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LABFLEX HOLDING ApS
Hjortevej 3
7800 Skive
Central Business Registration
No 37128112

Annual report 2018

The Annual General Meeting adopted the annual report on 31.05.2019

Chairman of the General Meeting

____

Name: Ivar Malte Foghsgaard

Contents

Entity details

Entity
LABFLEX HOLDING ApS
Hjortevej 3
7800 Skive

Central Business Registration No (CVR): 37128112
Registered in: Skive
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
Lars Foghsgaard, chairman
Ivar Malte Foghsgaard
Johan Caspar Foghsgaard

Executive Board
Lars Foghsgaard

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of LABFLEX HOLDING ApS for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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

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

Skive, 31.05.2019

Executive Board

Lars Foghsgaard

Board of Directors

Lars Foghsgaard chairman	Ivar Malte Foghsgaard	Johan Caspar Foghsgaard

Independent auditor's report

To the shareholders of LABFLEX HOLDING ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of LABFLEX HOLDING ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these 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 Parent’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 Parent’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.

Copenhagen, 31.05.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Torben Skov
State Authorised Public Accountant
Identification No (MNE) mne19689

Martin Bøgelund Ravn
State Authorised Public Accountant
Identification No (MNE) mne40038

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000
Financial highlights			
Key figures			
Gross profit	11.221	7.974	16.616
Operating profit/loss	(35.357)	(63.905)	(92.150)
Net financials	60.070	(7.915)	(6.577)
Profit/loss for the year	22.922	(75.993)	(107.791)
Profit/loss excl minority interests	33.033	(75.993)	(107.791)
Total assets	95.538	129.861	181.223
Investments in property, plant and equipment	811	222	20.359
Equity	21.226	(52.589)	(17.855)
Equity excl minority interests	7.998	(55.342)	(17.855)
Cash flows from (used in) operating activities	59.408	(55.140)	(27.368)
Cash flows from (used in) investing activities	(1.564)	(1.344)	(124.726)
Cash flows from (used in) financing activities	(56.729)	62.473	137.341
Ratios			
Equity ratio (%)	8,4	(42,6)	(9,9)

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

Ratios	Calculation formula	Calculation formula reflects
Equity ratio (%)	$\frac{\text{Equity excl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

Labflex is a turnkey provider of interior solutions and products to laboratories, hospitals and the educational sector. Core activities are design and engineering, installation and after sales supported by sales, marketing, project management, financial support and supply chain services. (www.labflex.com).

Development in activities and finances

Labflex Holding ApS

Labflex Holding ApS does not have financial activities besides acting as a holding company for the group.

In February and December 2018 debt conversation agreements was reached between the company, the owners and the bank. Consequently, the Group equity increased by DKK 51m securing long term financial stability for the Group. Furthermore the Company secured a debt remission of DKK 65m from the companys bank.

Labflex Holding Group

The Group's net profit before tax in 2018 reached DKK 22.922k against DKK -71.820k in 2017. This result is a consequence of the turnaround process initiated in 2017 and still having impact in 2018 – restructuring costs e.g. lay-offs, projects- and inventory write down and investments in improved operational structure and procedures. The 2018 financial result is in line with expectations projected by the management team in spring 2018.

The last phase of organizational changes including layoffs was executed in April 2018 and had full financial impact from September 2018.

The financial performance improved significantly during 2018 mainly caused by a revenue increase of 13%, improved project execution and better financial control/reporting but also due to positive impact from down-sizing of the organization, a new leadership team and intensified managerial focus on operations. Positive impact from the improved operational initiatives was achieved across all functional areas and companies within the Group.

The improved operational performance resulted in a positive operating profit in the second half of 2018. This development has continuing in 2019 where revenue and operational profit in Q1 is ahead of budget and first half of the year is expected to be realized with a positive operating profit. All remaining turnaround and operational improvement initiatives will be finalized during 2019 and the financial outlook for the full year is a positive operational result.

The equity is consequently end 2018 fully reestablished which will give the necessary foundation for the group to continue its commercial activities, thereby executing defined profitable growth plans and meet the specific short-/mid-termed covenant targets defined by the bank and the owners..

Uncertainty relating to recognition and measurement

In the preparation of the annual report, accounting estimates and judgements were made in accordance with statutory provisions and Danish law - see the description under Accounting Policies. The estimates are based on assumptions which management considers realistic, sound and defensible.

Management commentary

Future plans are based on expectations of market development, strategic initiatives, analysis of the operation and structural measures as well as historical results. The assumptions and estimates prepared for the long-term development of the market and the related expectations of both the Company's and the Group's development are inherently subject to uncertainty.

Outlook
The focus in 2019 is to continue the stabilization of the Group by building the right structure and organizational base for the future business and the expected long-term growth development.

During 2019, the geographical focus will still be the Danish, Norwegian and UK markets as well as on continue to service global key accounts. Management perceive the markets as being stable and with interesting leads and a good possibility to improve the current market position. A satisfying order back-log is secured for 2019 and focus is on order conversion rate and securing a strong order back-log for 2020.

Particular risks
Financial risks
The Group’s activities create exposure to a variety of financial risks. These risks include market risk (such as foreign exchange risk and interest rate risk), credit risk and liquidity risk can affect the Group’s net result and/or equity.

The parent company manages the Group’s financial risks centrally and coordinates the Group’s cash management. The Group pursues a policy of having a low risk profile implying that foreign currency, interest rate and credit risks that arise from commercial activities are controlled.

Liquidity risk results from the Group’s potential inability to meet the obligation associated with its financial liabilities, e.g. paying its suppliers and setting finance lease obligations. The Group’s liquidity is managed by the parent company.

The Group's liquidity situation based on bank credit lines is satisfactory.

Environmental performance
The environment has become a central topic on the Group’s agenda. The Group runs its business with the highest possible respect for environmental matters with regard to own production as well as the products sold.

The use of polluting auxiliary substances in the production process is very limited.

Research and development activities
The Group develops new products and maintains its design continuously.

Based on assessments of the specific development activities, development costs are regularly expensed in the income statement or depreciated.

Events after the balance sheet date
Other than the mentioned loan payment of DKK 11m from the Groups shareholders, no events have occurred

Management commentary

after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Gross profit	3, 4	**11.221**	**7.974**
Distribution costs	3, 4	(9.702)	(17.942)
Administrative expenses	3, 4	(36.876)	(53.937)
Operating profit/loss		**(35.357)**	**(63.905)**
Other financial income		65.184	478
Financial expenses from group enterprises		(159)	(867)
Other financial expenses		(4.955)	(7.526)
Profit/loss before tax		**24.713**	**(71.820)**
Tax on profit/loss for the year	5	(1.791)	(4.173)
Profit/loss for the year	6	**22.922**	**(75.993)**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Completed development projects		1.335	638
Acquired intangible assets		0	0
Acquired patents		58	79
Goodwill		29.452	50.197
Intangible assets	7	**30.845**	**50.914**
Plant and machinery		7.162	8.272
Other fixtures and fittings, tools and equipment		358	969
Leasehold improvements		3.873	4.409
Property, plant and equipment	8	**11.393**	**13.650**
Deposits		1.359	1.666
Fixed asset investments	9	**1.359**	**1.666**
Fixed assets		**43.597**	**66.230**
Raw materials and consumables		3.488	3.230
Work in progress		1.495	1.558
Manufactured goods and goods for resale		0	2.881
Inventories		**4.983**	**7.669**
Trade receivables		28.294	29.803
Contract work in progress	10	7.988	15.977
Other receivables		2.421	1.325
Joint taxation contribution receivable		594	357
Prepayments	11	1.073	1.229
Receivables		**40.370**	**48.691**
Cash		**6.588**	**7.271**
Current assets		**51.941**	**63.631**
Assets		**95.538**	**129.861**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		13.250	11.126
Retained earnings		(5.252)	(66.468)
Equity attributable to the Parent's owners		**7.998**	**(55.342)**
Share of equity attributable to minority interests		**13.228**	**2.753**
Equity		**21.226**	**(52.589)**
Other provisions	12	1.540	2.538
Provisions		**1.540**	**2.538**
Subordinate loan capital		0	30.044
Bank loans		25.000	90.000
Finance lease liabilities		4.310	5.161
Non-current liabilities other than provisions	13	**29.310**	**125.205**
Current portion of long-term liabilities other than provisions	13	1.153	1.087
Bank loans		14.364	16.035
Prepayments received from customers		661	3.365
Trade payables		14.001	11.443
Payables to group enterprises		0	12.946
Payables to shareholders and management		1.026	0
Joint taxation contribution payable		1.749	57
Other payables		10.508	9.774
Current liabilities other than provisions		**43.462**	**54.707**
Liabilities other than provisions		**72.772**	**179.912**
Equity and liabilities		**95.538**	**129.861**

Events after the balance sheet date	1
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Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Share premium DKK'000	Retained earnings DKK'000
Equity beginning of year	11.126	0	(66.468)
Increase of capital	2.124	39.280	0
Transferred from share premium	0	(39.280)	39.280
Exchange rate adjustments	0	0	(93)
Other entries on equity	0	0	(11.004)
Profit/loss for the year	0	0	33.033
Equity end of year	**13.250**	**0**	**(5.252)**

	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	2.753	(52.589)
Increase of capital	9.616	51.020
Transferred from share premium	0	0
Exchange rate adjustments	(34)	(127)
Other entries on equity	11.004	0
Profit/loss for the year	(10.111)	22.922
Equity end of year	**13.228**	**21.226**

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Operating profit/loss		(35.357)	(63.905)
Amortisation, depreciation and impairment losses		23.812	32.190
Other provisions		(998)	(847)
Working capital changes	14	11.832	(12.852)
Cash flow from ordinary operating activities		**(711)**	**(45.414)**
Financial income received		65.184	143
Financial expenses paid		(4.729)	(9.841)
Income taxes refunded/(paid)		(336)	(28)
Cash flows from operating activities		**59.408**	**(55.140)**
Acquisition etc of intangible assets		(989)	(1.067)
Acquisition etc of property, plant and equipment		(811)	(222)
Sale of property, plant and equipment		0	8
Acquisition of fixed asset investments		(8)	(68)
Sale of fixed asset investments		244	5
Cash flows from investing activities		**(1.564)**	**(1.344)**
Loans raised		26.026	20.000
Repayments of loans etc		(120.044)	0
Incurrence of debt to group enterprises		0	12.125
Repayment of debt to group enterprises		(12.946)	0
Reduction of lease commitments		(785)	(1.062)
Cash increase of capital		51.020	31.410
Cash flows from financing activities		**(56.729)**	**62.473**
Increase/decrease in cash and cash equivalents		**1.115**	**5.989**
Cash and cash equivalents beginning of year		(8.764)	(14.753)
Currency translation adjustments of cash and cash equivalents		(127)	0
Cash and cash equivalents end of year		**(7.776)**	**(8.764)**

	Notes	2018 DKK'000	2017 DKK'000
Cash and cash equivalents at year-end are composed of:			
Cash		6.588	7.271
Short-term debt to banks		(14.364)	(16.035)
Cash and cash equivalents end of year		**(7.776)**	**(8.764)**

Notes to consolidated financial statements

1. Events after the balance sheet date

Other than a loan payment of DKK 11m from the Groups shareholders, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2. Uncertainty relating to recognition and measurement

Goodwill is measured at cost less write-offs, when the recoverable amount is less than carrying amount. The recoverable amount is calculated as the higher of net sales price and the value in use.

When calculating value in use, Management has extracted the estimated cash flows from the approved budgets and projections for the budget years 2019 – 2023. In addition to these estimates, Management has calculated a terminal period by projecting the final budget year using expected macroeconomics growth rates.

The turnaround process initiated in 2017 is still having impact in 2018 in the form of restructuring costs e.g. lay-offs, projects- and inventory write down and investments in improved operational structure and procedures. The 2018 financial result is in line with expectations projected by the management team in spring 2018.

The last phase of organizational changes including layoffs was executed in April 2018 and had full financial impact from September 2018. As per March 2019, the group currently exceeds the budgeted revenue and the bugetted operating profit. Based on this, it is Management’s opinion, that the currently booked goodwill is not impaired.

The primary uncertainties relate to budget fulfillment. Other uncertainties relate to cost of capital (WACC) as well as growth and profit rates in the terminal period. Management has highlighted key figures and volatilities below.

		Volatility (change in value / change in rate)	
Key figure	**Applied rate %**	**+ 0,5 point k DKK**	**- 0,5 point k DKK**
WACC	16,05	(2.862)	3.088
Growth in terminal period	2,00	456	(556)
EBITDA-margin in terminal period	10,00	2.697	(2.799)

The applied assumptions are based on Management’s best estimate of the growth and earnings. It is Management’s expectations, that the long term growth rate does not exceed the marked rated as a whole.

Management notes, that should the expectations not be met, there is a significant risk, that goodwill would be impaired.

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
3. Staff costs		
Wages and salaries	39.173	46.231
Pension costs	3.842	3.934
Other social security costs	169	211
Other staff costs	0	322
	43.184	**50.698**
Average number of employees	**89**	**113**

	Remunera-tion of manage-ment 2018 DKK'000	Remunera-tion of manage-ment 2017 DKK'000
Total amount for management categories	2.885	3.844
	2.885	**3.844**

	2018 DKK'000	2017 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	6.565	8.562
Impairment losses on intangible assets	14.493	20.377
Depreciation on property, plant and equipment	2.754	3.219
Profit/loss from sale of intangible assets and property, plant and equipment	0	32
	23.812	**32.190**

	2018 DKK'000	2017 DKK'000
5. Tax on profit/loss for the year		
Current tax	1.692	(32)
Change in deferred tax	0	4.499
Adjustment concerning previous years	99	300
Refund in joint taxation arrangement	0	(594)
	1.791	**4.173**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	33.033	(75.993)
Minority interests' share of profit/loss	(10.111)	0
	22.922	**(75.993)**

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Acquired patents DKK'000	Goodwill DKK'000
7. Intangible assets				
Cost beginning of year	1.610	3.677	104	128.246
Additions	989	0	0	0
Cost end of year	**2.599**	**3.677**	**104**	**128.246**
Amortisation and impairment losses beginning of year	(972)	(3.677)	(25)	(78.049)
Impairment losses for the year	0	0	0	(14.493)
Amortisation for the year	(292)	0	(21)	(6.252)
Amortisation and impairment losses end of year	**(1.264)**	**(3.677)**	**(46)**	**(98.794)**
Carrying amount end of year	**1.335**	**0**	**58**	**29.452**

7. Intangible assets

The addition on development projects in progress relates to development of a new products, which are intended to supplement and replace part of the current portfolio of Lab-equipment.

Notes to consolidated financial statements

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
8. Property, plant and equipment			
Cost beginning of year	19.908	22.667	5.450
Additions	622	156	33
Disposals	0	(362)	0
Cost end of year	**20.530**	**22.461**	**5.483**
Depreciation and impairment losses beginning of year	(11.636)	(21.698)	(1.041)
Depreciation for the year	(1.732)	(453)	(569)
Reversal regarding disposals	0	48	0
Depreciation and impairment losses end of year	**(13.368)**	**(22.103)**	**(1.610)**
Carrying amount end of year	**7.162**	**358**	**3.873**
Recognised assets not owned by entity	**4.939**	**-**	**-**

	Deposits DKK'000
9. Fixed asset investments	
Cost beginning of year	1.666
Additions	8
Disposals	(244)
Cost end of year	**1.430**
Impairment losses for the year	(71)
Impairment losses end of year	**(71)**
Carrying amount end of year	**1.359**

	2018 DKK'000	2017 DKK'000
10. Contract work in progress		
Contract work in progress	185.155	196.926
Progress billings regarding contract work in progress	(177.828)	(180.949)
Transferred to liabilities other than provisions	661	0
	7.988	**15.977**

Notes to consolidated financial statements

11. Prepayments

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

12. Other provisions

Other provisions comprise costs for guarantees provided.

	Due within 12 months 2018 DKK'000	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK'000	Outstanding after 5 years DKK'000
13. Liabilities other than provisions				
Bank loans	0	0	25.000	12.000
Finance lease liabilities	1.153	1.087	4.310	0
	1.153	**1.087**	**29.310**	**12.000**

	2018 DKK'000	2017 DKK'000
14. Change in working capital		
Increase/decrease in inventories	2.686	3.631
Increase/decrease in receivables	8.558	16.819
Increase/decrease in trade payables etc	588	(33.302)
	11.832	**(12.852)**

	2018 DKK'000	2017 DKK'000
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**26.046**	**24.168**
Liabilities under rental agreements or leases with group enterprises until expiry	**19.214**	**21.192**

	2018 DKK'000	2017 DKK'000
16. Contingent liabilities		
Recourse and non-recourse guarantee commitments	21.893	37.295
Contingent liabilities in total	**21.893**	**37.295**

The Danish entities of the Labflex Holding ApS-Group participates in a Danish joint taxation arrangement where Lars Foghsgaard Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Danish entities of the Labflex Holding ApS-Group is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the individual entities participates in the Lars Foghsgaard Holding ApS-group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly

Notes to consolidated financial statements

taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements

The company has provided guarantee commitments relating to advance payment guarantees and performance bonds.

17. Assets charged and collateral

The group has issued a company pledge of DKK 25,000k (2017: DKK 25,000k) as security for debt to bank. The security comprises inventories and un-secured claims relating to the sale of goods and services as well as goodwill, etc. The company pledge is carrying amount of mortgaged assets is DKK 50,743k (2017: DKK 51,839k).

18. Non-arm’s length related party transactions

Pursuant to paragraph 98c, section 7 of the Danish Financial Statements Act, the Group has elected not to disclose all transactions with related parties. No transactions with related parties have been carried through on non-market terms.

19. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Lars Foghsgaard Holding ApS, Gentofte, Central Business Registration No. 33 14 33 41

	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
20. Subsidiaries					
Labflex A/S	Skive, DK	A/S	73,6	20.551	(17.265)
Labflex Eksport ApS	Skive, DK	ApS	100,0	288	21
Labflex Ltd.	Derbyshire, UK	Ltd.	100,0	(5.567)	(2.474)
Lablex Inc.	North Carolina, USA	Inc.	100,0	(3.514)	(127)

Parent income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Gross profit		**0**	**0**
Administrative expenses		(873)	(677)
Operating profit/loss		**(873)**	**(677)**
Income from investments in group enterprises		(38.960)	(65.705)
Other financial income		65.076	1.681
Other financial expenses		(1.522)	(4.490)
Profit/loss before tax		**23.721**	**(69.191)**
Tax on profit/loss for the year	4	(1.692)	63
Profit/loss for the year	5	**22.029**	**(69.128)**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Investments in group enterprises		36.775	11.116
Fixed asset investments	6	**36.775**	**11.116**
Fixed assets		**36.775**	**11.116**
Receivables from group enterprises		0	14.513
Other receivables		475	609
Joint taxation contribution receivable		0	63
Receivables		**475**	**15.185**
Current assets		**475**	**15.185**
Assets		**37.250**	**26.301**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital	7	13.250	11.126
Retained earnings		(5.252)	(66.468)
Equity		**7.998**	**(55.342)**
Subordinate loan capital		0	30.044
Bank loans		25.000	50.000
Non-current liabilities other than provisions	8	**25.000**	**80.044**
Bank loans		376	378
Trade payables		395	53
Payables to group enterprises		1.789	0
Joint taxation contribution payable		1.692	0
Other payables		0	1.168
Current liabilities other than provisions		**4.252**	**1.599**
Liabilities other than provisions		**29.252**	**81.643**
Equity and liabilities		**37.250**	**26.301**
Events after the balance sheet date	1		
Uncertainty relating to recognition and measurement	2		
Contingent liabilities	9		
Assets charged and collateral	10		
Related parties with controlling interest	11		
Transactions with related parties	12		

Parent statement of changes in equity for 2018

	Contributed capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	11.126	0	(66.468)	(55.342)
Increase of capital	2.124	39.280	0	41.404
Transferred from share premium	0	(39.280)	39.280	0
Exchange rate adjustments	0	0	(93)	(93)
Profit/loss for the year	0	0	22.029	22.029
Equity end of year	**13.250**	**0**	**(5.252)**	**7.998**

Notes to parent financial statements

1. Events after the balance sheet date

Other than a loan payment of DKK 11m from the Companys shareholders, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2. Uncertainty relating to recognition and measurement

Goodwill is measured at cost less write-offs, when the recoverable amount is less than carrying amount. The recoverable amount is calculated as the higher of net sales price and the value in use.

When calculating value in use, Management has extracted the estimated cash flows from the approved budgets and projections for the budget years 2019 – 2023. In addition to these estimates, Management has calculated a terminal period by projecting the final budget year using expected macroeconomics growth rates.

The turnaround process initiated in 2017 is still having impact in 2018 in the form of restructuring costs e.g. lay-offs, projects- and inventory write down and investments in improved operational structure and procedures. The 2018 financial result is in line with expectations projected by the management team in spring 2018.

The last phase of organizational changes including layoffs was executed in April 2018 and had full financial impact from September 2018. As per March 2019, the group currently exceeds the budgeted revenue and the bugetted operating profit. Based on this, it is Management's opinion, that the currently booked goodwill is not impaired.

The primary uncertainties relate to budget fulfillment. Other uncertainties relate to cost of capital (WACC) as well as growth and profit rates in the terminal period. Management has highlighted key figures and volatilities below.

		Volatility (change in value / change in rate)	
Key figure	**Applied rate %**	**+ 0,5 point k DKK**	**- 0,5 point k DKK**
WACC	16,05	(2.105)	2.271
Growth in terminal period	2,00	335	(409)
EBITDA-margin in terminal period	10,00	1.984	(2.059)

The applied assumptions are based on Management's best estimate of the growth and earnings. It is Management's expectations, that the long term growth rate does not exceed the marked rated as a whole.

Management notes, that should the expectations not be met, there is a significant risk, that goodwill would be impaired

Notes to parent financial statements

	2018	2017
3. Staff costs		
Average number of employees	**0**	

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Total amount for management categories	2.885	3.844
	2.885	**3.844**

	2018 DKK'000	2017 DKK'000
4. Tax on profit/loss for the year		
Current tax	1.692	(62)
Change in deferred tax	0	(1)
	1.692	**(63)**

	2018 DKK'000	2017 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	22.029	(69.128)
	22.029	**(69.128)**

Notes to parent financial statements

	Investments in group enterprises DKK'000
6. Fixed asset investments	
Cost beginning of year	179.242
Additions	64.650
Cost end of year	**243.892**
Impairment losses beginning of year	(168.126)
Exchange rate adjustments	(93)
Adjustments on equity	(10.943)
Amortisation of goodwill	(4.598)
Impairment losses on goodwill	(10.659)
Share of profit/loss for the year	(12.698)
Impairment losses end of year	**(207.117)**
Carrying amount end of year	**36.775**

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

	Number	Par value DKK'000	Nominal value DKK'000
7. Contributed capital			
A-shares	8.502.050	1	8.502
B-shares	500.544	1	501
C-shares	4.247.406	1	4.247
	13.250.000		**13.250**

	Outstanding after 5 years DKK'000
8. Liabilities other than provisions	
Bank loans	12.000
	12.000

9. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Lars Foghsgaard Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The

Notes to parent financial statements

jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

The parent has guaranteed Labflex A/S engagement with the bank for a maximum of DKK 42,500k.

10. Assets charged and collateral

The company has provided security for all debt to the bank in the form of mortgaged shares in a subsidiary. The carrying amount of mortgaged investments as at 31.12.2018 is DKK 36,775k.

11. Related parties with controlling interest

Related parties with a controlling interest in Labflex Holding ApS and the Group are as follows:

- Lars Foghsgaard Holding ApS, Denmark, is the ultimate holding company of the Group, and from thereon has a controlling interest given its voting rights at the higher level of the Group.

- Lars Foghsgaard holds a majority of the votes in Lars Foghsgaard Holding ApS. .

12. Non-arm's length related party transactions

Pursuant to paragraph 98c, section 7 of the Danish Financial Statements Act, the Company has elected not to disclose all transactions with related parties. No transactions with related parties have been carried through on non-market 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 (medium).

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

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

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the

Accounting policies

exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

Revenue

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

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production: 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 writedown of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

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.

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.

Accounting policies

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on 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 or exchange 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 fair value of assets and liabilities arising from acquisitions. 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 has been 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. Useful lives are reassessed annually. The amortisation periods used are 10 years.

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.

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

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation

Accounting policies

periods used are 5 years, corresponding to Managements estimate of the useful life of the assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

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

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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	10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	3-10 years

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

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
In the parent financial statements, 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.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these en-terprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

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

Accounting policies

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

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 of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance 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.

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financecosts are recognised in the income statement as incurred.

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

Cash
Cash comprises cash in hand and bank deposits.

Accounting policies

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

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

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

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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.

Joint taxation contributions receivable or payable
Current joint taxation contributions receivable or joint taxation payable is recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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.

Accounting policies

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

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

Cash and cash equivalents comprise cash less short-term bank loans.