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# ***Saballe TopCo ApS***

Trollesmindealle 25, DK-3400 Hillerød

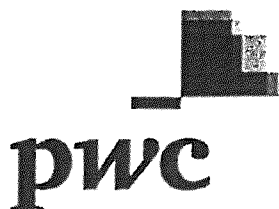
Annual Report for 4 July 2016 -  
30 April 2017

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CVR No 37 85 38 60

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
5 /9 2017

  
Chairman



# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Consolidated and Parent Company Financial Statements</b>	
Income Statement 4 July - 30 April	10
Balance Sheet 30 April	11
Statement of Changes in Equity	13
Cash Flow Statement 4 July - 30 April	14
Notes to the Financial Statements	15

## Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Saballe TopCo ApS for the financial year 4 July 2016 - 30 April 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 April 2017 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2016/17.

We recommend that the Annual Report be adopted at the Annual General Meeting.


Hillerød, 5 September 2017

### Executive Board

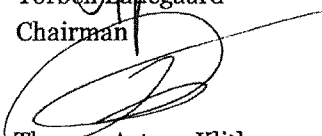


Peter Krogh  
Executive Officer


### Board of Directors



Torben Madsen  
Chairman




Thomas Astrup Klitbo



Alireza Etemad



Michael Raldow



Peter Krogh

# Independent Auditor's Report

To the Shareholder of Saballe TopCo ApS

## Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 April 2017 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 4 July 2016 - 30 April 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Saballe TopCo ApS for the financial year 4 July 2016 - 30 April 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

## 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 Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities for the Financial Statements

## Independent Auditor's Report

Management is responsible for the preparation of consolidated financial statements and parent company 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's and the Group'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 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 Company'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 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

## Independent Auditor's Report

may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the 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.

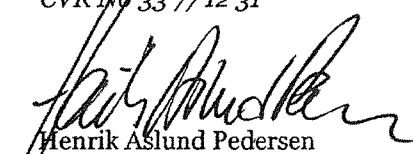
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hillerød, 5 September 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Henrik Aslund Pedersen  
statsautoriseret revisor

## Company Information

### **The Company**

Saballe TopCo ApS  
Trollesmindealle 25  
DK-3400 Hillerød

CVR No: 37 85 38 60  
Financial period: 4 July - 30 April

### **Board of Directors**

Torben Ladegaard, Chairman  
Alireza Etemad  
Michael Raldow  
Thomas Astrup Klitbo  
Peter Krogh

### **Executive Board**

Peter Krogh

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Milnersvej 43  
DK-3400 Hillerød

## Financial Highlights

	<u>Group</u>
	<u>2016/17</u>
	TDKK
<b>Key figures</b>	
<b>Profit/loss</b>	
Gross profit/loss	105.699
Operating profit/loss	-13.668
Net financials	-19.194
Net profit/loss for the year	-34.337
<b>Balance sheet</b>	
Balance sheet total	1.067.541
Equity	565.211
Investment in property, plant and equipment	4.617
Number of employees	123
<b>Ratios</b>	
EBITDA	44.377
Solvency ratio	52,9%
Return on equity	-12,2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



## Management's Review

Consolidated and Parent Company Financial Statements of Saballe TopCo ApS for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Consolidated and Parent Company Financial Statements have been prepared under the accounting policies as presented in the notes.

### Main activity

On August 17th, the previous owners of Ellab Group signed an agreement regarding sale of Ellab A/S and subsidiaries to IK VIII Fund managed by IK Investment Partners. IK Investment Partners is a member of the organization for venture capital and private equity (DVCA).

Saballe Topco ApS was founded in July 2016, when acquiring Ellab A/S and subsidiaries and is the parent company in Denmark.

Ellab is providing high end thermal validation and monitoring solutions and validation services to life science and food industries for applications where accurate and complete documentation is essential. The company designs, develop and manufactures high-precision equipment, and software for temperature, pressure and humidity validation and monitoring.

### Market overview

Ellab handles sales and services by own sales companies in Denmark, Germany, UK, France, Netherlands, USA and Philippines. Other markets are handled through independent distributors.

Production, assembly, quality inspection and development takes place in the facility in Hillerød, Denmark.

### Development in the period

The income statement for the Group for the period August 2016 to April 2017 shows a loss from operating activities of DKK 13.7 m and loss for the year of DKK 34.3m.

## **Management's Review**

### **Operating profit/loss**

Excluding amortizations of intangibles recognized DKK 54.8m. and purchase price allocations of DKK 6.5m related to the acquisition of Ellab A/S and one-off expenses of DKK 10.7m. the underlying subsidiaries operating profit amounts to DKK 58.4m.

The balance sheet at April 30th, 2017 of the Company shows equity of DKK 565.2m. Total assets in the Group amount to DKK 1,067.5 m.

In 2016/17, the Group had a positive sales trend and following the Group's strategy for organic growth, significant investments in product development activities and market development have been made. During the year, the Group has invested further in direct markets in USA, Germany and Netherlands and Belgium.

### **Special risks - operating risks and financial risks**

#### ***Operating risk and financial risks***

With activities around the world the operating companies within the group has the risks inherent in international activities, including currency risks.

#### ***Interest and credit risks***

The Saballe Topco group has raised debt from one credit institution to fund the acquisition of Ellab A/S and subsidiaries. The financing partly consists of debt in foreign currency, and are therefore possible exposed to currency fluctuations when the debt is to be redeemed.

The Saballe Topco group has entered into hedge contracts against changes in the interest levels.

#### **Development for the coming year.**

Except for the one-off expenses, the development in 2016/17 has been in line with expectations.

The current activities of the group continue in 2017/18, and the management expects continued stable and positive sales development due to increasing market activity and continued introduction of new products.

In the coming year, the Group will continue the investment in product- and market development.

#### **Research and development**

The company continuously develops the products and processes but no real research takes place within the Group.

## **Management's Review**

### **Impact of the external environment**

The Group meets the environmental requirements in the legislation and works consciously and continuously tries to reduce the environmental impact from the operations.

### **Intellectual capital resources of importance for future earnings**

The Group's policy is a continuous development of products and processes. It is therefore crucial that the Group in the future can attract and retain competent and motivated employees, including engineers.

### **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

### **Unusual events**

The financial position at April 30th, 2017 of the Group and the results of the activities and cash flows of the Group for the financial year for 2016/17 have not been affected by any unusual events.

### **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 4 July - 30 April

		<b>Group</b>	<b>Parent Company</b>
	<u>Note</u>	<u>2016/17</u>	<u>2016/17</u>
		TDKK	TDKK
<b>Gross profit/loss</b>		<b>105.699</b>	<b>0</b>
Distribution expenses	1	-101.022	0
Development expenses	1	-8.973	0
Administrative expenses	1	-9.372	0
<b>Operating profit/loss</b>		<b>-13.668</b>	<b>0</b>
Income from investments in subsidiaries		0	-38.467
Financial income		10	0
Financial expenses		-19.204	-2
<b>Profit/loss before tax</b>		<b>-32.862</b>	<b>-38.469</b>
Tax on profit/loss for the year	2	-1.475	0
<b>Net profit/loss for the year</b>		<b>-34.337</b>	<b>-38.469</b>

## Balance Sheet 30 April

### Assets

	Note	Group 2016/17 TDKK	Parent Company 2016/17 TDKK
Completed development projects		1.596	0
Customers / Distributors		250.228	0
Brand		37.103	0
Technology		74.205	0
Goodwill		594.370	0
Development projects in progress		1.041	0
<b>Intangible assets</b>	3	<b>958.543</b>	<b>0</b>
Plant and machinery		5.375	0
Other fixtures and fittings, tools and equipment		5.261	0
Leasehold improvements		238	0
<b>Property, plant and equipment</b>	4	<b>10.874</b>	<b>0</b>
Investments in subsidiaries	5	0	561.080
Deposits	6	1.658	0
<b>Fixed asset investments</b>		<b>1.658</b>	<b>561.080</b>
<b>Fixed assets</b>		<b>971.075</b>	<b>561.080</b>
Raw materials and consumables		7.101	0
Finished goods and goods for resale		9.185	0
<b>Inventories</b>		<b>16.286</b>	<b>0</b>
Trade receivables		31.654	0
Other receivables		559	0
Corporation tax receivable from group enterprises		0	8.595
Prepayments	7	1.319	0
<b>Receivables</b>		<b>33.532</b>	<b>8.595</b>
<b>Cash at bank and in hand</b>		<b>46.648</b>	<b>0</b>
<b>Currents assets</b>		<b>96.466</b>	<b>8.595</b>
<b>Assets</b>		<b>1.067.541</b>	<b>569.675</b>

## Balance Sheet 30 April

### Liabilities and equity

	Note	Group 2016/17 TDKK	Parent Company 2016/17 TDKK
Share capital		59.940	59.940
Retained earnings		505.271	501.139
<b>Equity</b>		<b>565.211</b>	<b>561.079</b>
Provision for deferred tax	9	73.278	0
Other provisions	10	6.905	0
<b>Provisions</b>		<b>80.183</b>	<b>0</b>
Credit institutions		377.812	0
<b>Long-term debt</b>	11	<b>377.812</b>	<b>0</b>
Credit institutions		15.080	1
Prepayments received from customers		19	0
Trade payables		3.603	0
Corporation tax		6.454	8.595
Other payables		19.179	0
<b>Short-term debt</b>		<b>44.335</b>	<b>8.596</b>
<b>Debt</b>		<b>422.147</b>	<b>8.596</b>
<b>Liabilities and equity</b>		<b>1.067.541</b>	<b>569.675</b>
Distribution of profit	8		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	16		

## Statement of Changes in Equity

### Group

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 4 July	59.940	0	59.940
Currency adjustments	0	151	151
Cash payment concerning formation of entity	0	539.457	539.457
Net profit/loss for the year	0	-34.337	-34.337
<b>Equity at 30 April</b>	<b>59.940</b>	<b>505.271</b>	<b>565.211</b>

### Parent Company

Equity at 4 July	59.940	0	59.940
Currency adjustments	0	151	151
Cash payment concerning formation of entity	0	539.457	539.457
Net profit/loss for the year	0	-38.469	-38.469
<b>Equity at 30 April</b>	<b>59.940</b>	<b>501.139</b>	<b>561.079</b>

## Cash Flow Statement 4 July - 30 April

	Note	<u>Group</u> 2016/17 TDKK
Net profit/loss for the year		-34.337
Adjustments	12	85.421
Change in working capital	13	-21.421
<b>Cash flows from operating activities before financial income and expenses</b>		<b>29.663</b>
Financial income		10
Financial expenses		-15.669
<b>Cash flows from ordinary activities</b>		<b>14.004</b>
Corporation tax paid		-15.737
<b>Cash flows from operating activities</b>		<b>-1.733</b>
Purchase of intangible assets		-1.887
Purchase of property, plant and equipment		-4.617
Sale of intangible assets		127
Business acquisition		-944.638
<b>Cash flows from investing activities</b>		<b>-951.015</b>
Raising of loans from credit institutions		400.000
Cash capital increase		599.396
<b>Cash flows from financing activities</b>		<b>999.396</b>
<b>Change in cash and cash equivalents</b>		<b>46.648</b>
Cash and cash equivalents at 4 July		0
<b>Cash and cash equivalents at 30 April</b>		<b>46.648</b>
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		46.648
<b>Cash and cash equivalents at 30 April</b>		<b>46.648</b>



## Notes to the Financial Statements

	<u>Group</u>	<u>Parent</u>
	<u>2016/17</u>	<u>2016/17</u>
	TDKK	TDKK
<b>1 Staff</b>		
Wages and Salaries	46.465	0
Pensions	1.949	0
Other social security expenses	1.840	0
	<u>50.254</u>	<u>0</u>
Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
Cost of sales	19.052	0
Distribution expenses	22.671	0
Development expenses	7.420	0
Administrative expenses	1.111	0
	<u>50.254</u>	<u>0</u>
<b>Average number of employees</b>	<u>123</u>	<u>0</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

## 2 Tax on profit/loss for the year

Current tax for the year	<u>1.475</u>	<u>0</u>
	<u>1.475</u>	<u>0</u>

## Notes to the Financial Statements

### 3 Intangible assets

#### Group

	Completed development projects	Customers / Distributors	Brand	Technology	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 4 July	0	0	0	0	0	0
Additions for the year	2.388	258.959	38.382	76.764	636.825	1.041
Cost at 30 April	2.388	258.959	38.382	76.764	636.825	1.041
Transfers for the year	0	0	0	0	0	0
Revaluations at 30 April	0	0	0	0	0	0
Impairment losses and amortisation at 4 July	0	0	0	0	0	0
Amortisation for the year	792	8.731	1.279	2.559	42.455	0
Impairment losses and amortisation at 30 April	792	8.731	1.279	2.559	42.455	0
<b>Carrying amount at 30 April</b>	<b>1.596</b>	<b>250.228</b>	<b>37.103</b>	<b>74.205</b>	<b>594.370</b>	<b>1.041</b>

To meet the increasing demand for specialized validation and monitoring solutions with-in the food, pharma and healthcare industries Ellab A/S continuously develop products and processes to replace and supplement the range of products the company offers today.

When projects are completed and taken into production, the projects are depreciated over a three years period. If the value is impaired, the book value will be written off.

## Notes to the Financial Statements

### 4 Property, plant and equipment

#### Group

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 4 July	0	0	0
Exchange adjustment	8	-44	0
Additions for the year	6.513	6.465	341
Disposals for the year	-173	-278	0
Cost at 30 April	<u>6.348</u>	<u>6.143</u>	<u>341</u>
Revaluations at 4 July	<u>0</u>	<u>0</u>	<u>0</u>
Revaluations at 30 April	<u>0</u>	<u>0</u>	<u>0</u>
Impairment losses and depreciation at 4 July	0	0	0
Depreciation for the year	992	1.187	103
Impairment and depreciation of sold assets for the year	-19	-305	0
Impairment losses and depreciation at 30 April	<u>973</u>	<u>882</u>	<u>103</u>
<b>Carrying amount at 30 April</b>	<u><b>5.375</b></u>	<u><b>5.261</b></u>	<u><b>238</b></u>

## Notes to the Financial Statements

	<b>Parent Company</b>
	<u>2016/17</u>
	TDKK
<b>5 Investments in subsidiaries</b>	
Cost at 4 July	0
Additions for the year	599.396
Cost at 30 April	<u>599.396</u>
Value adjustments at 4 July	0
Currency adjustment	151
Net profit/loss for the year	<u>-38.467</u>
Value adjustments at 30 April	<u>-38.316</u>
<b>Carrying amount at 30 April</b>	<b><u>561.080</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Saballe BidCo ApS	Hillerød	50	100%	561.080	-38.467

## 6 Other fixed asset investments

	<b>Group Deposits</b>
	<u>TDKK</u>
Cost at 4 July	0
Additions for the year	1.658
Cost at 30 April	<u>1.658</u>
<b>Carrying amount at 30 April</b>	<b><u>1.658</u></b>

## 7 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest aswell.

## Notes to the Financial Statements

	<b>Parent Company</b>	
	<u>2016/17</u>	
	TDKK	
<b>8 Distribution of profit</b>		
Retained earnings		-38.469
		<u>-38.469</u>
	<b>Group</b>	<b>Parent Company</b>
	<u>2016/17</u>	<u>2016/17</u>
	TDKK	TDKK
<b>9 Provision for deferred tax</b>		
Provision for deferred tax	73.278	0
Provision for deferred tax at 30 April	<u>73.278</u>	<u>0</u>
<b>10 Other provisions</b>		
Other provisions	6.905	0
	<u>6.905</u>	<u>0</u>

The Group provides warranties of 1 to 5 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns and an increasing market activity, other provisions are accrued with TDKK 100 (2015/16 T.DKK 50). Further other provisions include provision for one-off cost of TDKK 6.805.

	<b>Group</b>
	<u>2016/17</u>
	TDKK
<b>11 Long-term debt</b>	
Credit facility, DKK	75.000
Credit facility, DKK	225.000
Credit facility, USD	102.329
Provision and fair value adjustments to hedge contracts	-9.517
	<u>392.812</u>
Short-term of long-term debt	-15.000
	<u>377.812</u>
Payments due after 5 years amounts to TDKK 325.000.	

## Notes to the Financial Statements

	<u>Group</u>
	<u>2016/17</u>
	TDKK
<b>12 Cash flow statement - adjustments</b>	
Financial income	-10
Financial expenses	19.204
Depreciation, amortisation and impairment losses, including losses and gains on sales	64.752
Tax on profit/loss for the year	1.475
	<u>85.421</u>

### 13 Cash flow statement - change in working capital

Change in inventories	-16.286
Change in receivables	-33.515
Change in other provisions	6.905
Change in trade payables, etc	21.475
	<u>-21.421</u>

### 14 Contingent assets, liabilities and other financial obligations

#### Contingent liabilities

Group: Rental liabilities for the group amount monthly to TDKK 400 with interminable periods between 1 month and 9 years.

The company has entered into operational leasing agreements with a monthly rate of TDKK 12 and an interminable period of 41 months.

### 15 Related parties

	<u>Basis</u>
ELB International s.á.r.l	Parent company

# Notes to the Financial Statements

## 16 Accounting Policies

The Annual Report of Saballe TopCo ApS for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Consolidated and Parent Company Financial Statements for 2016/17 are presented in TDKK.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Saballe TopCo ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the

## Notes to the Financial Statements

### 16 Accounting Policies (continued)

balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Income Statement

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

### Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

### Research and development expenses

Research and development costs comprise research costs, costs relating to development projects that do not qualify for recognition in the balance sheet as well as amortisation and impairment of development projects.

### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.



# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses.

Amortization is provided on a straight-line basis over the expected useful life.

Customers and distributors	5-20 years
Brand	20 years
Technology	20 years
Goodwill derived from excess purchase price	10 years

For goodwill assets a deferred tax liability is calculated at the tax rate on the difference between the carrying amount and the tax value. The initial recognition of this deferred tax liability increases the amount of goodwill. The recognized tax liability is amortized as the assets are amortized.

Development costs cover costs and salaries directly or indirectly attributable to the development activities of the enterprise.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies where the cost can be measured reliably and if sufficient

## Notes to the Financial Statements

### 16 Accounting Policies (continued)

certainty exists that future earnings cover production costs, selling costs and administrative expenses as well as the development costs. Other development costs are recognised in the income statement as incurred.

Depreciation of development projects recognised will start when the asset is ready for use. Development projects are amortised over a period of 3 years.

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years
Plant and machinery	5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

#### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

#### Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

## Notes to the Financial Statements

### 16 Accounting Policies (continued)

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

#### Other fixed asset investments

Other fixed asset investments consist of deposit.

#### Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

#### Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

#### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

#### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5

## Notes to the Financial Statements

### 16 Accounting Policies (continued)

years. Provisions are measured and recognised based on experience with guarantee work.

#### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

#### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

#### Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

## Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

#### Cash flows from operating activities

Cash flows from operating activities comprise net profit/loss for the year adjusted for items without

## Notes to the Financial Statements

### 16 Accounting Policies (continued)

cashflow effect, changes in working capital as well as corporation tax paid.

#### Cash flows from investing activities

Cash flows from investing activities comprise purchases and sales of intangible assets and property, plant and equipment as well as purchases and sales of financial assets.

#### Cash flows from financing activities

Cash flows from financing activities comprise the raising of loans, repayment of debt and payment of dividend to shareholders.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand less short-term bank debt.

The cash flow statement cannot be immediately derived from the published financial records.

## Financial Highlights

### Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$

