

Oase Outdoors ApS

Kornvej 9

7323 Give

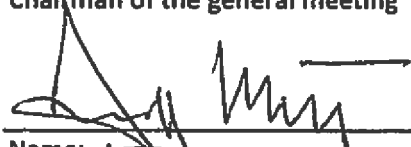
Denmark

Business registration no. 51592018

Annual report 2019

The Annual General Meeting adopted the annual report on ²⁵/₁₃ 2020

Chairman of the general meeting


Name: ANDERS SCETTKENSKEN

Oase Outdoors ApS
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Oase Outdoors ApS
Entity details

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Entity

Oase Outdoors ApS
Kornvej 9
7323 Give

Central Business Registration No (CVR): 51592018
Registered in: Vejle
Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Lars Anders Slettengren
Terese Anna Marie Svensson
Jacob Emil Kristofer Landén
Henrik Frank Arens

Executive Board

Henrik Frank Arens

Auditors

Ernst & Young P/S
Værkmestergade 25
8000 Aarhus C

The Board of Directors and the Executive Board have today considered and approved the annual report of Oase Outdoors ApS for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 02.03.2020

Executive Board



Henrik Frank Arens

Board of Directors


Lars Anders Slattengren
Terese Anna Marie Svensson
Jacob Emil Kristofer Landén
Henrik Frank Arens

To the shareholders of Oase Outdoors ApS

Opinion

We have audited the financial statements of Oase Outdoors ApS for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

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

Aarhus, 02.03.2020

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Ole Hedemann

State Authorised Public Accountant
mne 14949



Jonas Busk

State Authorised Public Accountant
mne 42771

	<u>2019</u> DKK'000	<u>2018</u> DKK'000	<u>2017</u> DKK'000	<u>2015/16</u> DKK'000	<u>2014/15</u> DKK'000
Financial highlights					
Key figures					
Gross profit	91.094	103.718	116.650	125.002	92.922
Operating profit/loss	6.128	25.283	40.379	35.587	30.282
Net financials	-4.507	-2.332	-1.654	-1.469	-1.369
Profit/loss for the year	1.145	17.803	30.119	25.076	22.029
Total assets	126.426	153.091	117.194	119.040	56.314
Investments in property, plant and equipment	943	1.456	1.102	2.101	2.234
Equity	21.026	43.212	37.024	33.935	25.184
Average numbers of employees	75	73	73	66	64
Ratios					
Return on equity (%)	3,6	44,4	84,9	84,8	79,3
Equity ratio	16,6	28,2	31,6	29,2	45,7
Liquid ratio	116,8	136,0	139,6	131,9	160,0
Return on capital employed	4,4	18,7	34,2	40,6	54,3

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 fourth 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

Primary activities

Oase Outdoors ApS is a leading name within the European Camping, Caravanning and Outdoor sector, distributing our own brand portfolio that comprises Outwell, Robens and Easy Camp, to a retail network that spans 48 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

This year, continued focus on innovation and product development has again been recognized through the presentation of several prestigious industry awards.

The income statement shows a profit of 1.1 MDKK compared to 17.8 MDKK last year and the balance sheet shows an equity of 21.0 MDKK compared to 43,2 MDKK. Compared to previous expressed expectations the profit has been negatively affected by quality issues referred to in note 1. The Management do not consider the result as satisfactory.

Outlook

Oase Outdoors Group will continue to develop and strengthen its product and geographical market position. The 2019 quality issues on the Air tents was an isolated production error which is now solved and will not affect future profitability. The Group expect same level of turnover but with a significant improved profit.

Events after the balance sheet date

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

Oase Outdoors ApS
Income statement

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	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Gross profit		91.093.844	103.718.157
Distribution costs	2	-34.376.394	-33.126.010
Administrative costs	2, 3	-50.589.170	-45.309.525
Operating profit/loss		6.128.280	25.282.622
Financial income	4	27.628	105.808
Financial expenses	5	-4.534.291	-2.437.693
Profit/loss before tax		1.621.617	22.950.737
Income tax	6	-476.882	-5.148.011
Profit/loss for the year	7	1.144.735	17.802.726

Oase Outdoors ApS
Balance sheet at 31.12.2019

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	<u>Notes</u>	<u>2.019 DKK</u>	<u>2018 DKK</u>
Completed development projects		1.381.172	2.255.468
Intangible assets	8	<u>1.381.172</u>	<u>2.255.468</u>
Fixtures and fittings, tools and equipment		1.545.315	1.412.221
Leasehold improvements		679.844	1.189.481
Property, plant and equipment	9	<u>2.225.159</u>	<u>2.601.702</u>
Investments in group enterprises		1.127.588	1.104.540
Other receivables		1.055.779	1.055.779
Fixed asset investments	10	<u>2.183.367</u>	<u>2.160.319</u>
Fixed assets		<u>5.789.698</u>	<u>7.017.489</u>
Manufactured goods and goods for resale		101.238.124	117.080.452
Inventories		<u>101.238.124</u>	<u>117.080.452</u>
Trade receivables		6.525.604	7.406.053
Receivables from group enterprises		22.327	376
Deferred tax	14	1.426.508	0
Other receivables	11	2.483.286	9.817.264
Prepayments	12	7.213.987	8.768.229
Receivables		<u>17.671.712</u>	<u>25.991.922</u>
Cash		<u>1.726.404</u>	<u>3.001.006</u>
Current assets		<u>120.636.240</u>	<u>146.073.380</u>
Assets		<u>126.425.938</u>	<u>153.090.869</u>

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital	13	200.000	200.000
Reserve for development expenditure		1.077.314	2.305.698
Retained earnings		19.748.790	40.706.139
Equity		<u>21.026.104</u>	<u>43.211.837</u>
Deferred tax	14	0	1.273.342
Other provisions	15	2.135.481	1.167.117
Provisions		<u>2.135.481</u>	<u>2.440.459</u>
Bank loans		70.465.850	63.109.446
Trade payables		17.856.788	26.386.799
Payables to group enterprises		4.666.698	5.239.611
Income tax payable		986.320	5.261.122
Other payables	16	9.288.697	7.441.595
Current liabilities other than provisions		<u>103.264.353</u>	<u>107.438.573</u>
Liabilities other than provisions		<u>103.264.353</u>	<u>107.438.573</u>
Equity and liabilities		<u>126.425.938</u>	<u>153.090.869</u>
Special items	1		
Contingent liabilities	17		
Assets charged and collateral	18		
Transactions with related parties	19		
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Statement of changes in equity

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed extraordinary dividend DKK	Total DKK
Equity beginning of year	200.000	2.305.698	40.706.139	0	43.211.837
Extraordinary dividend paid	0	0	0	-15.500.000	-15.500.000
Value adjustments	0	0	-10.039.062	0	-10.039.062
Tax of entries on equity	0	0	2.208.594	0	2.208.594
Transfer to reserves	0	-1.228.384	1.228.384	0	0
Profit/loss for the year	0	0	-14.355.265	15.500.000	1.144.735
Equity end of year	200.000	1.077.314	19.748.790	0	21.026.104

1 Special items

Profit has been significantly affected by quality issues in 2019. Quality issues with a larger number of new launched air tents ranges were discovered in spring 2019. To ensure the known high quality of Outwell tents, air tubes had to be replaced. Costs incurred have had a negative impact on gross profit. As an overall result Turnover and Profit was thereby negatively affected by this recall and replacement action. The 2019 quality problems are considered to be a one-off event and is not expected to effect future results negatively.

	2019	2018
	DKK	DKK
2 Staff costs		
Wages and salaries	33.378.427	32.378.356
Pensions	2.379.206	2.322.636
Other social security costs	505.368	576.717
	36.263.001	35.277.709
Average number of employees	75	73
	2019	2018
	DKK	DKK
Remuneration of management		
Total amount for management categories	3.393.293	3.300.374
	3.393.293	3.300.374
	2019	2018
	DKK	DKK
3 Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.008.171	642.285
Depreciation on property, plant and equipment	1.306.809	1.343.834
	2.314.980	1.986.119
	2019	2018
	DKK	DKK
4 Financial income		
Financial income arising from group enterprises	0	15.017
Other financial income	27.628	90.791
	27.628	105.808

	<u>2019</u> DKK	<u>2018</u> DKK
5 Financial expense		
Financial expenses arising from group enterprises	225.036	110.204
Other financial income	4.309.255	2.327.489
	<u>4.534.291</u>	<u>2.437.693</u>
	<u>2019</u> DKK	<u>2018</u> DKK
6 Tax on profit/loss for the year		
Current tax	-968.138	-5.278.457
Change in deferred tax	491.256	130.446
	<u>-476.882</u>	<u>-5.148.011</u>
	<u>2019</u> DKK	<u>2018</u> DKK
7 Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	15.500.000	22.500.000
Retained earnings	-14.355.265	-4.697.274
	<u>1.144.735</u>	<u>17.802.726</u>
		Completed development projects DKK
8 Intangible assets		
Cost beginning of year		3.738.310
Additions		133.875
Cost end of year		<u>3.872.185</u>
Amortisation and impairment losses beginning of year		1.482.842
Amortisation for the year		1.008.171
Amortisation and impairment losses end of year		<u>2.491.013</u>
Carrying amount end of year		<u>1.381.172</u>

Development projects

Development projects comprise IT projects for internal use.

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

Oase Outdoors ApS Notes	Fixtures and fittings, tools and equipment DKK	14 Leasehold improvements DKK
9 Property, plant and equipment		
Cost beginning of year	11.437.349	5.906.586
Additions	943.086	0
Disposals	-574.291	0
Cost end of year	11.806.144	5.906.586
Depreciation and impairment losses beginning of year	10.025.128	4.717.105
Depreciation for the year	797.172	509.637
Reversal regarding disposals	-561.471	0
Depreciation and impairment losses end of year	10.260.829	5.226.742
Carrying amount end of year	1.545.315	679.844
	Investments in group enterprises DKK	Other receivables DKK
10 Fixed asset investments		
Cost beginning of year	1.104.540	2.282.691
Additions	23.048	0
Cost end of year	1.127.588	2.282.691
Impairment losses beginning of year	0	1.226.912
Impairment losses end of year	0	1.226.912
Carrying amount end of year	1.127.588	1.055.779
	Equity DKK	Profit/loss DKK
Investments in group enterprises comprise:	Registered in	
Oase (Shanghai) Outdoor Products Trade Co. Ltd, 100% equity interest	China	1.033.431 45.296
Oase Outdoors Ltd, 100% equity interest	England	946.320 153.749
Oase Outdoors GmbH, 100% equity interest	Germany	473.258 141.619
OA Outdoors AB, 100% equity interest	Sweden	63.169 26.957
Oase Outdoors BV, 100% equity interest	The Netherlands	59.310 -15.380

Oase Outdoors AS, Norway, is established in 2019 with 100% equity interest. The company has not yet filed the first annual report.

	<u>2019</u> DKK	<u>2018</u> DKK
11 Other receivables		
Forward exchange contracts	1.013.824	9.014.307
Other receivables	1.469.462	802.955
	<u>2.483.286</u>	<u>9.817.262</u>

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 0-3 months.

12 Prepayments

Prepayments comprise accrued prepayments, etc.

13 Contributed capital

The contributed capital of DKK 200.000 is composed of:

A shares: 24 shares of DKK 1.000 each. A total of DKK 24.000

B shares: 8 shares of DKK 22.000 each. A total of DKK 176.000

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

	<u>2019</u> DKK	<u>2018</u> DKK
14 Deferred tax		
Changes during the year		
Beginning of year	-1.273.342	1.666.476
Recognised in the income statement	491.256	130.446
Recognised directly in equity	2.208.594	-3.070.264
End of year	<u>1.426.508</u>	<u>-1.273.342</u>

15 Other provisions

Other provisions comprise primarily warranty provisions.

	2019	2018
	DKK	DKK
	<u> </u>	<u> </u>
16 Other payables		
Wages, salaries, personal income taxes, social security costs etc. payable	3.812.062	3.710.271
Forward exchange contracts	3.056.617	0
Other costs payable	2.420.018	3.731.322
	<u>9.288.697</u>	<u>7.441.593</u>

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 of foreign exchange contracts 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 0-9 months.

17 Contingent liabilities

Rental and lease obligations comprise rental obligations of a total of DKK 14,807k until 2027. Furthermore, contingent liabilities comprise operating leases on cars of DKK 86k.

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 September 2016 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.

18 Assets charged and collateral

Moreover, the Company has provided a guarantee consisting of an import letter of credit of DKK 379k.

19 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 2

20 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

The annual report for Ratos AB can be acquired on cvr.dk along with the annual report for Oase Outdoors ApS.

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.

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 nonmonetary assets that have been purchased in foreign currencies are translated using historical rates.

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

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

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

Production costs

Production costs 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.

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.

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.

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 of goods consists of purchase price, customs duties and delivery costs.

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

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.

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

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.