P-Menu 2018 A/S

Malmøgade 3, 1., DK-2100 København

Annual Report for 1 January - 31 December 2019

CVR No 38 62 08 43

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 04/06 2020

Allan Bach Pedersen
Chairman of the General Meeting

Contents

	Page
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Consolidated and Parent Company Financial Statements	
Income Statement 1 January - 31 December	12
Balance Sheet 31 December	13
Statement of Changes in Equity	15
Cash Flow Statement 1 January - 31 December	16
Notes to the Financial Statements	18

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of P-Menu 2018 A/S for the financial year 1 January - 31 December 2019.

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 31 December 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

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

København, 4 June 2020

Executive Board

Allan Bach Pedersen
Executive Officer

Board of Directors

Henrik Bonnerup Chairman	Allan Bach Pedersen	Jan Johan Kühl

Independent Auditor's Report

To the Shareholder of P-Menu 2018 A/S

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 31 December 2019 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of P-Menu 2018 A/S for the financial year 1 January - 31 December 2019, 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.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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 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.

Hellerup, 4 June 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Lunden statsautoriseret revisor mne32209	Michael Krath statsautoriseret revisor mne34155

Company Information

The Company	P-Menu 2018 A/S Malmøgade 3, 1. DK-2100 København CVR No: 38 62 08 43 Financial period: 1 January - 31 December Municipality of reg. office: København
Board of Directors	Henrik Bonnerup, Chairman Allan Bach Pedersen Jan Johan Kühl
Executive Board	Allan Bach Pedersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a two-year period, the development of the Group is described by the following financial highlights:

	Group	
	2019	2018
	TDKK	TDKK
Key figures		
Profit/loss		
Gross profit/loss	79.016	55.783
Operating profit/loss	-8.596	-1.188
Profit/loss before financial income and expenses	-9.885	153
Net financials	-6.865	-5.045
Net profit/loss for the year	-15.485	-5.391
Balance sheet		
Balance sheet total	404.019	409.934
Equity	187.299	155.724
Cash flows		
Cash flows from:		
- operating activities	27.892	32.323
- investing activities	-9.922	-342.196
including investment in property, plant and equipment	-8.090	-5.868
- financing activities	-18.813	317.214
Change in cash and cash equivalents for the year	-843	7.341
Number of employees	81	61
Ratios		
Return on assets	-2,4%	0,0%
Solvency ratio	46,4%	38,0%
Return on equity	-9,0%	-6,9%

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

Key activities

Throughout 2019, MENU has strengthened both its global vision of connected spaces and its founding philosophy of collaborative spirit. Through the opening of The Audo in particular, MENU has been instrumental in the creation of a humancentric, multi-functional environment centred on great design and the meeting of great minds. Additionally, The Audo is a successful PR platform for MENU, allowing visitors to interact with MENU's products in a subtle, yet meaningful way. Here are some of the highlights from 2019.

Official opening at 3daysofdesign

During Denmark's annual design event, The Audo opened its doors for the first time. Journalists from international publications including Wallpaper, Architectural Digest, Milk Decoration & Interior Design were some of the first guests to enjoy a stay at the residence. The successful opening welcomed more than 1,500 guests in total and placed The Audo on the cover of French interior magazine Milk Decoration, in five syndicated issues of Bo Bedre, ELLE Decoration UK, as well as in digital publications such as Dezeen, Wallpaper and Remodelista.

Making waves globally

During the past year, MENU's portfolio of furniture, lighting and accessories has been extended, presented and experienced in new and authentic ways at The Audo. Both The Audo and MENU have garnered international attention from editors in Australia, the US, Europe and Asia. The news of the small, hybrid hotel even reached the newsfeed of US Vogue's fashion editor, who shared a review of her stay on vogue.com. The coverage has also brought the space to the attention of global luxury brands such as Cartier and Christian Louboutin, who have each requested event information for The Audo, as well as other companies wishing to photograph their seasonal campaigns at the location. Following a visit from the international hospitality magazine, Sleeper, The Audo was nominated for the acclaimed AHEAD Award for Best New Concept – which it subsequently won. Editor-in-chief Matt Turner said of the nomination, "[the] special award [is] for the coolest new idea our judges have seen on their travels."

Collaborative spirit

Taking the meaning behind its name literally, The Audo is a symbol of the importance of achieving great things together. By allying ourselves with other international brands, we lift MENU to new heights. Partnerships with likeminded brands help us to create more relevant events and content. Having served food at numerous press and industry events at The Audo, our collaboration with Birkemosegaard has been extended to include a pop-up, in-house restaurant based on seasonal products that is proving popular among local and international guests alike. The Sculptor's Residence, a collaboration between long-standing partner Norm Architects and new partner DUX, is another great example of how, through mutual collaboration, we can redefine the way in which we use design and space and connect to one another. The artistic residence created for Stockholm Design Week brought together powerful ideas and beautiful design.

Management's Review

MENU's operational platform

In the beginning of the year MENU Group management was re-organised and lead by a new CEO. New talents have been recruited from many parts of the industry to strengthen the overall operational excellence model. Among other things, Sales & Marketing processes has been tightly connected with the design and product development processes, creating a stronger go to market model for the many new product releases. The sales team abroad has been strengthen, especially in our biggest markets, North America. At the end of the year MENU changed its strategy towards own sales force in APAC, aiming for a stronger sales development through better customer understanding and service fulfilment. Overall, the company stepped into the professional contract marked in full scale, becoming a relevant player for future growth.

Development in the year

The income statement of the Group for 2019 shows a loss of DKK 15,484,933, and at 31 December 2019 the balance sheet of the Group shows equity of DKK 187,298,959.

Outlook

Because of the current situation with high uncertainties related to global economies due to the COVID-19 pandemic and the measures being taken by governments to contain the outbreak; we are not able to provide guidance on growth and earnings. Ensuring the health and well-being of our employees and supporting our customer's needs remain our number one priority.

Special risks - operating risks and financial risks

Market risks

The company's products are primarily positioned in the high-end markets. The economic development in the professional and private consumer markets will affect the financial results.

Foreign exchange risks

Due to sales activities in foreign markets, cash flow and equity might be influenced by changes in interest levels and exchange rates for several currencies. It is company policy to cover commercial exchange risks. Hedging is primarily used to cover open foreign exchange positions related to trading activities in foreign currencies, in the next twelve months based on the budget. The company does not use speculative hedging.

Credit risks

The company's credit risks relate to trade receivables included in the balance sheet. The company has no vital risks related to a single customer or business partner. The company's credit risk policy involves assessing creditworthiness of all major customers and business partners. This is done on a regular basis.

Management's Review

Financial resources

At year-end 2019 cash and non-utilized drawing facilities in credit institutions amounted to app. DKK 30 million, which is enough to cover both investments and operation in the company for the coming year.

Capital structure

P-Menu 2018 A/S' share capital is not divided into classes.
Management regularly assesses whether P-Menu 2018 A/S has an adequate capital structure, the Board of Directors continuously assesses that the company's capital structure is consistent with the company's and its stakeholders' interests. The overall objective is to ensure a capital structure that supports a profitable long-term growth.

There are no changes to the Group's guidelines and procedures for managing the capital structure in 2019.

Management believes that the current capital structure provides sufficient flexibility to address the future strategy of the Group.

Research and development

MENU continuously invests in development, updates and improvements of its product portfolio. Costs related to development of products are expensed in the income statement or accounted for as an asset following the accounting policies.

External environment

During 2019 the group management has initiated and conducted an assessment according to the global minimum standard for responsible business conduct. In the assessment of Environmental, Social and Governance sustainability (ESG) it is documented that the Group's operation has no significant impact on the external environment.

Intellectual capital resources

The employees are the Group's most important resource, with main emphasis on design and product development.

Group relations

The Consolidated Annual Report of the P-Menu 2018 A/S Group is prepared by the parent company, P-Menu 2018 A/S.

The private equity fund Polaris owns the majority of Menu Holding A/S through P-Menu 2018 A/S. Polaris is a member of the Danish Venture and Private Equity Association ("DVCA") and hence compliant with the DVCA-guidelines; please see www.DVCA.dk. These guidelines, published in June 2015, recommend a thorough review regarding corporate governance, financial risks, employee relations and strategy.

Menu Group sales organisation is based throughout the world. The daily management is carried out from Denmark in a close cooperation between the executive management and the company's Board of Directors.

Menu Group has 109 employees, of whom 72 are employed in Menu A/S and 37 are employed in the subsidiaries.

Statement of corporate social responsibility

Policies

During the before mentioned assessment of responsible business conduct, MENU has updated and published the Corporate Social Responsibility policy. This policy is developed with assistance of external experts and approved by the board of directors. The policy commitment is communicated both internally and externally. The policy will be reviewed and, if necessary, revised every second year reflecting our progress in implementation.

Our commitment is based on the internationally agreed core principles for sustainable development; human rights (including labour rights), environment (including climate), and anti-corruption. The principles are listed by the UN Global Compact and made operational through the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD). We comply with regulations, wherever we operate. Distinct from this, our commitment means that MENU continuously identifies, prevents or mitigates our risks of adverse impacts in relation to the core principles. We will communicate how we manage such impacts. We will seek to make a difference for sustainability, where it makes most sense for us.

Our employees are key partners in helping us respect international principles for sustainable development. We expect all team members at MENU to assist us in honouring our commitment in their daily work. We will embed our CSR commitment in the daily work of both our employees and management through training, communication and ongoing assessments. We always appreciate good ideas for how to prevent, mitigate or improve our impacts on sustainable development

Business Code of Conduct

We will expect all our business relationships to meet the globally agreed minimum standard for responsible business conduct as expressed in this commitment. Business relationships shall implement the UNGPs/OECD, i.e. manage risks of causing or contributing to adverse impacts in relation to human rights, the environment, and anticorruption, and address actual impacts, share their results – and ask the same from their relationships. Management of severe impacts shall be communicated promptly. As an important part of MENU's business conduct, all our major business relations have received our Code of Conduct for Responsible Business Conduct.

Management's Review

Self-assessment:
MENU will continuously and minimum once a year conduct self-assessment according the Global ESG standards. Results and actions will be published to guide on progress. We will at the same time ask major business relations to be transparent and guide on progress on the same topics, according our Code of Conduct.

Statutory report on corporate governance

The Board of Directors and the Executive Board constantly strive to ensure that appropriate and sufficient control systems are in place managed by a robust management team structure. The Board of Directors and the Executive Board have a number of duties being defined in, amongst others, the Companies Act, the Danish Financial Statements Act, the Articles of Association and good practice for companies of the same size and with the same international scope as MENU A/S. On this basis, an ongoing series of internal procedures are developed and maintained to ensure active, reliable and profitable management of the company.

Audit Committee

No audit committee is established due to the modest size and complexity of the company.

Remuneration to management

To attract and retain Menu Groups management competencies, the remuneration of management and senior employees is based on tasks, value creation and conditions in comparable companies. An incentive program is implemented in the form of bonus schemes and share and warrant-based incentive programs.

Board of directors

The Board of Directors ensures that the Executive Board complies with the approved objectives, strategies and business procedures. The information to the Executive Board is provided systematically before and during meetings as well as through written and oral reports. These reports include market development, the company's development and profitability. The Board of Directors and Executive Management have overall responsibility for risk management and internal controls related to financial reporting. The Board of Directors of the company meet at least four times a year. Furthermore, information about the company and the Group's results and financial position is shared with the Board of Directors on a regular basis (monthly). If relevant, extraordinary meetings are held.

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 31 December 2019 of the Group and the results of the activities and cash flows of the Group for the financial year for 2019 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	Group 2019 DKK	Group 2018 DKK	Parent Company 2019 DKK	Parent Company 2018 DKK
Gross profit/loss		**79.015.804**	**55.783.418**	**-44.511**	**-47.420**
Staff expenses	2	-54.768.454	-36.996.225	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-32.817.906	-18.634.014	0	0
Other operating expenses		-1.314.492	-7	0	0
Profit/loss before financial income and expenses	4	**-9.885.048**	**153.172**	**-44.511**	**-47.420**
Income from investments in subsidiaries		0	0	-9.999.674	-3.585.023
Financial income	5	690.655	472.958	0	0
Financial expenses	6	-7.555.936	-5.517.745	-2.466	0
Profit/loss before tax		**-16.750.329**	**-4.891.615**	**-10.046.651**	**-3.632.443**
Tax on profit/loss for the year	7	1.265.396	-499.356	10.335	10.432
Net profit/loss for the year		**-15.484.933**	**-5.390.971**	**-10.036.316**	**-3.622.011**

Balance Sheet 31 December

Assets

	Note	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
		DKK	DKK	DKK	DKK
Completed development projects		5.051.666	7.449.144	0	0
Acquired patents		18.233.375	20.432.377	0	0
Acquired trademarks		62.150.546	65.109.373	0	0
Acquired other similar rights		29.163.629	39.841.396	0	0
Goodwill		178.358.427	188.486.839	0	0
Intangible assets	8	**292.957.643**	**321.319.129**	**0**	**0**
Other fixtures and fittings, tools and equipment		7.004.829	6.864.050	0	0
Leasehold improvements		6.684.470	2.623.980	0	0
Property, plant and equipment	9	**13.689.299**	**9.488.030**	**0**	**0**
Investments in subsidiaries	10	0	0	121.134.499	103.951.004
Other investments	11	0	25.080	0	25.080
Deposits	11	1.294.454	1.319.420	0	0
Fixed asset investments		**1.294.454**	**1.344.500**	**121.134.499**	**103.976.084**
Fixed assets		**307.941.396**	**332.151.659**	**121.134.499**	**103.976.084**
Raw materials and consumables		123.692	0	0	0
Finished goods and goods for resale		59.946.982	43.523.699	0	0
Prepayments for goods		412.424	345.597	0	0
Inventories		**60.483.098**	**43.869.296**	**0**	**0**
Trade receivables		24.912.198	20.923.841	0	0
Other receivables	12	701.007	2.243.160	50.000	50.000
Deferred tax asset	15	0	0	3.770	13.062
Corporation tax		0	0	19.627	0
Prepayments	13	2.984.112	2.905.192	0	0
Receivables		**28.597.317**	**26.072.193**	**73.397**	**63.062**
Cash at bank and in hand		**6.997.565**	**7.840.980**	**126.827**	**481.399**
Currents assets		**96.077.980**	**77.782.469**	**200.224**	**544.461**
Assets		**404.019.376**	**409.934.128**	**121.334.723**	**104.520.545**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
		DKK	DKK	DKK	DKK
Share capital		1.836.756	1.564.756	1.836.756	1.564.756
Retained earnings		119.458.592	102.867.039	119.458.592	102.867.039
Equity attributable to shareholders of the Parent Company		**121.295.348**	**104.431.795**	**121.295.348**	**104.431.795**
Minority interests		66.003.611	51.292.425	0	0
Equity		**187.298.959**	**155.724.220**	**121.295.348**	**104.431.795**
Provision for deferred tax	15	17.779.601	19.796.954	0	0
Other provisions	16	41.585	115.285	0	0
Provisions		**17.821.186**	**19.912.239**	**0**	**0**
Credit institutions		90.000.000	0	0	0
Lease obligations		43.239	0	0	0
Other payables		38.093.520	35.871.233	0	0
Long-term debt	17	**128.136.759**	**35.871.233**	**0**	**0**
Credit institutions	17	26.574.023	171.253.317	0	0
Lease obligations	17	30.263	0	0	0
Prepayments received from customers		5.217.735	2.747.869	0	0
Trade payables		24.216.483	17.969.941	39.375	38.750
Payables to group enterprises		0	66.915	0	50.000
Corporation tax		129.706	505.573	0	0
Other payables	12,17	14.594.262	5.882.821	0	0
Short-term debt		**70.762.472**	**198.426.436**	**39.375**	**88.750**
Debt		**198.899.231**	**234.297.669**	**39.375**	**88.750**
Liabilities and equity		**404.019.376**	**409.934.128**	**121.334.723**	**104.520.545**

	Note
Subsequent events	1
Distribution of profit	14
Contingent assets, liabilities and other financial obligations	20
Related parties	21
Accounting Policies	22

Statement of Changes in Equity

Group

	Share capital	Reserve for net revalua-tion under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	1.564.756	0	102.867.039	104.431.795	51.292.425	155.724.220
Exchange adjustments	0	0	8.847	8.847	0	8.847
Cash capital increase	272.000	0	26.928.000	27.200.000	20.754.821	47.954.821
Sale of warrants	0	0	433.320	433.320	-283.300	150.020
Fair value adjustment of hedging instruments, beginning of year	0	0	-202.758	-202.758	0	-202.758
Fair value adjustment of hedging instruments, end of year	0	0	-1.148.545	-1.148.545	0	-1.148.545
Tax on adjustment of hedging instruments for the year	0	0	297.287	297.287	0	297.287
Other equity movements	0	0	311.718	311.718	-311.718	0
Net profit/loss for the year	0	0	-10.036.316	-10.036.316	-5.448.617	-15.484.933
Equity at 31 December	**1.836.756**	**0**	**119.458.592**	**121.295.348**	**66.003.611**	**187.298.959**

Parent Company

	Share capital	Reserve for net revalua-tion under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
Equity at 1 January	1.564.756	0	102.867.039	104.431.795	0	104.431.795
Cash capital increase	272.000	0	26.928.000	27.200.000	0	27.200.000
Other equity movements	0	-300.131	0	-300.131	0	-300.131
Net profit/loss for the year	0	300.131	-10.336.447	-10.036.316	0	-10.036.316
Equity at 31 December	**1.836.756**	**0**	**119.458.592**	**121.295.348**	**0**	**121.295.348**

Cash Flow Statement 1 January - 31 December

	Note	Group 2019	Group 2018
		DKK	DKK
Net profit/loss for the year		-15.484.933	-5.390.971
Adjustments	18	39.741.130	24.163.348
Change in working capital	19	11.366.927	23.676.107
Cash flows from operating activities before financial income and expenses		**35.623.124**	**42.448.484**
Financial income		655.471	472.959
Financial expenses		-7.555.937	-5.517.733
Cash flows from ordinary activities		**28.722.658**	**37.403.710**
Corporation tax paid		-830.536	-5.080.707
Cash flows from operating activities		**27.892.122**	**32.323.003**
Purchase of intangible assets		-1.949.092	-58.709.398
Purchase of property, plant and equipment		-8.090.276	-5.867.935
Fixed asset investments made etc		-102.548	-516.631
Sale of property, plant and equipment		67.200	0
Sale of fixed asset investments etc		152.594	0
Business acquisition		0	-277.101.857
Cash flows from investing activities		**-9.922.122**	**-342.195.821**
Repayment of loans from credit institutions		-54.679.294	0
Repayment of payables to group enterprises		-12.312.464	0
Raising of loans from credit institutions		0	157.353.317
Lease obligations incurred		73.502	0
Raising of loans from group enterprises		0	64.114
Minority interests		20.754.821	52.654.222
Sale of warrants		150.020	1.166.820
Cash capital increase		27.200.000	105.975.605
Cash flows from financing activities		**-18.813.415**	**317.214.078**
Change in cash and cash equivalents		**-843.415**	**7.341.260**
Cash and cash equivalents at 1 January		7.840.980	499.720
Cash and cash equivalents at 31 December		**6.997.565**	**7.840.980**

Pengestrømsopgørelse 1. januar - 31. december

	Note	2019	2018
		DKK	DKK
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		6.997.565	7.840.980
Cash and cash equivalents at 31 December		**6.997.565**	**7.840.980**

Notes to the Financial Statements

1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to ”close down their countries”will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjustingevent to the Company.

Many of the Company’s customers have indicated that they will continue projects in progress, but there is still a risk that COVID-19 will have negative impacts on the Company’s revenue and earnings in 2020. Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020. Naturally, Management will make an effort to recapture any lost revenue later in the year.

Despite the extent of COVID-19 and the possible impact on revenue and earnings the Management has evaluated the financial resources as sufficient to continue future operations of the Group.

Notes to the Financial Statements

	Group		Parent Company	
	2019	2018	2019	2018
	DKK	DKK	DKK	DKK
2 Staff expenses				
Wages and salaries	49.969.860	33.090.627	0	0
Pensions	2.285.430	1.738.352	0	0
Other social security expenses	622.567	558.791	0	0
Other staff expenses	1.890.597	1.608.455	0	0
	54.768.454	**36.996.225**	**0**	**0**
Including remuneration to the Executive Board and Board of Directors	**3.497.608**	**1.027.989**	**0**	**0**
Average number of employees	**81**	**61**	**0**	**0**

At 10 April 2018, an incentive scheme was established comprising both the Board of Directors, the Executive Board and other executives and the scheme is made to maintain the management in Menu Holding A/S. The registered management in Menu Holding A/S has subscribed warrants for 19 % of the total amount. The scheme runs from 10 April 2018 to 31 December 2027. When an option has vested, the option holder may subscribe for one new share in Menu Holding A/S at a exercise price of DKK 100 with addition of 10% p.a. from the date of subscription.

As it is the Company’s practice to settle the schemes by way of shares (equity-settled share-based payment arrangements), no costs have been recognised in 2019.

Notes to the Financial Statements

	Group		Parent Company	
	2019	2018	2019	2018
	DKK	DKK	DKK	DKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	27.973.988	16.453.220	0	0
Depreciation of property, plant and equipment	3.696.730	2.180.794	0	0
Impairment of intangible assets	1.147.188	0	0	0
	32.817.906	**18.634.014**	**0**	**0**

4 Special items

Double CFO	0	80.000	0	0
Reduncancies	556.348	550.800	0	0
Transaction costs	0	1.298.881	0	0
Other expenses	205.738	387.745	0	0
AUDO, establisment costs	392.001	0	0	0
Cybersecurity breach with supplier	312.507	0	0	0
	1.466.594	**2.317.426**	**0**	**0**

5 Financial income

Other financial income	102.634	284.183	0	0
Exchange adjustments	538.528	171.757	0	0
Exchange gains	49.493	17.018	0	0
	690.655	**472.958**	**0**	**0**

6 Financial expenses

Interest paid to group enterprises	2.466	0	2.466	0
Other financial expenses	6.894.374	5.286.895	0	0
Exchange adjustments, expenses	657.059	230.850	0	0
Exchange loss	2.037	0	0	0
	7.555.936	**5.517.745**	**2.466**	**0**

Notes to the Financial Statements

		Group		Parent Company	
		2019	2018	2019	2018
		DKK	DKK	DKK	DKK
7	**Tax on profit/loss for the year**				
	Current tax for the year	576.466	505.573	0	0
	Deferred tax for the year	-1.841.862	-6.217	-10.335	-10.432
		-1.265.396	**499.356**	**-10.335**	**-10.432**

8 Intangible assets

Group

	Completed development projects	Acquired patents	Acquired trademarks	Acquired other similar rights	Goodwill	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Cost at 1 January	16.898.674	21.990.000	67.660.802	42.264.208	199.367.521	348.181.205
Additions for the year	1.524.170	0	424.922	0	0	1.949.092
Disposals for the year	-9.508.926	0	-160.802	0	-3.444.751	-13.114.479
Cost at 31 December	8.913.918	21.990.000	67.924.922	42.264.208	195.922.770	337.015.818
Transfers for the year	0	0	0	0	0	0
Revaluations at 31 December	0	0	0	0	0	0
Impairment losses and amortisation at 1 January	9.449.530	1.557.625	2.551.427	2.422.812	10.880.682	26.862.076
Impairment losses for the year	1.147.188	0	0	0	0	1.147.188
Amortisation for the year	1.585.058	2.199.000	3.383.751	10.677.767	10.128.412	27.973.988
Impairment and amortisation of sold assets for the year	-8.319.524	0	-160.802	0	-3.444.751	-11.925.077
Impairment losses and amortisation at 31 December	3.862.252	3.756.625	5.774.376	13.100.579	17.564.343	44.058.175
Carrying amount at 31 December	**5.051.666**	**18.233.375**	**62.150.546**	**29.163.629**	**178.358.427**	**292.957.643**

The Group´s development activities is mainly related to Design and development of new products as well asdevelopment of tools for the actual production. The value of the recognized development projects is comparedwith expected earnings from the products.

Notes to the Financial Statements

9 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	36.235.914	3.507.938	39.743.852
Additions for the year	3.618.918	4.471.363	8.090.281
Disposals for the year	-23.398.186	-889.570	-24.287.756
Cost at 31 December	16.456.646	7.089.731	23.546.377
Revaluations at 1 January	0	0	0
Revaluations at 31 December	0	0	0
Impairment losses and depreciation at 1 January	29.371.864	883.958	30.255.822
Depreciation for the year	3.282.640	414.090	3.696.730
Impairment and depreciation of sold assets for the year	-23.202.687	-892.787	-24.095.474
Impairment losses and depreciation at 31 December	9.451.817	405.261	9.857.078
Carrying amount at 31 December	**7.004.829**	**6.684.470**	**13.689.299**

Notes to the Financial Statements

	Parent Company	
	2019	2018
	DKK	DKK

10 Investments in subsidiaries

	2019 DKK	2018 DKK
Cost at 1 January	106.448.500	0
Additions for the year	27.941.600	106.865.100
Disposals for the year	-458.300	-416.600
Cost at 31 December	133.931.800	106.448.500
Value adjustments at 1 January	-2.497.496	0
Exchange adjustment	0	0
Net profit/loss for the year	-9.999.674	-3.585.023
Fair value adjustment of hedging instruments for the year	-300.131	1.087.527
Value adjustments at 31 December	-12.797.301	-2.497.496
Carrying amount at 31 December	**121.134.499**	**103.951.004**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Menu Holding A/S	Copenhagen	2.069.188	64,73%	187.138.110	-15.448.284

Notes to the Financial Statements

11 Other fixed asset investments

	Group		Parent Company
	Other investments	Deposits	Other investments
	DKK	DKK	DKK
Cost at 1 January	25.080	1.319.420	25.080
Additions for the year	41.660	60.888	41.660
Disposals for the year	-66.740	-85.854	-66.740
Cost at 31 December	0	1.294.454	0
Impairment losses at 1 January	0	0	0
Impairment losses at 31 December	0	0	0
Carrying amount at 31 December	**0**	**1.294.454**	**0**

12 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Group		Parent Company	
	2019	2018	2019	2018
	DKK	DKK	DKK	DKK
Assets	0	202.758	0	0
Liabilities	1.148.545	0	0	0

13 Prepayments

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

Notes to the Financial Statements

	Group		Parent Company	
	2019	2018	2019	2018
	DKK	DKK	DKK	DKK

14 Distribution of profit

Reserve for net revaluation under the equity method	0	0	300.131	-1.087.527
Minority interests' share of net profit/loss of subsidiaries	-5.448.617	-1.768.960	0	0
Retained earnings	-10.036.316	-3.622.011	-10.336.447	-2.534.484
	-15.484.933	**-5.390.971**	**-10.036.316**	**-3.622.011**

15 Provision for deferred tax

Intangible assets	18.611.769	21.280.554	0	0
Property, plant and equipment	1.052.098	1.197.944	0	0
Other items	902.674	742.600	0	0
Intercompany profit on inventories	-2.663.353	-858.731	0	0
Borrowing costs	-172.641	-330.616	0	0
Tax loss carry-forward	49.054	-2.234.797	-3.770	-13.062
Transferred to deferred tax asset	0	0	3.770	13.062
	17.779.601	**19.796.954**	**0**	**0**
Deferred tax asset				
Calculated tax asset	0	0	3.770	13.062
Carrying amount	**0**	**0**	**3.770**	**13.062**

16 Other provisions

The Company has some obligations to replace goods. Based on previous experience in respect of the level of repairs and returns, other provisions of kDKK 42 (2018: kDKK 115) have been recognised for expected warranty claims.

Other provisions	41.585	115.285	0	0
	41.585	**115.285**	**0**	**0**

Notes to the Financial Statements

17 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2019	2018	2019	2018
	DKK	DKK	DKK	DKK
Credit institutions				
Between 1 and 5 years	90.000.000	0	0	0
Long-term part	90.000.000	0	0	0
Within 1 year	15.000.000	0	0	0
Other short-term debt to credit institutions	11.574.023	171.253.317	0	0
Short-term part	26.574.023	171.253.317	0	0
	116.574.023	**171.253.317**	**0**	**0**
Lease obligations				
Between 1 and 5 years	43.239	0	0	0
Long-term part	43.239	0	0	0
Within 1 year	30.263	0	0	0
	73.502	**0**	**0**	**0**
Other payables				
After 5 years	32.106.082	30.871.233	0	0
Between 1 and 5 years	5.987.438	5.000.000	0	0
Long-term part	38.093.520	35.871.233	0	0
Other short-term payables	14.594.262	5.882.821	0	0
	52.687.782	**41.754.054**	**0**	**0**

Notes to the Financial Statements

	Group 2019	Group 2018
	DKK	DKK
18 Cash flow statement - adjustments		
Financial income	-690.655	-472.958
Financial expenses	7.555.936	5.517.745
Depreciation, amortisation and impairment losses, including losses and gains on sales	34.132.398	18.634.014
Tax on profit/loss for the year	-1.265.396	499.356
Other adjustments	8.847	-14.809
	39.741.130	**24.163.348**

	Group 2019	Group 2018
19 Cash flow statement - change in working capital		
Change in inventories	-16.613.804	-6.969.295
Change in receivables	9.755.606	-6.672.193
Change in other provisions	-73.700	15.285
Change in trade payables, etc	19.650.128	36.862.978
Fair value adjustments of hedging instruments	-1.351.303	439.332
	11.366.927	**23.676.107**

Notes to the Financial Statements

	Group		Parent Company	
	2019	2018	2019	2018
	DKK	DKK	DKK	DKK

20 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

Floating company charge DKK 25 mio. in Trade receivables, stocks, plantand machinery, goodwill.	77.489.291	69.897.740	0	0

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:				
Within 1 year	828.226	291.204	0	0
Between 1 and 5 years	2.188.871	171.421	0	0
	3.017.097	**462.625**	**0**	**0**
Rental obligations, non-cancellable period	6.364.983	6.648.545	0	0

Other contingent liabilities

The company has secured the Norwegian customs authorities NOK 1.0 million.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to TDKK 101. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

21 Related parties

	Basis

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Polaris Private Equity IV K/S, København

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of P-Menu 2018 A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2019 are presented in DKK.

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 as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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, P-Menu 2018 A/S, 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.

Notes to the Financial Statements

22 Accounting Policies (continued)

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.

- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance

Notes to the Financial Statements

22 Accounting Policies (continued)

sheet.

- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.

- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.

- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

Notes to the Financial Statements

22 Accounting Policies (continued)

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item

Notes to the Financial Statements

22 Accounting Policies (continued)

as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

Income Statement

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.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Notes to the Financial Statements

22 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

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

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

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 Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development

Notes to the Financial Statements

22 Accounting Policies (continued)

costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item “Reserve for development costs”. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-5 years.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is years. Software licences are amortised over the period of the agreement, which is 10 years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 5-20 years. determined on the basis of Management’s experience with the individual business areas.

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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	3-10 years

Notes to the Financial Statements

22 **Accounting Policies** (continued)

Leasehold improvements	5-20 years

Depreciation period and residual value are reassessed annually.

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.

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.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Notes to the Financial Statements

22 Accounting Policies (continued)

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 goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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 1-2 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

Notes to the Financial Statements

22 Accounting Policies (continued)

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 are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term

Notes to the Financial Statements

22 Accounting Policies (continued)

debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$