GUBI Group ApS

Klubiensvej 7
2150 Nordhavn
CVR No. 39113139

Annual report 2021

The Annual General Meeting adopted the annual report on 07.04.2022

Anne Sofie Bendix Ranch
Chairman of the General Meeting

Contents

Entity details

Entity

GUBI Group ApS
Klubiensvej 7
2150 Nordhavn

Business Registration No.: 39113139
Registered office: Copenhagen
Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Lars Henrik Munch, Chairman
Asbjørn Mosgaard Hyldgaard, Vice Chairman
Hans Christian Galst
Jacob Gudmund Olsen
Tue Mantoni
Lars Cordt
Jacob Lahn Sloth

Executive Board

Klaus Thyge Høeg-Hagensen
Henriette Schütze

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management on the annual report

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

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

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

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

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

Copenhagen, 03.03.2022

Executive Board

Klaus Thyge Høeg-Hagensen **Henriette Schütze**

Board of Directors

Lars Henrik Munch
Chairman

Asbjørn Mosgaard Hyldgaard
Vice Chairman

Hans Christian Galst

Jacob Gudmund Olsen

Tue Mantoni

Lars Cordt

Jacob Lahn Sloth

Independent auditor's report

To the shareholder of GUBI Group ApS

Opinion

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

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

Basis for opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 03.03.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

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

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

Management commentary

Financial highlights

	2021 DKK'000	2020 6 months DKK'000	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000
Key figures					
Revenue	508,162	211,206	367,805	373,547	0
Gross profit/loss	199,470	84,804	146,321	169,303	(63)
EBITDA	133,654	54,936	93,134	131,052	(63)
EBITDA, normalised for non-recurring costs	144,415	64,988	110,440	135,153	(63)
Operating profit/loss	30,973	4,400	(6,050)	35,647	(63)
Net financials	(22,785)	(14,306)	(27,161)	(27,273)	0
Profit/loss for the year	(10,727)	(18,903)	(43,146)	(12,101)	(63)
Balance sheet total	1,708,200	1,779,775	1,860,616	1,957,379	2,024,778
Investments in property, plant and equipment	0	261	2,516	1,589	0
Equity	1,163,730	1,176,544	1,195,247	1,237,642	1,270,001
Average number of employees	94	86	75	68	0

Ratios					
Gross margin (%)	39.14	39.76	39.78	45.32	0
Equity ratio (%)	68.13	66.11	64.24	63.23	62.72
EBITDA margin (%)	26.20	25.78	25.30	35.10	0
Norm. EBITDA (%)	28.30	30.49	30.00	36.20	0

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

Gross margin (%):
Gross profit * 100
Revenue

Equity ratio (%):
Equity * 100
Balance sheet total

EBITDA margin (%):
EBITDA * 100
Revenue

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

Primary activities

The main activities of GUBI Group ApS (the "Parent"), incl. GUBI A/S and its subsidiaries (jointly referred to as the "Group") are within design and sale of furniture, lighting, and interior products.

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

The Parent's main activities are investments in subsidiaries within design and sale of furniture, lighting, and interior products as well as related activities, including providing management services to GUBI A/S and its subsidiaries

Development in activities and finances

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

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

Profit/loss for the year in relation to expected developments

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

Uncertainty relating to recognition and measurement

No significant uncertainties are attached to recognition and measurement.

Unusual circumstances affecting recognition and measurement

No significant unusual circumstances affecting recognition and measurement have occurred.

Outlook

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

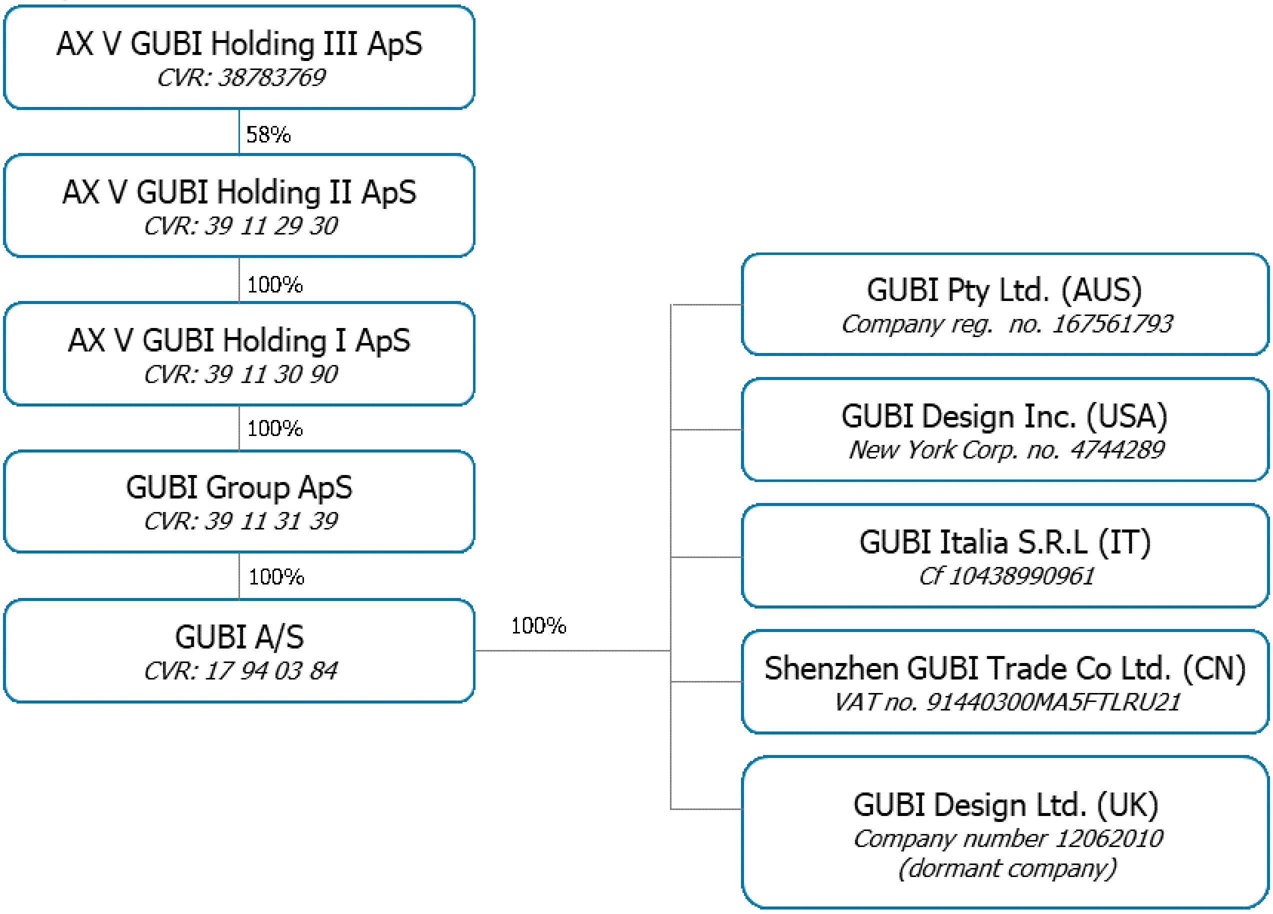
Knowledge resources

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

Research and development activities

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

Group relations



The Parent is ultimately owned by (i) the Danish private equity fund Axcel (Fund V) holding approx. 58% of the share capital (ii) Jacob Gudmund Olsen holding approx. 39% of the share capital and (iii) certain members of the Board of Directors and certain key employees etc. holding approx. 3% of the share capital.

The Parent's equity consists of one (1) class of shares and the loan capital consists of bank debt, provided by Nykredit Bank A/S and Nordea Danmark, branch of Nordea Bank Abp, Finland.

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

This annual report for 2021 will be published at GUBI website, www.gubi.com/company-information.

Statutory report on corporate social responsibility

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

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

Human rights

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

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

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

Health and Safety, Employees, and diversity

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

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

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

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

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

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

The Group is not aware of any breach in relation to corruption within the Group or by suppliers during 2021.

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

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

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

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

Report on major ESG achievements 2021

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

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

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

** Marked-based*

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

Report on ESG targets for 2022

The Group's ESG ambitions for 2022 are:

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

Statutory report on the underrepresented gender

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

It is the Group's goal to have both genders represented at management level and in the Board of Directors. Targets have been set that the gender diversity at management level should be 50%/50% and that the underrepresented gender does not represent less than 40% of the Board of Directors by 2024. Currently, the Executive Management Board consists of 1 male and 1 female member and the extended management team consists of 3 male and 3 female members. The Board of Directors consist of 7 male and 0 female members.

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

Statutory report on data ethics policy

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

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

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

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

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

Statutory report on corporate governance

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

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

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

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

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

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

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

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

Name (position)	Chairman of the board	Deputy chairman of the board	Ordinary board member	Executive officer
Lars Henrik Munch **(prof. board member)**	• Museumsfonden af 7. december 1966 • Louisiana – Fonden • Louisiana Museum of Modern Art • BRFFonden, incl. 2 subsidiaries • AX V GUBI Holding II ApS, incl. 3 subsidiaries • Fonden for Håndværkskollegier • SOS Children's Villages Denmark (Den selvejende institution SOS Børnebyerne, Danmark) • Master of Management Development, CBS (Advisory Board)	• Advisory board to Axcelfuture	• Novo Nordisk Fonden • Utzon Center A/S • Kunsten Museum of Modern Art, Aalborg - selvejende institution • European Press Price (Foundation) • World Association of News Publishers (Paris) (honorary board member) Other • Member of the International Senate of SOS Children's Villages	-
Asbjørn Mosgaard Hyldgaard **(partner in Axcel)**	-	• Vetgruppen Holding A/S, incl. 1 subsidiary • AX V GUBI Holding II ApS, incl. 3 subsidiaries	• European Sperm Bank ApS • AX V Nissens III ApS • AX V GUBI Holding III ApS • AX V ESB Holding III ApS, incl. 3 subsidiaries • AX VI VET Holding III ApS, incl. 3 subsidiaries • Currentum Group AB, incl. 2 subsidiaries • AX VI INV1 Holding AB • Ax V INV1 Holding III Oy, incl.4 subsidiaries	• MNGT4 AH ApS
Lars Cordt **(partner in Axcel)**	• AX V Nissens III ApS • AX V GUBI Holding III ApS	• AX V Nissens II ApS, incl.3 subsidiaries • SteelSeries Group A/S, incl. 4 subsidiaries	• Mountain Top Holding II ApS, incl. 2 subsidiaries • AX V Phase One Holding III ApS, incl. 5 subsidiaries • AX V GUBI Holding II ApS, incl. 3 subsidiaries, • Axcel Management Holding ApS • AX IV HoldCo P/S • Isadora Holding AB and 1 subsidiary • *Board alternate* in Isadora Holding III AB incl. 2 subsidiaries	• MNGT3 LC ApS • AX IV HoldCo P/S
Jacob Lahn Sloth **(industrial advisor)**	-	-	• Dinesen Floors A/S • AX V GUBI Holding II ApS, incl. 3 subsidiaries	-
Tue Mantoni **(prof. board member)**	• Vækstfonden • Stine Goya A/S • Lakrids JB Holding ApS, incl. 2 subsidiaries • Fonden AM-Lab Danmark • SAGA (political youth- and non-profit organization)	• Joe & the Juice Holding A/S including 2 subsidiaries • Soundboks ApS	• AX V GUBI Holding II ApS, incl. 3 subsidiaries	• Chamonix Invest ApS • LiveBest ApS
Jacob Gudmund Olsen **(Head of Design at GUBI)**	-	-	• AX V GUBI Holding II ApS, incl. 3 subsidiaries	• Designselskabet af 25.2.76 ApS • JGO Family Holding ApS • JGO Holding af 30/6 1999 ApS • JAMI Capital ApS
Hans Christian Galst **(attorney-at-law)**	• Galst Advokataktieselskab • Christoffersen og Knudsen A/S • Printzlau Privathospital A/S • Aaens Privathospital ApS • Nortec-Cannon A/S	-	• AX V GUBI Holding II ApS, incl. 3 subsidiaries, • Wet Wipe A/S • Den Kongelige Livgardes Musikkorps' Koncertfond • Ragnvald & Ida Blix' Fond	• Legalst Holding Advokatanpartsselskab • I/S Chalet de la Marine Other • Hans Christian Galst og Christian Steiwer Hein I/S

Events after the balance sheet date

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

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

Consolidated income statement for 2021

	Notes	2021 DKK'000	2020 6 months DKK'000
Revenue	2	508,162	211,206
Cost of sales		(255,853)	(106,396)
Other external expenses	3	(52,839)	(20,006)
Gross profit/loss		**199,470**	**84,804**
Staff costs	4	(65,817)	(29,868)
Depreciation, amortisation and impairment losses	5	(102,680)	(50,536)
Operating profit/loss		**30,973**	**4,400**
Other financial income	6	16	101
Other financial expenses	7	(22,801)	(14,407)
Profit/loss before tax		**8,188**	**(9,906)**
Tax on profit/loss for the year	8	(18,915)	(8,997)
Profit/loss for the year	9	**(10,727)**	**(18,903)**

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Completed development projects	11	7,312	10,400
Acquired licences		4,069	4,068
Acquired trademarks		272,911	289,451
Goodwill		1,280,487	1,358,096
Development projects in progress	11	4,056	2,040
Intangible assets	10	**1,568,835**	**1,664,055**
Plant and machinery		869	1,528
Other fixtures and fittings, tools and equipment		1,049	1,797
Property, plant and equipment	12	**1,918**	**3,325**
Deposits		4,246	3,392
Financial assets	13	**4,246**	**3,392**
Fixed assets		**1,574,999**	**1,670,772**
Manufactured goods and goods for resale		58,150	36,150
Prepayments for goods		3,834	1,525
Inventories		**61,984**	**37,675**
Trade receivables		55,455	50,589
Other receivables		2,153	4,232
Tax receivable		3,239	0
Joint taxation contribution receivable		0	2,221
Prepayments	14	556	1,259
Receivables		**61,403**	**58,301**
Cash		**9,814**	**13,027**
Current assets		**133,201**	**109,003**
Assets		**1,708,200**	**1,779,775**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		50	50
Translation reserve		23	(109)
Reserve for fair value adjustments of hedging instruments		1,088	309
Retained earnings		1,162,569	1,176,294
Equity		**1,163,730**	**1,176,544**
Deferred tax	15	60,450	64,648
Other provisions	16	8,701	9,017
Provisions		**69,151**	**73,665**
Bank loans		354,950	436,693
Joint taxation contribution payable		0	9,734
Other payables	17	1,700	0
Non-current liabilities other than provisions	18	**356,650**	**446,427**
Current portion of non-current liabilities other than provisions	18	31,192	21,788
Bank loans		16,842	0
Prepayments received from customers		11,610	5,090
Trade payables		33,556	33,202
Payables to group enterprises		5,303	44
Tax payable		0	479
Joint taxation contribution payable		3,240	0
Other payables		16,926	22,536
Current liabilities other than provisions		**118,669**	**83,139**
Liabilities other than provisions		**475,319**	**529,566**
Equity and liabilities		**1,708,200**	**1,779,775**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Assets charged and collateral	21		
Transactions with related parties	22		
Group relations	23		
Subsidiaries	24		

Consolidated statement of changes in equity for 2021

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	50	(109)	309	1,176,294	1,176,544
Exchange rate adjustments	0	132	0	0	132
Fair value adjustments of hedging instruments	0	0	998	0	998
Other entries on equity	0	0	0	(2,998)	(2,998)
Tax of entries on equity	0	0	(219)	0	(219)
Profit/loss for the year	0	0	0	(10,727)	(10,727)
Equity end of year	**50**	**23**	**1,088**	**1,162,569**	**1,163,730**

Notes to consolidated financial statements

1 Events after the balance sheet date

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

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

2 Revenue

	2021 DKK'000	2020 6 months DKK'000
Denmark	98,190	49,042
Europe	243,812	95,087
Other countries	166,160	67,077
Total revenue by geographical market	**508,162**	**211,206**
Furnitures, lighting, accessories	508,162	211,206
Total revenue by activity	**508,162**	**211,206**

3 Fees to the auditor appointed by the Annual General Meeting

	2021 DKK'000	2020 6 months DKK'000
Statutory audit services	417	405
Other assurance engagements	25	0
Other services	112	110
	554	**515**

4 Staff costs

	2021 DKK'000	2020 6 months DKK'000
Wages and salaries	65,362	27,764
Pension costs	1,481	676
Other social security costs	1,015	376
Other staff costs	2,015	3,091
	69,873	**31,907**
Staff costs classified as assets	(4,056)	(2,039)
	65,817	**29,868**

Average number of full-time employees	94	86

	Remuneration of manage-ment 2021 DKK'000	Remuneration of manage-ment 6 months 2020 DKK'000
Executive Board	6,264	2,212
Board of Directors	1,300	575
	7,564	**2,787**

5 Depreciation, amortisation and impairment losses

	2021 DKK'000	2020 6 months DKK'000
Amortisation of intangible assets	101,273	49,843
Depreciation on property, plant and equipment	1,407	699
Profit/loss from sale of intangible assets and property, plant and equipment	0	(6)
	102,680	**50,536**

6 Other financial income

	2021 DKK'000	2020 6 months DKK'000
Exchange rate adjustments	16	101
	16	**101**

7 Other financial expenses

	2021 DKK'000	2020 6 months DKK'000
Other interest expenses	22,017	12,628
Exchange rate adjustments	784	1,779
	22,801	**14,407**

8 Tax on profit/loss for the year

	2021 DKK'000	2020 6 months DKK'000
Current tax	24,153	9,739
Change in deferred tax	(4,416)	(1,201)
Adjustment concerning previous years	(822)	459
	18,915	**8,997**

9 Proposed distribution of profit/loss

	2021 DKK'000	2020 6 months DKK'000
Extraordinary dividend distributed in the financial year	70,000	0
Retained earnings	(80,727)	(18,903)
	(10,727)	**(18,903)**

10 Intangible assets

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

Acquired trademarks and goodwill have been created on the basis of a purchase price allocation in connection with acquisitions of companies in Gubi Group.

11 Development projects

Development projects regarding products and processors that are clearly defined and identifiable, where a potential future market or development opportunity in companies can be found, and where appropriate in manufacturing, marketing or using the official product or work, procedures, add in as an intangible assets. The cost of development projects, which includes externally invoiced costs as well as internal wages directly attributable to development projects.

12 Property, plant and equipment

	Plant and machinery DKK'000	**Other fixtures and fittings, tools and equipment DKK'000**
Cost beginning of year	3,251	2,907
Cost end of year	**3,251**	**2,907**
Depreciation and impairment losses beginning of year	(1,723)	(1,110)
Depreciation for the year	(659)	(748)
Depreciation and impairment losses end of year	**(2,382)**	**(1,858)**
Carrying amount end of year	**869**	**1,049**

13 Financial assets

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

14 Prepayments

Prepayments are related to prepaid costs.

15 Deferred tax

Changes during the year	**2021 DKK'000**	**2020 DKK'000**
Beginning of year	64,648	65,835
Recognised in the income statement	(4,417)	(1,187)
Recognised directly in equity	219	0
End of year	**60,450**	**64,648**

Deferred tax relates to intangible assets, property, plant and equipment, inventories and other provisions.

16 Other provisions

Provisions for warranty and fairness of DDK 8.7 m have been recognised as of 31 December 2021 to cover expected warranty and claims. The size and timing of the provisions is based on previous experience of the level and timing of repairs and returns. The expected amount due within one year amounts to DKK 5.3 m.

17 Other payables

	2021 DKK'000	2020 DKK'000
Other costs payable	1,700	0
	1,700	**0**

18 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due within 12 months 2020 DKK'000	Due after more than 12 months 2021 DKK'000
Bank loans	31,192	21,788	354,950
Other payables	0	0	1,700
	31,192	**21,788**	**356,650**

All debt is due within five years.

Amortization allowance of DKK 8m is recognized in the bank debt.

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

19 Unrecognised rental and lease commitments

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

20 Contingent liabilities

	2021 DKK'000	2020 DKK'000
Other contingent liabilities	15,580	13,417
Contingent liabilities	**15,580**	**13,417**

Other contingent liabilities relates to a repurchase obligation towards a number of their suppliers.

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

21 Assets charged and collateral

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

22 Non-arm’s length related party transactions

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

23 Group relations

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

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

24 Subsidiaries

	Registered in	Corporate form	Ownership %
Gubi A/S	Denmark	A/S	100
Gubi Design Inc	USA	Inc	100
Gubi Shenzhen Co.	China	Ltd.	100
Gubi Pty Ltd	Australia	Ltd.	100
Gubi Design Limited (inactive)	UK	Ltd.	100
Gubi Italy Srl	Italy	SRL	100

Parent income statement for 2021

	Notes	2021 DKK'000	2020 6 months DKK'000
Revenue		16,144	10,143
Other external expenses		(486)	(1,454)
Gross profit/loss		**15,658**	**8,689**
Staff costs	2	(14,463)	(8,074)
Operating profit/loss		**1,195**	**615**
Income from investments in group enterprises		5,259	(8,600)
Other financial income	3	507	0
Other financial expenses	4	(20,358)	(12,063)
Profit/loss before tax		**(13,397)**	**(20,048)**
Tax on profit/loss for the year	5	2,669	1,145
Profit/loss for the year	6	**(10,728)**	**(18,903)**

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Investments in group enterprises		1,531,194	1,633,802
Financial assets	7	**1,531,194**	**1,633,802**
Fixed assets		**1,531,194**	**1,633,802**
Receivables from group enterprises		20,936	9,527
Deferred tax	8	123	343
Joint taxation contribution receivable		3,093	1,442
Receivables		**24,152**	**11,312**
Cash		**74**	**223**
Current assets		**24,226**	**11,535**
Assets		**1,555,420**	**1,645,337**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		50	50
Translation reserve		23	(109)
Reserve for fair value adjustments and hedging instruments		1,088	309
Retained earnings		1,162,568	1,176,295
Equity		**1,163,729**	**1,176,545**
Bank loans		354,950	436,693
Other payables	9	650	0
Non-current liabilities other than provisions	10	**355,600**	**436,693**
Current portion of non-current liabilities other than provisions	10	31,192	21,788
Trade payables		47	1,315
Joint taxation contribution payable		0	1,018
Other payables		4,852	7,978
Current liabilities other than provisions		**36,091**	**32,099**
Liabilities other than provisions		**391,691**	**468,792**
Equity and liabilities		**1,555,420**	**1,645,337**
Events after the balance sheet date	1		
Contingent liabilities	11		
Assets charged and collateral	12		
Related parties with controlling interest	13		
Transactions with related parties	14		

Parent statement of changes in equity for 2021

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	50	(109)	309	1,176,295	1,176,545
Exchange rate adjustments	0	132	0	0	132
Fair value adjustments of hedging instruments	0	0	998	0	998
Other entries on equity	0	0	0	(2,999)	(2,999)
Tax of entries on equity	0	0	(219)	0	(219)
Profit/loss for the year	0	0	0	(10,728)	(10,728)
Equity end of year	**50**	**23**	**1,088**	**1,162,568**	**1,163,729**

Notes to parent financial statements

1 Events after the balance sheet date

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

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

2 Staff costs

	2021 DKK'000	2020 6 months DKK'000
Wages and salaries	14,368	8,027
Other social security costs	95	47
	14,463	**8,074**
Average number of full-time employees	13	7

3 Other financial income

	2021 DKK'000	2020 6 months DKK'000
Financial income from group enterprises	507	0
	507	**0**

4 Other financial expenses

	2021 DKK'000	2020 6 months DKK'000
Financial expenses from group enterprises	0	211
Other interest expenses	20,342	11,819
Exchange rate adjustments	16	33
	20,358	**12,063**

5 Tax on profit/loss for the year

	2021 DKK'000	2020 6 months DKK'000
Current tax	(2,669)	(1,442)
Adjustment concerning previous years	0	297
	(2,669)	**(1,145)**

6 Proposed distribution of profit and loss

	2021 DKK'000	2020 6 months DKK'000
Retained earnings	(10,728)	(18,903)
	(10,728)	**(18,903)**

7 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	1,837,438
Cost end of year	**1,837,438**
Impairment losses beginning of year	(203,636)
Exchange rate adjustments	132
Amortisation of goodwill	(90,510)
Share of profit/loss for the year	95,769
Dividend	(105,000)
Other adjustments	(2,999)
Impairment losses end of year	**(306,244)**
Carrying amount end of year	**1,531,194**

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

Group enterprises contains goodwill and trademarks which amounts to DKK 1,493 thousand.

8 Deferred tax

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	343	430
Recognised directly in equity	(220)	(87)
End of year	**123**	**343**

Deferred tax relates to hedging instruments.

9 Other payables

	2021 DKK'000	2020 DKK'000
Other costs payable	650	0
	650	**0**

10 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due within 12 months 2020 DKK'000	Due after more than 12 months 2021 DKK'000
Bank loans	31,192	21,788	354,950
Other payables	0	0	650
	31,192	**21,788**	**355,600**

All debt is due whitin five years.

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

11 Contingent liabilities

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

12 Assets charged and collateral

GUBI Group ApS and its subsidiary, GUBI A/S are subject to negative pledges (in Danish: pantsætningsforbud).

13 Related parties with controlling interest

Related parties with controlling interest in Gubi Group A/S:
AX Gubi Holding I ApS, Klubiensvej 7, 2150 Nordhavn (immidiate parent company)
AX Gubi Holding II ApS, Klubiensvej 7, 2150 Nordhavn
AX Gubi Holding III ApS, Sankt Annæ Plads 10, 1250 Copenhagen
Axcel V K/S, c/o Bruun & Hjejle, Noergade 21, 1165 Copenhagen (ultimate parent company)

14 Non-arm's length related party transactions

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

Accounting policies

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

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

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

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

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

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

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

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

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

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

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

Foreign currency translation

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

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

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

Derivative financial instruments

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

Income statement

Revenue

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

Cost of sales

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

Income from investments in group enterprises

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

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

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

Balance sheet

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

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

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

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

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

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

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

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

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

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

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

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

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

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

Estimated useful lives and residual values are reassessed annually.

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

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

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

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

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

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

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

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

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

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

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

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

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income. 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.

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

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

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

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

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

Cash flow statement
Referring to section 86(4) of the Danish Financial Statements Act, the Entity has not prepared any cash flow statement as such statement is prepared by the higher-level group.