

Oase Outdoors ApS
Kornvej 9
7323 Give
Business Registration No
51592018

Annual report 2017

The Annual General Meeting adopted the annual report on

3/5 2018

Chairman of the General Meeting


Name: Jørgen Pedersen

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Entity details

Entity

Oase Outdoors ApS
Kornvej 9
7323 Give

Central Business Registration No (CVR): 51592018

Registered in: Vejle

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Robin Kristofer Molvin, Chairman

Patrick Birger Kortman

Johannes Leonard Falkenburg

Ole Holm

Jeanette Aaen

Executive Board

Henrik Arens, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Oase Outdoors ApS for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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.

Give, 01.02.2018

Executive Board



Henrik Arens
CEO

Board of Directors




Robin Kristofer Molvin
Chairman

Ole Holm



Patrick Birger Kortman



Jeanette Aaen



Johannes Leonard Falkenburg

Independent auditor's report

To the shareholders of Oase Outdoors ApS

Opinion

We have audited the financial statements of Oase Outdoors ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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 financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of 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 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 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 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:

Independent auditor's report

- 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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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.

Independent auditor's report

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

Aarhus, 01.02.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556



Thomas Rosquist Andersen

State Authorised Public Accountant

Identification No (MNE) 31482

Management commentary

	2017	2015/16	2014/15	2013/14	2012/13
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Financial highlights					
Key figures					
Gross profit	116.650	125.002	92.922	87.684	81.034
Operating profit/loss	40.379	35.587	30.282	28.330	22.798
Net financials	(1.654)	(1.469)	(1.369)	(1.735)	(2.384)
Profit/loss for the year	30.119	25.076	22.029	19.965	15.107
Total assets	117.194	119.040	56.314	55.261	54.157
Investments in property, plant and equipment	1.102	2.101	2.234	2.138	0
Equity	37.024	33.935	25.184	30.347	15.548
Average numbers of employees	73	66	64	64	63
Ratios					
Return on equity (%)	84,9	84,8	79,3	87,0	130,3
Equity ratio	31,6	29,2	45,7	54,9	28,6
Liquid ratio	139,6	131,9	160,0	204,5	125,4
Return on capital employed	34,2	40,6	54,3	51,8	41,5

FY 2015/16 covers 14 months due to change in reporting date from 31. October to 31. December.

The accounting policies relating to recognition and measurement of investments have been changed from measurement under the equity method to cost in 2015/16. The comparative figures for the third to fifth comparative years have not been restated. The restatement of the comparative figures would have resulted in a decrease in profit, the value of investments and equity.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity
Liquid ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$	The Company's ability to meet its current liabilities
Return on capital employed	$\frac{\text{Operating profit/loss} \times 100}{\text{Average assets}}$	The Company's ability to generate profit based on the contributed capital.

Management commentary

Primary activities

Oase Outdoors ApS is a leading name within the European camping/outdoor sector, distributing our own brand portfolio that comprises Outwell, Robens and Easy Camp, to a retail network that spans 45 countries. In addition to our Danish headquarters we have sales offices in several European countries and long standing representation in Shanghai, China. Our primary activities are innovation, procurement, marketing and sales of camping equipment.

Development in activities and finances

Continued focus on innovation and product development has again this year been recognized through achievement of several industry awards.

The income statement shows a profit of 30,1 MDKK compared to 25,1 MDKK last year and the balance sheet shows an equity of 37,0 MDKK compared to 33,9 MDKK. Management considers this a satisfactory result.

Comparison year is adversely affected by two factors. Comparison year encompasses a 14-month period from 1 November 2015 to 31 December 2016. Due to the seasonal characteristic of the business the comparison figures are negative affected by the extended period as well as transaction related costs in 2016 had an adverse affect on the income statement.

Outlook

Oase Outdoors Group will continue to develop and strengthen its market position both product wise and geographically and expect a financial development in line with recent years.

Events after the balance sheet date

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

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2015/16 DKK</u>
Gross profit		116.649.510	125.001.672
Distribution costs	1	(30.763.538)	(30.582.269)
Administrative expenses	1, 2	(45.507.386)	(58.659.699)
Other operating expenses		<u>0</u>	<u>(172.548)</u>
Operating profit/loss		40.378.586	35.587.156
Other financial income		416.238	363.280
Other financial expenses		<u>(2.070.329)</u>	<u>(1.832.301)</u>
Profit/loss before tax		38.724.495	34.118.135
Tax on profit/loss for the year	3	<u>(8.605.874)</u>	<u>(9.041.737)</u>
Profit/loss for the year	4	<u>30.118.621</u>	<u>25.076.398</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2015/16 DKK</u>
Completed development projects		0	126.005
Development projects in progress		<u>1.074.000</u>	<u>0</u>
Intangible assets	5	<u>1.074.000</u>	<u>126.005</u>
Other fixtures and fittings, tools and equipment		2.157.543	1.996.782
Leasehold improvements		<u>884.129</u>	<u>1.251.245</u>
Property, plant and equipment	6	<u>3.041.672</u>	<u>3.248.027</u>
Investments in group enterprises		1.030.040	990.800
Other receivables		<u>1.055.779</u>	<u>1.055.779</u>
Fixed asset investments	7	<u>2.085.819</u>	<u>2.046.579</u>
Fixed assets		<u>6.201.491</u>	<u>5.420.611</u>
Manufactured goods and goods for resale		<u>85.811.979</u>	<u>83.177.459</u>
Inventories		<u>85.811.979</u>	<u>83.177.459</u>
Trade receivables		7.431.377	4.731.711
Receivables from group enterprises		162.377	370.552
Deferred tax	8	1.666.476	3.642.042
Other receivables	9	1.609.634	9.615.706
Prepayments	10	<u>10.470.469</u>	<u>9.728.796</u>
Receivables		<u>21.340.333</u>	<u>28.088.807</u>
Cash		<u>3.840.326</u>	<u>2.353.173</u>
Current assets		<u>110.992.638</u>	<u>113.619.439</u>
Assets		<u>117.194.129</u>	<u>119.040.050</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2015/16 DKK</u>
Contributed capital	11	200.000	200.000
Reserve for development expenditure		1.074.000	0
Retained earnings		<u>35.749.632</u>	<u>33.735.340</u>
Equity		<u>37.023.632</u>	<u>33.935.340</u>
Other provisions	12	<u>659.363</u>	<u>835.172</u>
Provisions		<u>659.363</u>	<u>835.172</u>
Bank loans		44.604.252	46.055.593
Trade payables		14.221.952	20.913.843
Payables to group enterprises		2.309.092	3.050.381
Income tax payable		613.744	0
Other payables	13	<u>17.762.094</u>	<u>14.249.721</u>
Current liabilities other than provisions		<u>79.511.134</u>	<u>84.269.538</u>
Liabilities other than provisions		<u>79.511.134</u>	<u>84.269.538</u>
Equity and liabilities		<u>117.194.129</u>	<u>119.040.050</u>
Contingent liabilities	14		
Assets charged and collateral	15		
Transactions with related parties	16		
Group relations	17		

Statement of changes in equity for 2017

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	200.000	0	33.735.340	0
Extraordinary dividend paid	0	0	0	(17.000.000)
Value adjustments	0	0	(12.859.395)	0
Tax of entries on equity	0	0	2.829.066	0
Transfer to reserves	0	1.074.000	(1.074.000)	0
Profit/loss for the year	0	0	13.118.621	17.000.000
Equity end of year	200.000	1.074.000	35.749.632	0
				Total DKK
Equity beginning of year				33.935.340
Extraordinary dividend paid				(17.000.000)
Value adjustments				(12.859.395)
Tax of entries on equity				2.829.066
Transfer to reserves				0
Profit/loss for the year				30.118.621
Equity end of year				37.023.632

Notes

	2017	2015/16
	DKK	DKK
1. Staff costs		
Wages and salaries	33.496.056	43.154.032
Other social security costs	811.461	623.928
Other staff costs	1.449.189	2.055.826
	35.756.706	45.833.786
Number of employees at balance sheet date	73	66
	Remunera-	Remunera-
	tion of	tion of
	manage-	manage-
	ment	ment
	2017	2015/16
	DKK	DKK
Total amount for management categories	3.200.730	6.285.949
	3.200.730	6.285.949
	2017	2015/16
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	126.005	176.428
Depreciation on property, plant and equipment	1.297.004	1.797.985
	1.423.009	1.974.413
	2017	2015/16
	DKK	DKK
3. Tax on profit/loss for the year		
Current tax	3.801.242	13.682.203
Change in deferred tax	4.804.632	(4.640.466)
	8.605.874	9.041.737

Notes

	2017	2015/16
	DKK	DKK
4. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	17.000.000	0
Retained earnings	<u>13.118.621</u>	<u>25.076.398</u>
	<u>30.118.621</u>	<u>25.076.398</u>
	Completed	Develop-
	develop-	ment
	ment	projects in
	projects	progress
	DKK	DKK
5. Intangible assets		
Cost beginning of year	840.557	0
Additions	<u>0</u>	<u>1.074.000</u>
Cost end of year	<u>840.557</u>	<u>1.074.000</u>
Amortisation and impairment losses beginning of year	(714.552)	0
Amortisation for the year	<u>(126.005)</u>	<u>0</u>
Amortisation and impairment losses end of year	<u>(840.557)</u>	<u>0</u>
Carrying amount end of year	<u>0</u>	<u>1.074.000</u>

Development projects

Development projects comprise IT projects for internal use.

Completion of development projects in progress is expected within 1 year. The projects are expected to generate income through increased sales.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are expected to be 3-5 years. The need for further impairment is reassessed annually.

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
6. Property, plant and equipment		
Cost beginning of year	12.390.992	5.122.889
Additions	1.102.009	0
Disposals	<u>(861.954)</u>	<u>0</u>
Cost end of year	<u>12.631.047</u>	<u>5.122.889</u>
Depreciation and impairment losses beginning of year	(10.394.210)	(3.871.644)
Depreciation for the year	(929.888)	(367.116)
Reversal regarding disposals	<u>850.594</u>	<u>0</u>
Depreciation and impairment losses end of year	<u>(10.473.504)</u>	<u>(4.238.760)</u>
Carrying amount end of year	<u>2.157.543</u>	<u>884.129</u>
	Investments in group enterprises DKK	Other receivables DKK
7. Fixed asset investments		
Cost beginning of year	990.800	2.282.691
Additions	<u>39.240</u>	<u>0</u>
Cost end of year	<u>1.030.040</u>	<u>2.282.691</u>
Impairment losses beginning of year	<u>0</u>	<u>(1.226.912)</u>
Impairment losses end of year	<u>0</u>	<u>(1.226.912)</u>
Carrying amount end of year	<u>1.030.040</u>	<u>1.055.779</u>

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>	<u>Equity DKK</u>	<u>Profit/loss DKK</u>
Investments in group enterprises comprise:					
Oase Outdoors Shanghai	Kina	Ltd	100,0	1.034.636	45.770
Oase Outdoors Ltd	England	Ltd	100,0	603.682	176.733
Oase Outdoors GmbH	Tyskland	GmbH	100,0	199.268	13.110
OA Outdoors AB	Sverige	AB	100,0	N/A	N/A

2017
DKK

8. Deferred tax

Changes during the year

Beginning of year	3.642.042
Recognised in the income statement	(4.804.632)
Recognised directly in equity	<u>2.829.066</u>
End of year	<u>1.666.476</u>

9. Other receivables

	<u>2017 DKK</u>	<u>2015/16 DKK</u>
Other receivables	<u>1.609.634</u>	<u>9.615.706</u>
	<u>1.609.634</u>	<u>9.615.706</u>

Other receivables include a positive fair value of the forward exchange contracts of DKK 940k. The forward exchange contracts have been acquired to hedge the foreign currency risk of sale of goods in GBP.

The fair value adjustment is recognised in equity and is expected to be realised and recognised in the income statement after the balance sheet date.

The forward exchange contracts have a term of 0-6 months.

Notes

10. Prepayments

Prepayments comprise accrued prepayments, etc.

11. Contributed capital

The contributed capital of DKK 200,000 is composed of:

A shares: 24,000

B shares: 176,000

The Company's share capital has been unchanged over the past five years.

12. Other provisions

Other provisions comprise primarily warranty provisions.

	<u>2017</u>	<u>2015/16</u>
	<u>DKK</u>	<u>DKK</u>
13. Other payables		
Wages and salaries, personal income taxes, social security costs, etc payable	3.907.266	4.793.734
Other costs payable	<u>13.854.828</u>	<u>9.455.987</u>
	<u>17.762.094</u>	<u>14.249.721</u>

Other payables include a negative fair value of forward exchange contracts of DKK 7.384k. The forward exchange contracts have been acquired to hedge the foreign currency risk of sale of goods in GBP and purchase of goods in USD.

The fair value adjustment is recognised in equity and is expected to be realised and recognised in the income statement after the balance sheet date.

The forward exchange contracts have a term of 0-6 months.

14. Contingent liabilities

Rental and lease obligations comprise rental obligations of a total of DKK 18,500k until 2027.

Furthermore, contingent liabilities comprise operating leases on cars of DKK 1,121k.

The Entity participates in a Danish joint taxation arrangement with RF af 20.12.2015 A/S serving as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2015/16 for income taxes etc. for the jointly taxed entities and from 1 July 2012 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.

Notes

15. Assets charged and collateral

Moreover, the Company has provided a guarantee consisting of an import letter of credit of DKK 2,325k.

16. Transactions with related parties

Disclosure on related party transactions has been omitted referring to section 98c(7) of the Danish Financial Statements Act. There have not been any transactions with the Company's Executive Board and Board of Directors apart from management remuneration etc., which is disclosed in note 1.

17. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Ratos AB, Sweden

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Ratos AB, Sweden

Accounting policies

Reporting class

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

Consolidated financial statements

Referring to S. 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Oase Outdoors ApS and its group enterprises are included in the consolidated financial statements of Ratos AB.

Non-comparability

As the Company has changed financial period last year, the income statement covers 12 months and the comparative figures covers 14 months.

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.

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.

Accounting policies

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

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

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

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

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

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Accounting policies

Other financial income

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

Other financial expenses

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

Tax on profit/loss for the year

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

Balance sheet

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 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 of 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 10 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.

Accounting policies

Property, plant and equipment

Land and buildings, plant and machinery as well as 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.

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:

Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5 years

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

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

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

Receivables

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

Inventories

Inventories are measured at the lower of cost using weighted average 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.

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

Deferred tax

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

Accounting policies

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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs for warranty commitments.

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

Other financial liabilities

Other financial liabilities are measured at amortised cost.

Income tax receivable or payable

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.

Cash flow statement

Referring to S. 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared as the higher-level parent Ratos AB prepares a consolidated cash flow statement in which the Company's cash flows are included.