statements.

	Number	Par value DKK'000	Nominal value DKK'000
10. 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

11. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement with Triax Holding A/S serving as the administration company and, therefore, the Entity is 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 withhold tax in interest, royalties and dividends for the jointly taxed companies. The total net liability to SKAT appears from the financial statements of Triax Holding A/S.

12. Assets charged and collateral

The Entity has guaranteed the subsidiaries bank loans. The maximum limit of the guarantee is DKK 119.029k.

As security for bank loans, unlisted shares of Triax A/S have been mortgaged of nominal DKK 30,000k.

13. Related parties with controlling interest

Related parties with controlling interest:

Polaris Private Equity IV K/S, Copenhagen.

Notes to parent financial statements

14. 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).

Recognition and measurement

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

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

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

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

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

Consolidated financial statements

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

Basis of consolidation

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

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

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.

Accounting policies

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.

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

Accounting policies

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.

Other operating expenses

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 enterprises' 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, amortisation 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 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.

Accounting policies

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.

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 straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually.

Accounting policies

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.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance, depreciation 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

Accounting policies

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.

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 at year ended consists of cash less short-term bank loans.