AX V GUBI Holding III ApS

Sankt Annæ Plads 10
1250 Copenhagen K
CVR No. 38783769

Annual report 2021

The Annual General Meeting adopted the annual report on 07.04.2022

Jesper Frydenberg Rasmussen
Chairman of the General Meeting

Contents

Entity details

Entity
AX V GUBI Holding III ApS
Sankt Annæ Plads 10
1250 Copenhagen K

Business Registration No.: 38783769
Registered office: Copenhagen
Financial year: 01.01.2021 - 31.12.2021

Board of Directors
Lars Cordt, Chairman
Peter Nyegaard
Asbjørn Mosgaard Hyldgaard

Executive Board
Jesper Frydensberg Rasmussen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of AX V GUBI Holding III ApS for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021.

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

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

Copenhagen, 03.03.2022

Executive Board

Jesper Frydensberg Rasmussen

Board of Directors

Lars Cordt
Chairman

Peter Nyegaard

Asbjørn Mosgaard Hyldgaard

Independent auditor's report

To the shareholders of AX V GUBI Holding III ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of AX V GUBI Holding III ApS for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

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

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

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 03.03.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bill Haudal Pedersen
State Authorised Public Accountant
Identification No (MNE) mne30131

Hans Tauby
State Authorised Public Accountant
Identification No (MNE) mne44339

Management commentary

Financial highlights

	2021 DKK'000	2020 6 months DKK'000	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000
Key figures					
Revenue	508,163	211,206	367,805	373,547	0
Gross profit/loss	199,211	84,472	146,157	169,089	(63)
EBITDA	133,396	54,604	93,134	131,052	(63)
EBITDA, normalised for non-recurring costs	144,157	64,656	110,273	135,153	(63)
Operating profit/loss	30,715	4,068	(6,214)	35,434	(63)
Net financials	(22,809)	(14,251)	(27,197)	(31,822)	(63)
Profit/loss for the year	(10,946)	(19,125)	(43,316)	(158,160)	0
Profit for the year excl. minority interests	(6,069)	(11,410)	(25,555)	0	0
Balance sheet total	1,717,982	1,789,372	1,864,488	1,963,595	2,024,778
Investments in property, plant and equipment	0	261	2,516	1,589	0
Equity	1,178,813	1,185,840	1,199,871	1,244,826	1,270,001
Equity excl. minority interests	689,344	696,628	708,565	522,335	509,160
Average number of employees	94	86	75	68	0

Ratios					
EBITDA margin (%)	26.25	25.90	25.30	35.10	0.00
Norm. EBITDA margin	28.37	30.60	30.00	35.90	0.00
Gross margin (%)	39.20	40.00	39.74	45.27	0.00
Net margin (%)	(2.15)	(9.06)	(11.78)	(42.24)	0.00
Return on equity (%)	(0.88)	(1.62)	(4.15)	0.00	0.00
Equity ratio (%)	40.13	38.93	38.00	26.60	25.15

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

EBITDA margin (%):
EBITDA * 100
Revenue

Norm. EBITDA margin (%):
Norm EBITDA * 100
Revenue

Gross margin (%):
Gross profit/loss* 100
Revenue

Net margin (%):
Profit/loss for the year* 100
Revenue

Return on equity (%):
Profit/loss for the year excl. minority interests * 100
Average equity excl. minority interests

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Primary activities

The main activity of AX V GUBI Holding III ApS ("Holding III") is investments in subsidiaries within design and sale of furniture, lighting, and interior products.

GUBI is a leading Danish design brand focusing on timeless, high-quality furniture, lighting, and interior products. The GUBI Group (meaning Holding III including its direct and indirect subsidiaries) designs, and markets products developed in co-operation with reputable national and international designers for both consumer and contract markets, and the range includes several prize-winning designs. Products are sold by leading national and international retailers and e-tailers and to professional customers worldwide. The GUBI Group's headquarters are located in Nordhavn, Copenhagen.

Development in activities and finances

Last year, the GUBI Group changed its financial year, consequently the comparative figures only contain 6 months (01.07.2020-31.12.2020) whereas the current figures contain 12 months (01.01.2021-31.12.2021). Accordingly, the 2 periods cannot be directly compared.

In 2021 (for 12 months), the Group realised revenue of DKK 508,162k, compared to revenue of DKK 211,206k in 2020 (for 6 months). On a like-for-like basis for 12 months, revenue has grown by 34.1%. Normalised operating profit (EBITDA) for 12 months of DKK 133,654k was realised compared to DKK 64,933k in 2020 for 6 months. The Group has grown its topline by 34.1% while continuing to invest in strategic initiatives related to the sales organisation and marketing activities. Non-recurring costs, primarily related to one-off consultancy costs, amounted to DKK 10,761k resulting in a normalised EBITDA of DKK 144,415k. One a like-for-like basis for 12 months EBITDA (normalised for non-recurring costs) has grown by DKK 38.1m to DKK 144.4m.

Profit/loss for the year in relation to expected developments

Management considers the results for the financial year 2021 to be satisfactory.

Uncertainty relating to recognition and measurement

No significant uncertainties are attached to recognition and measurement.

Unusual circumstances affecting recognition and measurement

No significant unusual circumstances affecting recognition and measurement have occurred.

Outlook

The Group expects double-digit revenue growth and expects normalised operating profit margin (EBITDA) to be in line with 2021.

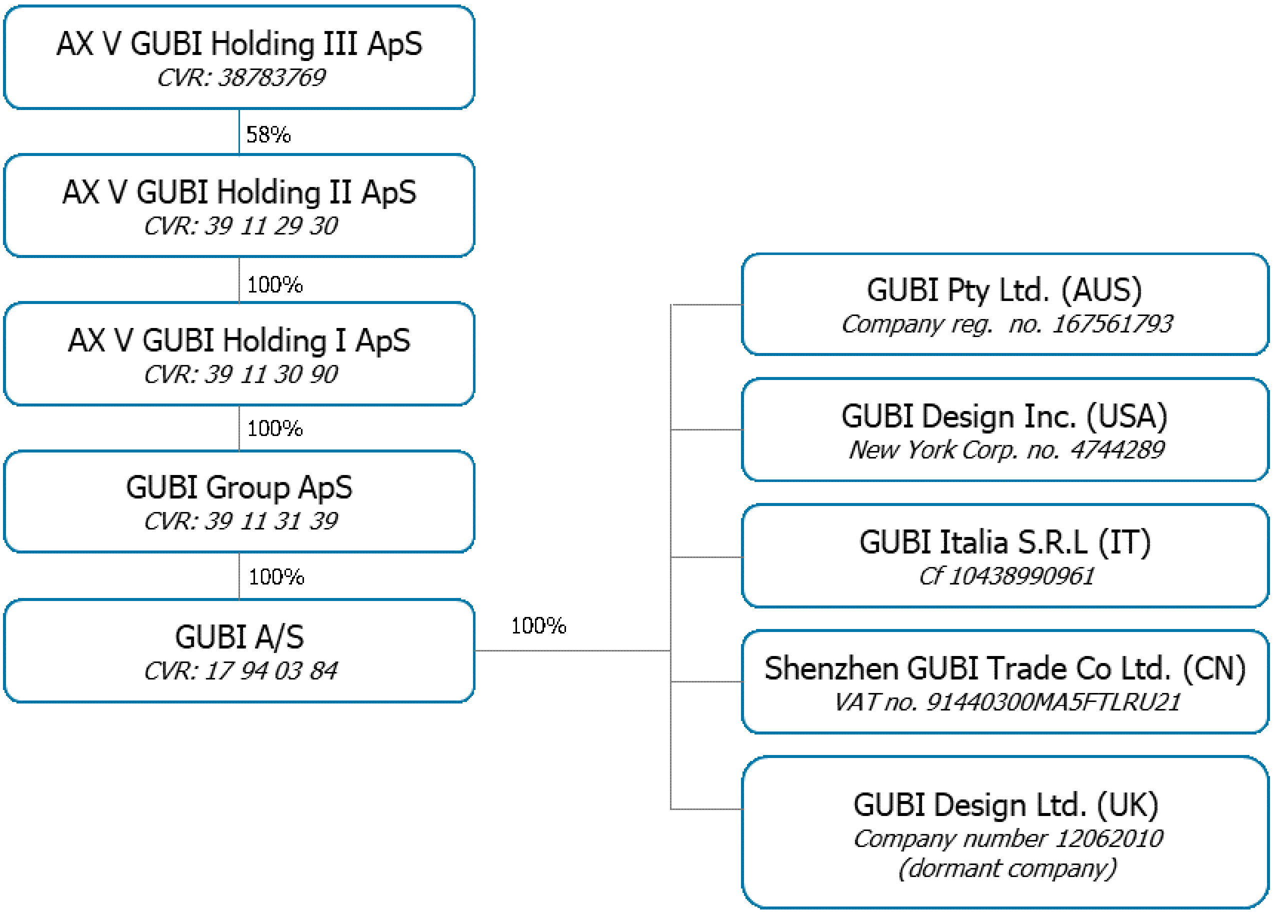
Knowledge resources

It is essential for the GUBI Group to attract, develop and retain high-quality employees with an appertaining high level of competences. The realisation of the GUBI Group’s goal of ensuring both quality, knowledge and knowhow at each employee level will be facilitated through recruitment procedures and a continuous development of the existing employees and their competences. Throughout the year, a considerable number of experienced and highly qualified employees have been added to the GUBI Group. This initiative has strengthened the GUBI Group's knowledge and competence base.

Research and development activities

The GUBI Group’s research activities are related to products developed and designed both internally and in collaboration with external national as well as international designers/partners.

Group relations



Holding III is ultimately owned by the Danish private equity fund Axcel (Fund V). Jacob Gudmund Olsen holds approx. 39% of the share capital of AX V GUBI Holding II ApS together with certain members of the Board of Directors and certain key employees etc, which hold approx. 3% of the share capital.

Holding III's equity consists of 3 classes of shares and the GUBI Group's loan capital (with GUBI Group ApS as the lender) consists of bank debt, provided by Nykredit Bank A/S and Nordea Danmark, branch of Nordea Bank Abp, Finland.

The current capital structure is deemed appropriate in relation to the need for financial flexibility in the GUBI Group.

Statutory report on corporate social responsibility

For a description of the GUBI Group's business model, please refer to the section above "Primary activities". In 2019, the GUBI Group joined the UN Global Compact ("UNGC") and has since then been committed to the Ten Principles of the UNGC for responsible business conduct within the areas of human rights, labor, environment, and anti-corruption. The GUBI Group's Board of Directors guides and governs the overall strategy for the GUBI Group's corporate sustainability and has general oversight of the GUBI Group's work with ESG (Environmental, Social, and Governance) topics. The GUBI Group's Executive Management is responsible for ensuring the ESG strategy is implemented via the GUBI Group's ESG Committee.

In 2021, the Board of Directors of the Group (being GUBI Group ApS and its subsidiaries) approved the updated ESG strategy, including the GUBI Group's first ESG impact, risk and opportunity assessment. The impact assessment identifies risks of adverse impacts on human rights, the environment, and economic topics in line with the UN Guiding Principles and the OECD Guidelines. The risk and opportunity assessment considers how the GUBI Group may be impacted by ESG topics. The GUBI Group's updated ESG strategy is inspired by the United Nations' 17 Sustainable Development Goals and is directly formed by the Ten Principles of the UNGC. In addition to these 2 UN initiatives, the GUBI Group – along with its ultimate owner, Axcel – is also obliged to report to the Task Force on Climate-related Disclosures; a global effort to improve and increase the reporting of climate related financial information.

Human rights

As stated in GUBI's Code of Conduct, the GUBI Group supports and respects basic human rights for all and strives to uphold these essential rights in the ways that GUBI conducts business. Violations of human rights are unacceptable and will, under no circumstances, be tolerated. The use of child labour of any kind is strictly forbidden.

All employees have received and have easy access to the Code of Conduct which outlines the GUBI Group's value system, the approach to do business as well as view on human rights. Awareness training is also being conducted on a regular basis. Further, the GUBI Group has a Supplier Code of Conduct which is made available for all suppliers and acknowledged by material product suppliers.

The GUBI Group is not aware of any breach on human rights within the Group or by suppliers during 2021.

Health and Safety, Employees, and diversity

Pursuant to GUBI's Code of Conduct, a safe and healthy working environment is fundamental for the GUBI Group and is a right for all employees in the GUBI Group. The GUBI Group is thus committed to providing a safe and secure place to work and an environment that supports the health and well-being of all of employees. The GUBI Group's employees shall be able to work under legal conditions where diversity is treasured, privacy of the individual is protected, and where freedom of association and collective bargaining is a common right.

The GUBI Group conducts semi-annual engagement surveys and an annual working environment survey ("APV") and employees are informed of and engaged in the outcome of the surveys. Most employees have detailed job descriptions and the yearly appraisal conversations are conducted for the vast majority of employees.

As regards the GUBI Group's performance in 2021 and ambitions for 2022, please refer to below sections "Report on major ESG achievements 2021" and " Report on ESG target for 2022".

Anti-corruption and Ethics
According to GUBI's Code of Conduct, the Group rejects business and political corruption in all its forms. Further, the GUBI Group is committed to following the law with integrity.

All employees have received and have access to GUBI's Code of Conduct which outlines the GUBI Group's value system and approach to do business as well as view on anti-corruption and ethics. The GUBI Group has prepared a Sanctions, Anti-Bribery and Corruption Compliance Policy which is available for all employees and furthermore, awareness training is being conducted at a regular basis.

GUBI's Supplier Code of Conduct also addresses the GUBI Group's zero tolerance for corruption in all its forms.

The GUBI Group is not aware of any breach relation to corruption within the GUBI Group or at our suppliers during 2021.

Environment
Sustainability is a central part of the GUBI Group's thinking in all phases and as stated in GUBI's Code of Conduct, the GUBI Group strives to create iconic design objects that last a lifetime while, at the same time, endeavoring to work in ever-more conscious and responsible ways.

The GUBI Group has assessed its climate-related exposure in 2 climate change scenarios. A key finding from the assessment was that the GUBI Group is exposed to climate-related risks and opportunities. The identified risks are (i) increased cost of raw materials with a lower CO2 impact can affect the GUBI Group's profit margin, (ii) increased severity of extreme weather events may affect the GUBI Group's sourcing and production abilities and (iii) elevated sea levels may affect operations in the GUBI Group's headquarters in Copenhagen.

The most important opportunity is for the GUBI Group to develop long lasting cost-effective products that have low-carbon impact, and thereby help meet customer preferences.

As regards the GUBI Group's performance in 2021 and ambitions for 2022, please refer to below sections "Report on major ESG achievements 2021" and " Report on ESG target for 2022".

Report on major ESG achievements 2021

The GUBI Group has identified the following major achievements supporting the updated ESG strategy during 2021:

- Finalized second reporting on energy consumption and GHG emissions (scope 1 &2)
- Prepared first version of scope 3 calculation using a life cycle approach for selected products
- Collected overview of ESG ratings/certificates for our top suppliers of products
- Prepared for FSC certification
- Conducted risk assessment for ESG including climate exposure based on scenarios
- Improved employee engagement score (eNPS) from 22 to 36
- Reduced employee turnover by 20%
- Accomplished zero work-related injuries
- Conducted yearly "APV" (Working environment) survey and upgraded and enhanced quality of work performed by the Working Environment Group
- Implemented new Code of Conduct covering 7 main themes, which is available on the GUBI website
- Developed and upgraded several of the Holding Group's key policies and compliance programs
- Strengthened compliance related to product and packaging requirements

	Scope 1 emissions t.CO2e	Scope 2 emission s t.CO2e*	Full-Time workforce	Gender diversity	Gender diversity management	Gender diversity board	Sickness absence days per FTE	Employee turnover %	Rate of recordable work-related injuries	Engagement score eNPS/score
2020	59	55	86	52%	50%	0%	8,5	37%	0	22/7,6
2021	34	35	94	52%	50%	0%	3,7	17%	0	36/7,8

** Marked-based*

The GUBI Group's latest ESG report (UN Global compact Communication on Progress report) published in July 2021 is available on the GUBI website, www.gubi.com/company-information. The GUBI Group will release the next ESG Report in July 2022.

Report on ESG targets for 2022

The GUBI Group's ESG ambitions for 2022 are:

- to calculate the total CO2 footprint and formulate the target for reduction of CO2 emissions;
- to obtain and monitor ESG progress for the GUBI Group's most important suppliers;
- to obtain FSC certification;
- to upgrade the business risk assessment process;
- to increase employee engagement score to 40/8;
- to improve indoor climate at headquarters;
- to introduce a whistleblower scheme
- to release various GUBI policies and finally
- to enhance communication towards customers regarding product compliance and continue attention to national, EU and certain international market requirements.

Statutory report on the underrepresented gender

Early 2022, a Diversity, Equality and Inclusion Policy ("DEI Policy") was prepared and approved by the Group's Board of Directors.

It is the GUBI Group's goal to have both genders represented in the Group's Board of Directors. Targets have been set that the underrepresented gender does not represent less than 40% of the Group's Board of Directors by 2024 and that the gender diversity at Group management level should be 50%/50%. The Group's Executive Management Board consists of 1 male and 1 female member and the Group's extended management team consists of 3 male and 3 female members. Currently, the Group's Board of Directors consist of 7 male members and 0 female members and Holding III's Board of Directors consists of 3 male members and 0 female members. Holding III's Executive Management consists of 1 male member. No target has been set for Holding III's Board of Directors.

The DEI Policy is available on the GUBI website, www.gubi.com/company-information.

Statutory report on data ethics policy

Early 2022, a Data Ethics Policy was prepared and approved by the Group's Board of Directors.

As stated in GUBI Group's Code of Conduct, GUBI Group will actively work to ensure that all information is handled responsibly and accordance with all applicable standards, policies, and laws. This of course also implies that the GUBI Group strives to conduct its business in an ethical manner acknowledging the increased use and processing of data as an integral part of the GUBI Group's business.

Before the Data Ethics Policy was approved by the Group's Board of Directors, it had been discussed and approved by the management team in the Group.

The GUBI Group's Data Ethics ambition for 2022 is to continue implementation of the Policy through training and communication.

The Data Ethics Policy is available on the GUBI website, www.gubi.com/company-information.

Statutory report on corporate governance

Holding III is subject to and complies with the "Guidelines for responsible Ownership and Corporate Governance" of the Active Owners Denmark (Brancheforeningen for Aktive Ejere i Danmark, www.aktiveejere.dk) as a consequence of being ultimately owned by the private equity fund, Axcel that is a member of Active Owners Denmark.

Holding III's corporate governance model is a two-tier system whereby Holding III's Board of Directors and its Executive Management have two different roles laid down in the Rules of Procedure for Holding III's Board of Directors. Holding III's Executive Management undertakes the operational management of Holding III, whereas the Board of Directors determines the overall company strategy and acts as a sounding board to Executive Management.

GUBI Group’s Management is on an ongoing basis monitoring the financial development as well as developments in the field of corporate governance to ensure that the GUBI Group – internally as well as externally – is managed in a manner that is in accordance with applicable laws, in order to protect the interests of all stakeholders.

Risk management is considered an essential and natural part of the realisation of the GUBI Group's objectives and strategy. The daily activities, the implementation of the established strategy and the continuous use of business opportunities involve inherent risks, and the GUBI Group's handling of these risks is therefore seen as a natural and integrated part of the daily work and a way to ensure stable and reliable growth.

The GUBI Group is in progress of implementing a whistleblower scheme and expects to finalise said implementation in 2022.

A new member of the Group’s Board of Directors was appointed in (March) 2021, and it now consists of 7 members. All members are appointed by Axcel except for Jacob Gudmund Olsen and Hans Christian Galst who are appointed by Jacob Gudmund Olsen. The Group's Board meetings are held on a regular basis and minimum 6 times a year. Further, the Group's Chairman Committee meets with Group Executive Management on an ongoing basis.

In 2021 for the Group, a total of 8 board meetings have been held of which 6 have been ordinary and 2 have been extraordinary. All members of the Group Board of Directors have been present at all 8 meetings, except that Lars Cordt has been absent on 2 occasions and Jacob Gudmund Olsen on one (1) occasion.

Holding III's Board of Directors consists of 3 members which are all appointed by Axcel.

The members of Holding III Board of Directors possess the following other management positions:

Name (position)	Chairman of the board	Deputy chairman of the board	Ordinary board member	Executive officer
Lars Cordt	• AX V Nissens III ApS • AX V GUBI Holding III ApS	• AX V Nissens II ApS, incl. 3 subsidiaries • SteelSeries Group A/S, incl. 4 subsidiaries	• Mountain Top Holding II ApS, incl 2 subsidiaries • AX V Phase One Holding III ApS, incl. 5 subsidiaries • AX V GUBI Holding II ApS, incl. 3 subsidiaries • Axcel Management Holding ApS • AX IV HoldCo P/S • Isadora Holding AB incl. 1 subsidiary • *Board alternate* in Isadora Holding III AB incl. 2 subsidiaries	• MNGT3 LC ApS • AX IV HoldCo P/S
Asbjørn Mosgaard Hyldgaard	-	• Vetgruppen Holding A/S incl. 1 subsidiary • AX V GUBI Holding II ApS, incl. 3 subsidiaries	• European Sperm Bank ApS • AX V Nissens III ApS • AX V GUBI Holding III ApS • AX V ESB Holding III ApS incl. 3 subsidiaries • AX VI VET Holding III ApS incl. 3 subsidiaries • Currentum Group AB incl. 2 subsidiaries • AX VI INV1 Holding AB • Ax V INV1 Holding III Oy incl. 4 subsidiaries	• MNGT4 AH ApS
Peter Nyegaard	• FIH Holding A/S	• Danmarks Skibskredit A/S	• Øens Murerfirma A/S • AX VI Moment Holding III ApS, incl. 4 subsidiaries • MNGT2 ApS • Frontmatec Holding III ApS, incl. 2 subsidiaries • AX IV HoldCo P/S • AX V Nissens III ApS • Mountain Top Holding III ApS, incl. 2 subsidiaries • AX V GUBI Holding III ApS • AX V ESB Holding III ApS • Nuuday A/S • AX V Phase One Holding III ApS, incl. 2 subsidiaries • AX VI VET Holding III ApS, incl. 2 subsidiaries • AX VI INV4 Holding III ApS, incl. 1 subsidiary • Loopia Holding III AB, incl. 3 subsidiaries • Isadora Holding III AB, incl. 2 subsidiaries • Axcel Management AB • AX VI Addpro Holding III AB, incl 2 subsidiaries	• JNP AX-III INV ApS • Yggdrasill ApS

Events after the balance sheet date

Management noted that the worldwide Covid-19 outbreak may still affect the GUBI Group's performance in most markets. However, it is not possible for Management at the time of financial reporting to further quantify such potential effect.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report. The war in Ukraine which started at the end of February 2022 has not had and is not expected to have a significant impact on the GUBI Group's financial position and development, as the GUBI Group has no significant sales or significant suppliers in the countries concerned.

Consolidated income statement for 2021

	Notes	2021 DKK'000	2020 6 months DKK'000
Revenue	2	508,163	211,206
Cost of sales		(255,854)	(106,396)
Other external expenses	3	(53,098)	(20,338)
Gross profit/loss		**199,211**	**84,472**
Staff costs	4	(65,815)	(29,868)
Depreciation, amortisation and impairment losses	5	(102,681)	(50,536)
Operating profit/loss		**30,715**	**4,068**
Other financial income	6	12	101
Other financial expenses	7	(22,821)	(14,352)
Profit/loss before tax		**7,906**	**(10,183)**
Tax on profit/loss for the year	8	(18,852)	(8,942)
Profit/loss for the year	9	**(10,946)**	**(19,125)**

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Completed development projects	11	7,312	10,400
Acquired licences		4,069	4,068
Acquired trademarks		272,911	289,451
Goodwill		1,280,487	1,358,096
Development projects in progress	11	4,056	2,040
Intangible assets	10	**1,568,835**	**1,664,055**
Plant and machinery		869	1,528
Other fixtures and fittings, tools and equipment		1,048	1,797
Property, plant and equipment	12	**1,917**	**3,325**
Deposits		4,246	3,392
Financial assets	13	**4,246**	**3,392**
Fixed assets		**1,574,998**	**1,670,772**
Manufactured goods and goods for resale		58,150	36,150
Prepayments for goods		3,834	1,525
Inventories		**61,984**	**37,675**
Trade receivables		55,455	50,589
Other receivables		2,153	4,232
Tax receivable		3,239	2,283
Prepayments	14	556	1,259
Receivables		**61,403**	**58,363**
Cash		**19,597**	**22,562**
Current assets		**142,984**	**118,600**
Assets		**1,717,982**	**1,789,372**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital	15	7,557	7,557
Translation reserve		5	109
Reserve for fair value adjustments of hedging instruments		943	309
Retained earnings		680,839	688,653
Equity belonging to Parent's shareholders		**689,344**	**696,628**
Equity belonging to minority interests		**489,469**	**489,212**
Equity		**1,178,813**	**1,185,840**
Deferred tax	16	60,450	64,648
Other provisions	17	8,701	9,017
Provisions		**69,151**	**73,665**
Bank loans		354,950	436,693
Tax payable		0	9,741
Other payables	18	1,699	0
Non-current liabilities other than provisions	19	**356,649**	**446,434**
Current portion of non-current liabilities other than provisions	19	31,192	21,788
Bank loans		16,842	0
Prepayments received from customers		11,610	5,090
Trade payables		33,677	33,598
Tax payable		3,123	479
Other payables		16,925	22,478
Current liabilities other than provisions		**113,369**	**83,433**
Liabilities other than provisions		**470,018**	**529,867**
Equity and liabilities		**1,717,982**	**1,789,372**

Events after the balance sheet date	1
Unrecognised rental and lease commitments	20
Contingent liabilities	21
Assets charged and collateral	22
Transactions with related parties	23
Group relations	24
Subsidiaries	25

Consolidated statement of changes in equity for 2021

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Equity belonging to Parent's shareholders DKK'000
Equity beginning of year	7,557	109	309	688,653	696,628
Exchange rate adjustments	0	76	0	0	76
Fair value adjustments of hedging instruments	0	0	581	0	581
Value adjustments	0	0	0	0	0
Other entries on equity	0	0	0	(1,745)	(1,745)
Tax of entries on equity	0	0	(127)	0	(127)
Transfer to reserves	0	(180)	180	0	0
Profit/loss for the year	0	0	0	(6,069)	(6,069)
Equity end of year	**7,557**	**5**	**943**	**680,839**	**689,344**

	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	489,212	1,185,840
Exchange rate adjustments	56	132
Fair value adjustments of hedging instruments	417	998
Value adjustments	6,007	6,007
Other entries on equity	(1,254)	(2,999)
Tax of entries on equity	(92)	(219)
Transfer to reserves	0	0
Profit/loss for the year	(4,877)	(10,946)
Equity end of year	**489,469**	**1,178,813**

Consolidated cash flow statement for 2021

	Notes	2021 DKK'000	2020 6 months DKK'000
Operating profit/loss		30,715	4,068
Amortisation, depreciation and impairment losses		102,682	50,536
Other provisions		(262)	(1,261)
Increase/decrease in inventories		(24,309)	8,360
Increase/decrease in receivables		(1,995)	(14,350)
Increase/decrease in trade payables		(573)	11,731
Cash flow from ordinary operating activities		**106,258**	**59,084**
Financial income received		11	101
Financial expenses paid		(22,822)	(14,352)
Taxes refunded/(paid)		(31,269)	(7,367)
Cash flows from operating activities		**52,178**	**37,466**
Acquisition etc. of intangible assets		(6,052)	(4,882)
Acquisition of fixed asset investments		0	(360)
Cash flows from investing activities		**(6,052)**	**(5,242)**
Free cash flows generated from operations and investments before financing		**46,126**	**32,224**

Repayments of loans etc.	(72,339)	(49,049)
Cash capital increase	1,300	5,242
Sale of shares	5,106	0
Cash flows from financing activities	**(65,933)**	**(43,807)**
Increase/decrease in cash and cash equivalents	**(19,807)**	**(11,583)**
Cash and cash equivalents beginning of year	22,562	34,145
Cash and cash equivalents end of year	**2,755**	**22,562**
Cash and cash equivalents at year-end are composed of:		
Cash	19,597	22,562
Short-term bank loans	(16,842)	0
Cash and cash equivalents end of year	**2,755**	**22,562**

Notes to consolidated financial statements

1 Events after the balance sheet date

The management noted that the worldwide Covid-19 outbreak may still affect the GUBI Group's performance in most markets. However, it is not possible for the management at the time of financial reporting to further quantify such potential effect.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report. The war in Ukraine which started at the end of February 2022 has not had and is not expected to have a significant impact on the GUBI Group's financial position and development, as the GUBI Group has no significant sales or significant suppliers in the countries concerned.

2 Revenue

	2021 DKK'000	2020 6 months DKK'000
Denmark	98,190	49,042
Europe	243,812	95,087
Other countries	166,161	67,077
Total revenue by geographical market	**508,163**	**211,206**
Furnitures, lighting, accessories	508,163	211,206
Total revenue by activity	**508,163**	**211,206**

3 Fees to the auditor appointed by the Annual General Meeting

	2021 DKK'000	2020 6 months DKK'000
Statutory audit services	469	455
Other assurance engagements	25	0
Other services	159	155
	653	**610**

4 Staff costs

	2021 DKK'000	2020 6 months DKK'000
Wages and salaries	65,362	27,764
Pension costs	1,481	676
Other social security costs	1,014	376
Other staff costs	2,014	3,091
	69,871	**31,907**
Staff costs classified as assets	(4,056)	(2,039)
	65,815	**29,868**

Number of employees at balance sheet date	**94**	**86**

Average number of full-time employees	**94**	**86**

Special incentive programmes
In June 2018, an incentive scheme was established comprising both the Board of Directors, the Executive Management and other executives and the incentive scheme is made to motivate and retain the participants.

The incentive scheme allow participants to subscribe for a number of warrants, each entitling the holder to buy 1 C-share of a nominal value of DKK 0.01 in the Company at a price agreed in advance plus an annual hurdle rate of 8%. The warrants subscribed for are allotted with 1/48 per month from the date of subscription until all warrants are allotted if certain conditions are met.

As of 31st December 2021, participants in the incentive scheme have subscribed for 6,722,263 warrants in total corresponding to 6.86% of the outstanding share capital on a fully-diluted basis, and 3,099,904 warrants have vested.

The Board of Directors and the Executive Board in AX V Gubi Holding III ApS V are not remunerate by the Group.

5 Depreciation, amortisation and impairment losses

	2021 DKK'000	2020 6 months DKK'000
Amortisation of intangible assets	101,273	49,843
Depreciation on property, plant and equipment	1,408	699
Profit/loss from sale of intangible assets and property, plant and equipment	0	(6)
	102,681	**50,536**

6 Other financial income

	2021 DKK'000	2020 6 months DKK'000
Exchange rate adjustments	16	101
Other financial income	(4)	0
	12	**101**

7 Other financial expenses

	2021 DKK'000	2020 6 months DKK'000
Other interest expenses	22,036	12,563
Exchange rate adjustments	785	1,779
Other financial expenses	0	10
	22,821	**14,352**

8 Tax on profit/loss for the year

	2021 DKK'000	2020 6 months DKK'000
Current tax	24,090	9,694
Change in deferred tax	(4,416)	(1,211)
Adjustment concerning previous years	(822)	459
	18,852	**8,942**

9 Proposed distribution of profit/loss

	2021 DKK'000	2020 6 months DKK'000
Retained earnings	(6,069)	(11,410)
Minority interests' share of profit/loss	(4,877)	(7,715)
	(10,946)	**(19,125)**

10 Intangible assets

	Completed development projects DKK'000	Acquired licences DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	16,397	4,810	330,801	1,552,185	2,040
Transfers	2,040	0	0	0	(2,040)
Additions	792	1,205	0	0	4,056
Disposals	(1,116)	0	0	0	0
Cost end of year	**18,113**	**6,015**	**330,801**	**1,552,185**	**4,056**
Amortisation and impairment losses beginning of year	(5,997)	(742)	(41,350)	(194,089)	0
Amortisation for the year	(5,920)	(1,204)	(16,540)	(77,609)	0
Reversal regarding disposals	1,116	0	0	0	0
Amortisation and impairment losses end of year	**(10,801)**	**(1,946)**	**(57,890)**	**(271,698)**	**0**
Carrying amount end of year	**7,312**	**4,069**	**272,911**	**1,280,487**	**4,056**

11 Development projects

Development projects regarding products and processors that are clearly defined and identifiable, where a potential future market or development opportunity in companies can be found, and where appropriate in manufacturing, marketing or using the official product or work, procedures, add in as an intangible assets.

The cost of development projects, which includes externally invoiced costs as well as internal wages directly attributable to development projects.

12 Property, plant and equipment

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	3,251	2,907
Cost end of year	**3,251**	**2,907**
Depreciation and impairment losses beginning of year	(1,723)	(1,110)
Depreciation for the year	(659)	(749)
Depreciation and impairment losses end of year	**(2,382)**	**(1,859)**
Carrying amount end of year	**869**	**1,048**

13 Financial assets

	Deposits DKK'000
Cost beginning of year	3,392
Additions	854
Cost end of year	**4,246**
Carrying amount end of year	**4,246**

14 Prepayments

Prepayments are related to prepaid costs.

15 Contributed capital

	Number	Par value DKK'000	Nominal value DKK'000
A-share	304,000,000	0,00001	3,040,000
B-share	447,153,300	0,00001	4,471,533
C-share	4,516,700	0,00001	45,167
	755,670,000		**7,556,700**

16 Deferred tax

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	64,648	65,815
Recognised in the income statement	(4,416)	(1,254)
Recognised directly in equity	218	87
End of year	**60,450**	**64,648**

17 Other provisions

Provisions for warranty and fairness of DDK 8,7m have been recognised as of 31 December 2021 to cover expected warranty and claims. The size and timing of the provisions is based on previous experience of the level and timing of repairs and returns. The expected amount due within one year amounts to DKK 5,3m.

18 Other payables

	2021 DKK'000	2020 DKK'000
Other costs payable	1,699	0
	1,699	**0**

19 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due within 12 months 2020 DKK'000	Due after more than 12 months 2021 DKK'000
Bank loans	31,192	21,788	354,950
Other payables	0	0	1,699
	31,192	**21,788**	**356,649**

All debt is due within five years.

Amortization allowance amounts to DKK 8m and is recognized in the bank debt.

With Nordea, the company has entered into an interest rate swap, which means that interest on a significant part of the bank debt is fixed until 2022.

20 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Total liabilities under rental or lease agreements until maturity	4,154	4,296

21 Contingent liabilities

The Group has a repurchase obligation towards a number of their suppliers. The repurchase obligation amounts to DKK 15,580 as of 31 December 2021.

The Parent and the Danish subsidiaries participate in a Danish joint taxation arrangement in which AX V Gubi Holding III ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Parent and the Danish subsidiaries are therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

22 Assets charged and collateral

The subsidiaries, GUBI Group ApS and GUBI A/S are subject to negative pledges (in Danish: pantsætningsforbud). The shares in the subsidiaries, GUBI Group ApS and GUBI A/S are pledged in favour of the lenders under the GUBI Group's Senior Facilities Agreement.

23 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

24 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
AX V Gubi Holding III ApS, Sankt Annæ Plads 10, Copenhagen K 1250

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
AX V Gubi Holding III ApS, Sankt Annæ Plads 10, Copenhagen K 1250

25 Subsidiaries

	Registered in	Corporate form	Ownership %
Gubi A/S	Denmark	A/S	58,2
Gubi Design Inc	USA	Inc	58,2
Gubi Shenzhen Co	China	Ltd.	58,2
Gubi Pty Ltd	Australia	Ltd.	58,2
Gubi Design Limited (inactive)	UK	Ltd.	58,2
Gubi Italy Srl	Italy	SRL	58,2
AX V Gubi Holding I ApS	Copenhagen	ApS	58,2
AX V Gubi Holding II ApS	Copenhagen	ApS	58,2
Gubi Group ApS	Copenhagen	ApS	58,2

Parent income statement for 2021

	Notes	2021 DKK'000	2020 6 months DKK'000
Other external expenses		(58)	(27)
Gross profit/loss		**(58)**	**(27)**
Income from investments in group enterprises		(6,038)	(11,433)
Other financial income	2	52	74
Other financial expenses	3	(34)	(17)
Profit/loss before tax		**(6,078)**	**(11,403)**
Tax on profit/loss for the year	4	9	(7)
Profit/loss for the year	5	**(6,069)**	**(11,410)**

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Investments in group enterprises		681,328	693,298
Financial assets	6	**681,328**	**693,298**
Fixed assets		**681,328**	**693,298**
Receivables from group enterprises		5,562	349
Joint taxation contribution receivable		2	0
Receivables		**5,564**	**349**
Cash		**2,512**	**3,174**
Current assets		**8,076**	**3,523**
Assets		**689,404**	**696,821**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		7,557	7,557
Translation reserve		6	109
Reserve for fair value adjustments and hedging instruments		633	0
Retained earnings		681,148	688,962
Equity		**689,344**	**696,628**
Joint taxation contribution payable		0	7
Non-current liabilities other than provisions		**0**	**7**
Trade payables		60	186
Current liabilities other than provisions		**60**	**186**
Liabilities other than provisions		**60**	**193**
Equity and liabilities		**689,404**	**696,821**
Events after the balance sheet date	1		
Contingent liabilities	7		
Related parties with controlling interest	8		
Transactions with related parties	9		

Parent statement of changes in equity for 2021

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	7,557	109	0	688,962	696,628
Exchange rate adjustments	0	77	0	0	77
Fair value adjustments of hedging instruments	0	0	581	0	581
Other entries on equity	0	0	0	(1,745)	(1,745)
Tax of entries on equity	0	0	(128)	0	(128)
Transfer to reserves	0	(180)	180	0	0
Profit/loss for the year	0	0	0	(6,069)	(6,069)
Equity end of year	**7,557**	**6**	**633**	**681,148**	**689,344**

Notes to parent financial statements

1 Events after the balance sheet date

The management noted that the worldwide Covid-19 outbreak may still affect Company's performance in most markets. However, it is not possible for the management at the time of financial reporting to further quantify such potential effect.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report. The war in Ukraine which started at the end of February 2022 has not had and is not expected to have a significant impact on the GUBI Group's financial position and development, as the GUBI Group has no significant sales or significant suppliers in the countries concerned.

2 Other financial income

	2021 DKK'000	2020 6 months DKK'000
Financial income from group enterprises	52	0
Other financial income	0	74
	52	**74**

3 Other financial expenses

	2021 DKK'000	2020 6 months DKK'000
Other interest expenses	34	7
Other financial expenses	0	10
	34	**17**

4 Tax on profit/loss for the year

	2021 DKK'000	2020 6 months DKK'000
Current tax	(9)	7
	(9)	**7**

5 Proposed distribution of profit and loss

	2021 DKK'000	2020 6 months DKK'000
Retained earnings	(6,069)	(11,410)
	(6,069)	**(11,410)**

6 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	748,452
Additions	393
Disposals	(5,106)
Cost end of year	**743,739**
Impairment losses beginning of year	(55,154)
Exchange rate adjustments	77
Share of profit/loss for the year	(6,418)
Fair value adjustments	453
Other adjustments	(1,745)
Reversal regarding disposals	376
Impairment losses end of year	**(62,411)**
Carrying amount end of year	**681,328**

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

7 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

8 Related parties with controlling interest

Axcel V K/S, Nørregade 21, 1165 Copenhagen K, owns 56,53% of the shares in the company, and thus has the controlling interest.

9 Non-arm's length related party transactions

With reference to the Danish Financial Statements Act § 98c, section 4, there have been no transactions with related parties that have not been completed at normal market conditions.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

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

Non-comparability
The Company has changed the financial year, consequently the comparison figures contain six months (1.7.2020 - 31.12.2020) and the current figures contains twelve months (1.1.2021 - 31.12.2021). Therefore the two periods can not be directly compared.

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

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

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

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

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

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

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

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Foreign currency translation

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

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

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

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Income statement

Revenue

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

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income
Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, 4including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 20 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.
Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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

indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 3 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3 years.

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

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

Property, plant and equipment
Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the manufacturing process are recognised in cost based on time spent on each asset.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

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

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

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 20 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 20 years.

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

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

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

Tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

Cash
Cash comprises cash in hand and bank deposits.

Minority interests
On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions
Provisions comprise provisions for warranty and provisions for fairness. Provisions for warranty are obligations to repair products within the warranty period, whereas provisions for fairness are obligations to repair products after the end of the warranty period.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

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

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

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.