
Ingram Micro Mobility Denmark A/S

Kolding Åpark 1, 1. sal, DK-6000 Kolding

Annual Report for 2018

CVR No 77 16 49 28

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/5 2019

William Van Kerkvoorde
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Ingram Micro Mobility Denmark A/S for the financial year 1 January - 31 December 2018.

The Annual Report is 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 at 31 December 2018 of the Company and of the results of the Company operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Kolding, 31 May 2019

Executive Board

Jens Jakob Kvist-Sørensen

Board of Directors

William Van Kerkvoorde
Chairman

Karel Victor Everaet

Kris Emile Paul Mees

Independent Auditor's Report

To the Shareholder of Ingram Micro Mobility Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Ingram Micro Mobility Denmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

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 misstate-

Independent Auditor's Report

ment, 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 about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor's Report

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.

Hellerup, 31 May 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen

State Authorized Public Accountant

mne18651

Henrik Forthoft Lind

State Authorized Public Accountant

mne34169

Company Information

The Company

Ingram Micro Mobility Denmark A/S
Kolding Åpark 1, 1. sal
DK-6000 Kolding

CVR No: 77 16 49 28
Financial period: 1 January - 31 December
Municipality of reg. office: Kolding

Board of Directors

William Van Kerkvoorde, Chairman
Karel Victor Everaet
Kris Emile Paul Mees

Executive Board

Jens Jakob Kvist-Sørensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Bankers

Nordea Bank A/S

Financial Highlights

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

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Key figures					
Profit/loss					
Revenue	1.393.551	1.677.183	1.855.966	1.508.786	896.694
Gross profit/loss	40.522	55.407	45.816	29.694	22.387
Profit/loss before financial income and expenses	8.144	19.214	22.492	9.442	4.424
Net financials	-3.083	-5.296	-5.855	-7.138	-2.004
Net profit/loss for the year	3.826	11.061	12.830	3.458	1.997
Balance sheet					
Balance sheet total	322.574	408.043	476.412	362.561	295.955
Equity	114.324	110.497	99.436	86.606	83.148
Investment in property, plant and equipment	30	214	1.591	316	0
Number of employees	51	54	41	34	28
Ratios					
Gross margin	2,9%	3,3%	2,5%	2,0%	2,5%
Profit margin	0,6%	1,1%	1,2%	0,6%	0,5%
Return on assets	2,5%	4,7%	4,7%	2,6%	1,5%
Solvency ratio	35,4%	27,1%	20,9%	23,9%	28,1%
Return on equity	3,4%	10,5%	13,8%	4,1%	2,4%

For definitions, see under accounting policies.

Management's Review

Financial Statements of Ingram Micro Mobility Denmark A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The Company's main activity is wholesale of mobile phones and similar items. In Denmark we only have sales, product management and back-office functions. Our warehouse and logistic is operated out of Sweden.

Development in the year

The income statement of the Company for 2018 shows a profit of TDKK 3,826, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 114,324.

The past year and follow-up on development expectations from last year

The Danish telecom market is mature and stabile. Competition among the different manufactures is fierce and led to minor changes in manufacture market share compared to 2018, but with two to three brands dominating the market. The overall market for mobile devices decreased in both volume and value in 2018 compared to 2017.

Ingram Micro Mobility Denmark A/S has in 2018 managed to slightly grow market share through 2018 and continued to strengthen the market position, by meeting the growing demands from customers and vendors, but the overall market decrease impacted the company's revenue and profit.

This result of the year is not in line with our expectations.

Special risks - operating risks and financial risks

Operating risks

The company does not see environment or climate changes, human rights nor anti-bribery as a major risk to our activity in Denmark, and we therefore do not have any specific actions other than what is described below in the sections; Environmental Stewardship, Our Code of Conduct and human rights.

Loosing talent is a potential risk for the company. We have a genuine interest in having satisfied and motivated associates. In section "Our Workplace" Ingram Micros promise to its associates is described. In Ingram Micro Mobility Denmark A/S we use an employee satisfaction survey to measure this. The management team discuss the results and uses this to improve the employee satisfaction.

Management's Review

Market risks

Ingram Micro Mobility Denmark A/S is influenced by the risks that apply to the telecommunication business and in particular the changes that take place in the area of mobile telephony.

Our revenues, profitability, financial position and cash flows are highly dependent on the broader movements of the macroeconomics environment.

Foreign exchange risks

The company is also exposed to risk related to foreign currency Euro. In particular, we are exposed to the changes in the value of the DKK versus mainly EUR in the purchase of goods and services – to minimize the risk we apply hedging.

A conservative strategy is followed to anticipate possible risks including depreciation of trade receivables and aging inventories.

Credit risks

Ingram Micro Mobility Denmark A/S is exposed to credit risks and loss on bad debt. To handle this, we have apply for credit insurance on all customers and any own risk is only through a thorough credit rating from our Nordic Credit department located in Stockholm, Sweden. Ingram Micro Mobility Denmark A/S follows our corporate policies on credit and reservation on bad debt and aging receivables.

Targets and expectations for the year ahead

Ingram Micro Mobility Denmark A/S expects an increase in revenue and profit & loss. The company's operations are expected to generate positive cash flow in 2019 as for 2018.

Management's Review

Statement of corporate social responsibility

Ingram Micro's vision is; With Ingram Micro, the world will realize the promise of technology™. To achieve this our Global Leadership set the "Tenets of our Success", which are a dedicated set of shared principles that unites and guides employees to better decisions and behaviour enabling us to focus on achieving success. The five tenants are Results, Integrity, Imagination, Courage, Responsibility and Talent.

Ingram Micro Mobility Denmark A/S follows these five tenants along with Ingram Micro's policies concerning social responsibilities. Social Responsibility covers five areas at Ingram Micro.

Environmental Stewardship.

Ingram Micro's key environmental targets are to reduce GHG emissions with 10% by 2020 over 2015, GHG emissions intensity reductions 12% by 2020 over 2015, increase in renewable energy, 5% of total electricity consumption by 2020 and solid waste reduction of 5% in 2018 over 2017. The Global Ingram Micro target and results can be read in our CSR Report for 2018 which will be released in August 2019 and can be found using the following link: <https://corp.ingrammicro.com/About-Us/Social-Responsibility/CRS-Report.aspx>.

Based on the nature of our operations in Denmark, which relates mainly to sale, procurement, administration and other office functions, see "Main Activity" above, we have assessed that the environmental impact of our activities is less material. Hence, we have not implemented any policies in the area and have not setup KPI's for this.

We do however to reduce electronic waste, have a buyback service for mobile devices, where customers can sell their used devices and if the device is usable it will be refurbished and reused. Also we use EL-Return to live up to our responsibilities within the EU WEEE directive to collect used batteries. This is a part of our business and not an environment policy.

Our Workplace.

Ingram Micro offers a dynamic workplace inspired by the pace of technology. Our culture is shaped by our core values and the exceptional people who integrate them into their daily decisions and activities. We strive to create an equitable and inclusive work environment that fosters the well-being of our associates, promotes teamwork and rewards performance. Diversity is a key contributor to our success and support is given to personal growth and professional advancement of associates with diverse backgrounds.

Ingram Micro is committed to provide a safe work environment for all associates. Both physical and psychological safety. We are committed to a workplace free of harassment and discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information or marital status. This policy applies to hiring and employment practices, including

Management's Review

wage payments, promotions, rewards, and access to training, among others.

In 2016 Women's Leadership Initiative was launched globally to champion women in their pursuit of leadership roles, through a support network, workshops and forums female employees are encouraged to take the next step in their careers. Also, when recruiting associates and leaders we strive to achieve diversity in gender, age, religion and ethnicity.

The focus in Denmark has been on employee satisfaction in 2018. We measure the employee's satisfaction by having quarterly Puls questionnaires. Associates are asked 7 questions and can rate how strong they agree or disagree. A score is calculated, and the result is discussed and evaluated by the management team. The satisfaction has increased year over year but can still be improved.

Our Code of Conduct.

Our business standards for ethical, honest and legal practices are outlined in our Code of Conduct. The Code of Conduct explain the associate's responsibilities and how to reach. The Code set the expectation for all associates to conform to the highest standard of legal and ethical conduct, including compliance to laws and regulations of the countries in which we do business. It is very clear what to do and where to report if you see any violations of the Code of Conduct. Among many the key policies are:

Anti-Boycott. As a US based company Ingram Micro complies with all U.S. Anti-Boycott laws.

Anti-Bribery. We have strict rules that Bribery in any form is prohibited and a detailed Anti Bribery Policy. To ensure all associates are aware a mandatory online training and test was carried out in July 2018.

Anti-Trust and Competition Laws. Ingram Micro anti-trust or competition laws including the prohibitions on fixing prices or margins with our competitors. In January 2019 Ingram Denmark held a mandatory seminar for all associates where our legal department conducted training in Anti-Trust and competition laws.

In connection to the Code of Conduct a Non-Retaliation Policy, to ensure that associates feel secure in reporting in case they become aware of a violation. At Ingram Micro Mobility Denmark A/S we have not had any reported violations.

The Code of Conduct can be found at: <https://ingrammicro.gcs-web.com/static-files/a7485f20-b55c-40e8-a163-3bb2c470cb05>

Since 2016 Ingram Micro has been participating in the Code of Conduct of the Electronic Industry Citizenship Coalition (EICC).

Human rights

At Ingram Micro Mobility Denmark A/S we work diligently to ensure that we respect human rights. As

Management's Review

we operate in Denmark, a highly regulated market, we focus our effort particularly on working with our suppliers and customers. Our code of conduct outlines among others our zero tolerance for child and forced labour and discriminations. Also, that local law is followed on working hours, wages and benefits and humane working conditions and the freedom of Association. We work closely with our suppliers and customers to help them understand our code of conduct the values upon which it is developed. In 2018, all our suppliers and customers have as a minimum signed our code of conduct and we have not during the year identified any breaches hereof.

All Ingram Micro employees are yearly tested in our Ingram Micro code of conduct.

Share of the underrepresented gender

The Board has adopted a target that by the end of 2020 to have one women on the board out of four elected board members. This includes a realization that Ingram Micro Mobility Denmark A/S operates in an industry that is dominated by men. There are currently no women on the board. In 2018 there were no new elected board members.

The management team of Ingram Micro Mobility Denmark consists of five persons. Four men and one woman. For the management team of Ingram Micro Mobility Denmark A/S, the target is to have as equal a management team as possible by 2020. Therefore, the goal is to have two members out of the five from the underrepresented gender, even though the industry and own staff is dominated by men. To succeed in this, we encourage our female associates and their leaders to discuss if they are interested in jobs that would involve leadership and to define what is needed to achieve this, and as mentioned earlier when recruiting we strive to assure diversity.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Revenue	1	1.393.551	1.677.183
Expenses for goods for resale		-1.338.906	-1.610.798
Other external expenses		<u>-14.123</u>	<u>-10.978</u>
Gross profit/loss		40.522	55.407
Staff expenses	2	-30.730	-34.552
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-1.648</u>	<u>-1.641</u>
Profit/loss before financial income and expenses		8.144	19.214
Financial income		489	64
Financial expenses	3	<u>-3.572</u>	<u>-5.360</u>
Profit/loss before tax		5.061	13.918
Tax on profit/loss for the year	4	<u>-1.235</u>	<u>-2.857</u>
Net profit/loss for the year		3.826	11.061

Balance Sheet 31 December

Assets

	Note	2018 TDKK	2017 TDKK
Software		132	245
Goodwill		1.246	2.314
Intangible assets	5	1.378	2.559
Other fixtures and fittings, tools and equipment		937	1.362
Leasehold improvements		42	57
Property, plant and equipment	6	979	1.419
Fixed assets		2.357	3.978
Inventories		96.942	112.106
Trade receivables		197.113	269.885
Receivables from group enterprises		9.849	4.178
Other receivables		13.985	15.583
Deferred tax asset	7	1.354	1.799
Prepayments	8	242	514
Receivables		222.543	291.959
Cash at bank and in hand		732	0
Currents assets		320.217	404.065
Assets		322.574	408.043

Balance Sheet 31 December

Liabilities and equity

	Note	2018 TDKK	2017 TDKK
Share capital		20.001	20.001
Retained earnings		94.323	90.496
Equity	9	114.324	110.497
Credit institutions		0	5
Trade payables		53.107	89.556
Payables to group enterprises		148.434	198.625
Other payables		6.709	9.360
Short-term debt		208.250	297.546
Debt		208.250	297.546
Liabilities and equity		322.574	408.043
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	11		
Related parties	12		
Fee to auditors appointed at the general meeting	13		
Subsequent events	14		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	20.001	90.497	110.498
Net profit/loss for the year	0	3.826	3.826
Equity at 31 December	20.001	94.323	114.324

Notes to the Financial Statements

	2018 TDKK	2017 TDKK
1 Revenue		
Geographical segments		
Revenue, Denmark	1.393.551	1.677.183
	1.393.551	1.677.183
Business segments		
Mobile handsets & mobile accessories	1.393.551	1.677.183
	1.393.551	1.677.183
Ingram Micro Mobility Denmark A/S distributes mobile handsets & mobile accessories, customization services (device configuration software/application loading), customized packaging and flashing, repair, refurbishment & regeneration.		
2 Staff expenses		
Wages and salaries	26.215	27.827
Pensions	3.266	3.169
Other social security expenses	394	411
Other staff expenses	855	3.145
	30.730	34.552
Including remuneration to the Executive Board of:		
Executive Board		2.230
		2.230
Average number of employees	51	54

Remuneration to the Executive Board has not been disclosed in 2018 in accordance with section 98 B(3) of the Danish Financial Statements Act.

Notes to the Financial Statements

	2018 TDKK	2017 TDKK
3 Financial expenses		
Interest paid to group enterprises	1.766	3.408
Other financial expenses	659	475
Exchange loss	1.147	1.477
	3.572	5.360
4 Tax on profit/loss for the year		
Current tax for the year	790	2.686
Deferred tax for the year	445	-165
Adjustment of tax concerning previous years	0	336
	1.235	2.857
5 Intangible assets		
	Software TDKK	Goodwill TDKK
Cost at 1 January	641	3.204
Cost at 31 December	641	3.204
Impairment losses and amortisation at 1 January	396	890
Amortisation for the year	113	1.068
Impairment losses and amortisation at 31 December	509	1.958
Carrying amount at 31 December	132	1.246

Notes to the Financial Statements

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 January	1.827	232
Additions for the year	28	0
Cost at 31 December	1.855	232
Impairment losses and depreciation at 1 January	465	175
Depreciation for the year	453	15
Impairment losses and depreciation at 31 December	918	190
Carrying amount at 31 December	937	42

7 Deferred tax asset

	2018 TDKK	2017 TDKK
Deferred tax asset at 1 January	1.799	1.634
Amounts recognised in the income statement for the year	-445	165
Deferred tax asset at 31 December	1.354	1.799
Intangible assets	-826	-870
Property, plant and equipment	-470	-577
Trade receivables	-38	-133
Tax loss carry-forward	-20	-219
Transferred to deferred tax asset	1.354	1.799
	0	0

Deferred tax has been provided at 22% corresponding to the current tax rate.

Deferred tax asset

Calculated tax asset	1.354	1.799
Carrying amount	1.354	1.799

Notes to the Financial Statements

8 Prepayments

Prepayments consist of prepaid expenses concerning rent and insurance etc.

9 Equity

The share capital consists of 20,001 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

10 Distribution of profit

	2018 TDKK	2017 TDKK
Retained earnings	3.826	11.061
	3.826	11.061

11 Contingent assets, liabilities and other financial obligations

Contingent liabilities

Ingram Micro Mobility Denmark A/S has total contingent liabilities of DKK 5.379k that comprise rent payments DKK 3.449k (2017: DKK 1.503k) and payments under operating leases of operating equipment and cars DKK 1.930k (2017: DKK 2.334k).

The Danish group companies are jointly and severally liable for tax of the Group's jointly taxed income etc. The total amount is stated in the Annual Report of Brightpoint Europe ApS, which is the administration company in relation to joint taxation.

Notes to the Financial Statements

12 Related parties

Basis

Controlling interest

HNA Technology Co Ltd

Ultimate parent company

Ownership

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

Brightpoint Europe ApS
Kolding Åpark 1, 2. sal
DK-6000 Kolding
Denmark

Consolidated Financial Statements

The company is included in the Group Annual Report of

Name

Place of registered office

HNA Technology Co Ltd.

China

13 Fee to auditors appointed at the general meeting

Audit fee to PricewaterhouseCoopers
Other services

2018	2017
TDKK	TDKK
291	364
46	46
337	410

14 Subsequent events

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

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Ingram Micro Mobility Denmark A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK thousand.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of HNA Technology Co Ltd., the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of HNA Technology Co Ltd., the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

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

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

Leases

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Derivative financial instruments

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

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

Segment information on revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

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

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Expenses for goods for resale

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

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as the Company's administration, etc.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 3 years.

Property, plant and equipment

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

Notes to the Financial Statements

15 Accounting Policies (continued)

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

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

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	8	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Inventories

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

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

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

Receivables

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

Prepayments

Prepayments comprise prepaid expenses concerning subsequent reporting years.

Prepayments are measured at cost.

Notes to the Financial Statements

15 Accounting Policies (continued)

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$

Notes to the Financial Statements

15 Accounting Policies (continued)

Return on equity

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