

## GUBI Group ApS

Klubiensvej 7  
2150 Nordhavn  
CVR No. 39113139

## Annual report 01.07.2020 - 31.12.2020

The Annual General Meeting adopted the  
annual report on 25.03.2021

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**Henriette Schütze**

Chairman of the General Meeting

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# Entity details

## Entity

GUBI Group ApS  
Klubiensvej 7  
2150 Nordhavn

Business Registration No.: 39113139  
Registered office: Copenhagen  
Financial year: 01.07.2020 - 31.12.2020

## Board of Directors

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

## 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 01.07.2020 - 31.12.2020

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 31.12.2020 and of the results of their operations for the financial year 01.07.2020 - 31.12.2020.

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, 04.03.2021

## 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**

# 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 01.07.2020 - 31.12.2020, 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 31.12.2020 and of the results of their operations for the financial year 01.07.2020 - 31.12.2020 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 of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the 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 and 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, 04.03.2021

**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

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

**Ratios**

Gross margin (%)	39.76	39.78	45.32	0
Equity ratio (%)	66.11	64.24	63.23	62.70
EBITDA margin (%)	25.78	25.30	35.10	0
Norm. EBITDA (%)	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 (%):**

$\frac{\text{Gross profit} * 100}{\text{Revenue}}$

**Equity ratio (%):**

$\frac{\text{Equity} * 100}{\text{Total assets}}$

**EBITDA margin (%):**

$\frac{\text{EBITDA} * 100}{\text{Revenue}}$

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

$\frac{\text{Norm. EBITDA} * 100}{\text{Revenue}}$

### Primary activities

The Group's main activities are the 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. GUBI designs, develops and markets products developed in co-operation with reputable international designers for both consumers and professionals, and the range includes several prize-winning designs. Products are sold internationally by leading online and offline retailers and to professional customers worldwide. The Group's head office is located at Nordhavn, Copenhagen.

The parent Company's main activities are investments in subsidiaries within the design and sale of furniture and lighting, and interior products as well as related activities, including providing management services.

### Development in activities and finances

The Company has changed the financial year, consequently the comparison figures contain twelve months (1.7.2019-30.06.2020) and the current figures contains six months (1.7.2020-31.12.2020). Therefore the two periods cannot be directly compared.

In 2020 for six months the Company realized a revenue of t.DKK 211,206 compared to a revenue of t.DKK 367,805 in 2019/20 for twelve months. On a like for like basis for 6 months revenue has grown 6 %. Normalized operating profit (EBITDA) for 6 months of t.DKK 64,933 was realized compared to t.DKK 111,440 in 2019/20 for 12 months. GUBI has continued to invest in strategic initiatives related to sales organization and marketing activities. Non-recurring costs, primarily related to write-down inventory, provision royalty and commissions, legal expenses and redundancies amount to t.DKK 10,052 resulting in reported EBITDA of t.DKK 54,936. The result is affected by the ongoing virus outbreak of COVID-19.

### Profit/loss for the year in relation to expected developments

Management considers the results for the financial year of 2020 to be satisfactory, given the COVID-19 impact and the resources and investments channeled into future growth.

### 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 ongoing impacts of COVID-19 are expected to continue to affect the Company on all the markets with a large and unpredictable variance between the markets and the segments. Due to the worldwide development of the COVID-19 situation, the Company is not able to provide financial expectations for the coming financial year.

### Particular risks

Executive Management and Board of Directors yearly identify material business risks related to execution of GUBI's strategy and overall goals. Executive Management monitor development in identified material risks and reports development to Board of Directors.

### Business risks

The Company is not exposed to any specific business risks besides the commonly occurring risks in the industry.

The Board of Directors continuously monitor the developments in the market in order to reduce business risks, as well as strengthen its competitive position on crucial parameters.

### Currency risks

The Company is primarily exposed to the Euro currency. The risk hereto is considered limited. Exchange rate adjustments of trade receivables, trade payables and cash in foreign currency are recognized as financial items.

The Company's currency policy is set in order to minimize the risks in transactions with foreign currencies. The policy has in the financial year proven to be correct and will be continued unchanged during the coming financial years.

### Credit risks

The Company's credit risks are related to trade receivables. The Company closely examines and manages the risk exposure by assessing the creditworthiness of all significant customers and professionals. Since the Company's customer base is very dispersed, no significant credit risk is associated with any single party.

### Knowledge resources

The ambition to be the world's most loved and respected design brand places high pressure on the Group when it comes to gathering and combining design and product knowledge

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

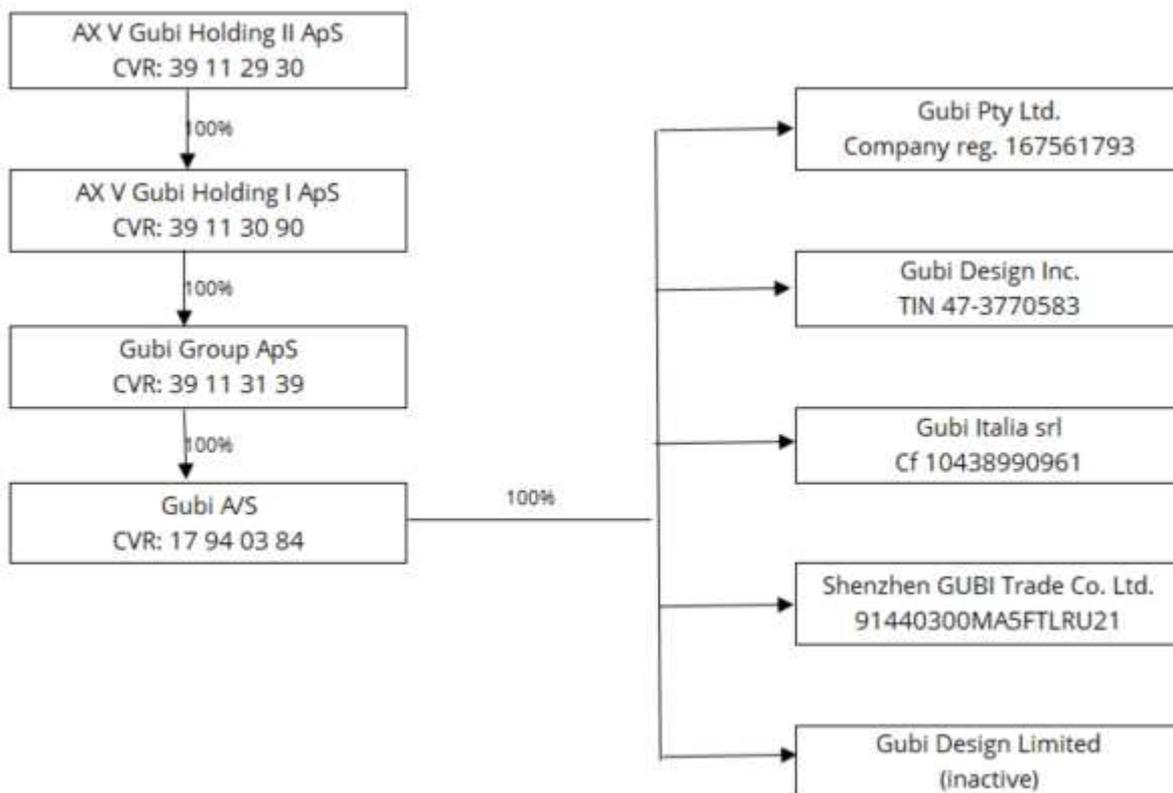
### Environmental performance

The Group constantly seeks to improve and comply with product or packaging requirements for the benefit of the environment.

### Research and development activities

The Group's research activities are related to products developed and designed both internally and in collaboration with external internationally leading partners.

**Group relations**



GUBI Group ApS is indirectly owned by the equity fund Axcel with an approximately 59% share; Jacob Gudmund Olsen, with an approximately 39% share; and members of the Board of Directors and leading employees etc. via holding companies AX V GUBI Holding I ApS and AX V GUBI Holding II ApS an approximately 2% share.

GUBI Group ApS' equity consists of one class of shares and the loan capital consists of bank debt, provided by Nykredit Bank A/S and Nordea Danmark, an affiliated branch of Nordea Bank Abp, Finland.

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

Being owned by the Danish private equity firm Axcel, the Company is subject to the guidelines of the Danish Venture Capital and Private Equity Association (DVCA, [www.dvca.dk](http://www.dvca.dk)) for responsible ownership and corporate governance. GUBI Group ApS intends to comply with all relevant guidelines, except that the company based on its size, has not established an audit committee. These tasks are handled by the Board and chairmanship. The Board will assess whether a formal audit committee should be established in the year to come.

This annual report is published at GUBI website, [www.gubi.com/news](http://www.gubi.com/news).

**Statutory report on corporate social responsibility**

CSR is a key strategic focus for the Group. To ensure that the Group develops sustainable growth and drives social responsibility it has joined the UN Global Compact in July 2019 and has submitted the first Global Compact Active Report in July 2020. The Group is aware that there may be some CSR risks related to its operations. The risks will be further described in the following.

Regarding environmental and climate-related aspects, it is a risk if the Group becomes associated with excessive or unnecessary use of materials such as packaging and components in its operations. This could impact the local

environment and the Group's reputation.

Regarding employee conditions, it is a risk if our production and handling of products would cause injuries to our employees or to our partners. This could impact our ability to attract and retain employees.

Regarding human rights, it is a risk if the Group is associated with production of the products with use of child labor at any of its partners. This could impact the Group's reputation.

Regarding corruption and bribery, the Group is aware that it operates in regions of the world where the risk of corruption and bribery could be higher. Specifically, the risk relates to the Group being associated with the use of means to illegally influence a third party's decision. Consequently, the Group's image could be damaged.

The Group complies with all legal requirements in terms of social responsibility, environmental and climate considerations, human rights and combat against corruption.

During the last 6 months the Group has continued execution of the CSR strategy. GUBI will release the next Global Compact Active Report in July 2021.

For further information on the Group's business refer to the above section on primary activities.

#### **Statutory report on the underrepresented gender**

It is the policy of the Group to secure the best professional competences possible at all levels of the Group. The Group has a policy to ensure focus on underrepresented gender on other management levels. The Group will be further formalising this policy in the coming financial year. To implement the policy, the Group strives to ensure that both genders are represented at final interviews for management positions, the group also works to ensure that career opportunities are discussed with the underrepresented gender. In the current financial year, the composition of management level in the Group are 50 percent male and 50 percent female employees. The members of Management are solely appointed based on their qualifications and not based on their gender. By doing so, equal opportunities for both genders are secured provided that the candidates applying for the management positions possess the professional skills required. As far as possible, it is the goal to have job applicants from different genders, nationality and age at final interviews and informing existing employees about career development opportunities.

It is the Group's goal to have both genders represented in the Board of Directors and other management levels of the Group. Currently, the Board of directors consist of six male members. The group has set a target that the underrepresented gender does not represent less than 40 percent of the Board. Due to the current composition and necessary continuity the target is not met in current financial year. The target is expected to be reached by 2024.

At 31 December 2020 the number of employees was 86 (2019/20; 75) whereof 45 were female (2019/20; 36).

#### **Statutory report on corporate governance**

The organization of the Management is, among other things, based on the Danish Companies Act, the Danish Financial Statements Act and the company's article of association. The Company has based its corporate governance efforts on a two-tier system where the Board of Directors and the Executive Management have two distinct roles. The Executive Management undertakes the operational management of the Company, whereas the Board of Directors determines the overall company strategy and acts as a sounding board to the Executive Management of the Company. In addition, the Management is continuously monitoring the financial

development as well as developments in the field of corporate governance to ensure that the Company – internally as well as externally – is managed in a way 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 Company'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 Company'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.

GUBI expects to implement a Whistleblower scheme in 2021.

The Board of Directors is appointed by Axcel. The Board of Directors consists of six members. Board meetings are held a minimum of six times a year. Additionally, the Chairman Committee meets with Executive Management on an ongoing basis.

Other board positions of the members of the Board of Directors are:

Board of Directors			
Name	Tue Mantoni (appointed in September 2018)	Hans Christian Galst (appointed in June 2018)	Lars Cordt (appointed in June 2018)
Position		CEO – Legalst Holding Advokatanpartsselskab	Partner – Axcel Management A/S CEO – AX IV HoldCo P/S
Chairman of the Board of Directors in:	Lakrids JB Holding ApS and related Holding companies Fonden AM-Lab Danmark Vækstfonden Stine Goya A/S	Christoffersen & Knudsen A/S Printzlau Privathospital A/S Galst Advokataktieselskab Wet Wipe A/S Nortec-Cannon A/S Travel4Companies A/S	AX V GUBI Holding III ApS SteelSeries Holding III ApS AX V Nissens III ApS
Vice Chairman of the Board of Directors in:	JOE & THE JUICE HOLDING A/S and related Holding companies SOUNDBOKS ApS		K. Nissens International A/S Steelseries ApS and related Holding companies AX V Nissens ApS and related Holding companies
Board Member in:	GUBI Group ApS and related Group companies	GUBI Group ApS and related Group companies Den Kongelige Livgardes Musikkorps' Koncertfond	AX IV HoldCo P/S GUBI Group ApS and related Holding companies Mountain Top Group ApS and related Holding companies
Other management positions:		Ragnvald og Ida Blix Fond, Galst Advokataktieselskab, Hans Christian Galst, Christian Steiwer Hein I/S og I/S Chalet De la Marine	Owner of MNGT3 LC ApS

Board of Directors			
Name	Lars Munch (appointed in June 2018)	Asbjørn Mosgaard Hyldgaard (appointed in June 2018)	Jacob Gudmund Olsen (appointed in June 2018)
Position		Partner – Axcel Management A/S	CEO – DESIGNSELSKABET AF 25.2.76 ApS
Chairman of the Board of Directors in:	JP/Politikens Hus A/S Louisiana Museum of Modern Art, Museumsfonden og Louisiana Fonde, BRFFholding A/S, SOS Børnebyerne GUBI Group ApS and related Group companies Fonden for Håndværkerskollegier		
Vice Chairman of the Board of Directors in:		GUBI Group ApS and related Group companies	GUBI Group ApS and related Group companies
Board Member in:	Novo Nordisk Fonden, European Press Prize (Amsterdam) World Association of News Publishers (Paris) samt medlem af Advisory Board fo Axcel og Axcelfuture.	European Sperm Bank ApS and related Group companies Phase One Group ApS and related Group companies Currentum Group AB and related Group companies AX V GUBI Holding III ApS AX V Nissens III ApS	
Other management positions:			Owner of DESIGNSELSKABET AF 25.2.76 ApS GUBI Group ApS and related Group companies.

### Events after the balance sheet date

Management noted that the worldwide Covid-19 outbreak is still affecting the company's performance in most markets. However, it is not possible for management at the time of financial reporting to further quantify the effect, as it will depend on the duration and extent of the virus outbreak and implementation of vaccine programs.

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

# Consolidated income statement for 2020

	Notes	2020 6 months DKK'000	2019/20 12 months DKK'000
Revenue	2	211,206	367,805
Other operating income		0	1,445
Cost of sales		(106,396)	(179,664)
Other external expenses	3	(20,006)	(43,265)
<b>Gross profit/loss</b>		<b>84,804</b>	<b>146,321</b>
Staff costs	4	(29,868)	(53,187)
Depreciation, amortisation and impairment losses	5	(50,536)	(99,184)
<b>Operating profit/loss</b>		<b>4,400</b>	<b>(6,050)</b>
Other financial income	6	101	167
Other financial expenses	7	(14,407)	(27,328)
<b>Profit/loss before tax</b>		<b>(9,906)</b>	<b>(33,211)</b>
Tax on profit/loss for the year	8	(8,997)	(9,935)
<b>Profit/loss for the year</b>	9	<b>(18,903)</b>	<b>(43,146)</b>

# Consolidated balance sheet at 31.12.2020

## Assets

	Notes	31.12.2020 DKK'000	30.06.2020 DKK'000
Completed development projects	11	10,400	8,793
Acquired licences		4,068	2,042
Acquired trademarks		289,451	297,721
Goodwill		1,358,096	1,396,901
Development projects in progress	11	2,040	3,818
<b>Intangible assets</b>	10	<b>1,664,055</b>	<b>1,709,275</b>
Plant and machinery		1,528	1,852
Other fixtures and fittings, tools and equipment		1,797	1,911
<b>Property, plant and equipment</b>	12	<b>3,325</b>	<b>3,763</b>
Deposits		3,392	3,032
<b>Fixed asset investments</b>	13	<b>3,392</b>	<b>3,032</b>
<b>Fixed assets</b>		<b>1,670,772</b>	<b>1,716,070</b>
Manufactured goods and goods for resale		36,150	48,767
Prepayments for goods		1,525	2,268
<b>Inventories</b>		<b>37,675</b>	<b>51,035</b>
Trade receivables		50,589	37,281
Receivables from group enterprises		0	147
Other receivables		4,232	4,697
Joint taxation contribution receivable		2,221	0
Prepayments	14	1,259	358
<b>Receivables</b>		<b>58,301</b>	<b>42,483</b>
<b>Cash</b>		<b>13,027</b>	<b>51,028</b>
<b>Current assets</b>		<b>109,003</b>	<b>144,546</b>
<b>Assets</b>		<b>1,779,775</b>	<b>1,860,616</b>

**Equity and liabilities**

	Notes	31.12.2020 DKK'000	30.06.2020 DKK'000
Contributed capital		50	50
Translation reserve		(109)	0
Reserve for fair value adjustments of hedging instruments		309	0
Reserve for development costs		0	9,837
Retained earnings		1,176,294	1,185,360
<b>Equity</b>		<b>1,176,544</b>	<b>1,195,247</b>
Deferred tax	15	64,648	65,835
Other provisions	16	9,017	10,278
<b>Provisions</b>		<b>73,665</b>	<b>76,113</b>
Bank loans		436,693	460,743
Joint taxation contribution payable		9,734	4,178
<b>Non-current liabilities other than provisions</b>	17	<b>446,427</b>	<b>464,921</b>
Current portion of non-current liabilities other than provisions	17	21,788	46,788
Bank loans		0	20,899
Prepayments received from customers		5,090	6,699
Trade payables		33,202	27,129
Payables to group enterprises		44	0
Tax payable		479	167
Other payables		22,536	22,653
<b>Current liabilities other than provisions</b>		<b>83,139</b>	<b>124,335</b>
<b>Liabilities other than provisions</b>		<b>529,566</b>	<b>589,256</b>
<b>Equity and liabilities</b>		<b>1,779,775</b>	<b>1,860,616</b>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Transactions with related parties	21		
Group relations	22		
Subsidiaries	23		

# Consolidated statement of changes in equity for 2020

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000
Equity beginning of year	50	0	0	9,837	1,185,360
Exchange rate adjustments	0	(109)	0	0	0
Fair value adjustments of hedging instruments	0	0	396	0	0
Tax of entries on equity	0	0	(87)	0	0
Transfer to reserves	0	0	0	(9,837)	9,837
Profit/loss for the year	0	0	0	0	(18,903)
<b>Equity end of year</b>	<b>50</b>	<b>(109)</b>	<b>309</b>	<b>0</b>	<b>1,176,294</b>

	Total DKK'000
Equity beginning of year	1,195,247
Exchange rate adjustments	(109)
Fair value adjustments of hedging instruments	396
Tax of entries on equity	(87)
Transfer to reserves	0
Profit/loss for the year	(18,903)
<b>Equity end of year</b>	<b>1,176,544</b>

# Notes to consolidated financial statements

## 1 Events after the balance sheet date

Management noted that the worldwide Covid-19 outbreak is still affecting the Company's performance in most markets. However, it is not possible for management at the time of financial reporting to further quantify the effect, as it will depend on the duration and extent of the virus outbreak and implementation of vaccine programs.

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

## 2 Revenue

	2020 6 months DKK'000	2019/20 12 months DKK'000
Denmark	49,042	63,492
Europe	95,087	216,590
Other countries	67,077	87,723
<b>Total revenue by geographical market</b>	<b>211,206</b>	<b>367,805</b>
Furnitures, lighting, accessories	211,206	367,806
<b>Total revenue by activity</b>	<b>211,206</b>	<b>367,806</b>

## 3 Fees to the auditor appointed by the Annual General Meeting

	2020 6 months DKK'000	2019/20 12 months DKK'000
Statutory audit services	405	405
Other assurance engagements	0	570
Other services	110	563
	<b>515</b>	<b>1,538</b>

**4 Staff costs**

	<b>2020 6 months DKK'000</b>	<b>2019/20 12 months DKK'000</b>
Wages and salaries	27,764	51,719
Pension costs	676	1,286
Other social security costs	376	588
Other staff costs	3,091	1,889
	<b>31,907</b>	<b>55,482</b>
Staff costs classified as assets	(2,039)	(2,295)
	<b>29,868</b>	<b>53,187</b>
Average number of full-time employees	<b>86</b>	<b>75</b>

	<b>Remuneration of manage- ment 2020 DKK'000</b>	<b>Remuneration of manage- ment 2019/20 DKK'000</b>
Executive Board	2,212	3,874
Board of Directors	575	1,300
	<b>2,787</b>	<b>5,174</b>

**5 Depreciation, amortisation and impairment losses**

	<b>2020 6 months DKK'000</b>	<b>2019/20 12 months DKK'000</b>
Amortisation of intangible assets	49,843	97,888
Depreciation on property, plant and equipment	699	1,261
Profit/loss from sale of intangible assets and property, plant and equipment	(6)	35
	<b>50,536</b>	<b>99,184</b>

**6 Other financial income**

	<b>2020 6 months DKK'000</b>	<b>2019/20 12 months DKK'000</b>
Other interest income	0	2
Exchange rate adjustments	101	165
	<b>101</b>	<b>167</b>

**7 Other financial expenses**

	<b>2020 6 months DKK'000</b>	<b>2019/20 12 months DKK'000</b>
Other interest expenses	12,628	26,258
Exchange rate adjustments	1,779	753
Other financial expenses	0	317
	<b>14,407</b>	<b>27,328</b>

**8 Tax on profit/loss for the year**

	<b>2020 6 months DKK'000</b>	<b>2019/20 12 months DKK'000</b>
Current tax	9,739	12,299
Change in deferred tax	(1,201)	(2,364)
Adjustment concerning previous years	459	0
	<b>8,997</b>	<b>9,935</b>

**9 Proposed distribution of profit/loss**

	<b>2020 6 months DKK'000</b>	<b>2019/20 12 months DKK'000</b>
Retained earnings	(18,903)	(43,146)
	<b>(18,903)</b>	<b>(43,146)</b>

**10 Intangible assets**

	<b>Completed development projects DKK'000</b>	<b>Acquired licences DKK'000</b>	<b>Acquired trademarks DKK'000</b>	<b>Goodwill DKK'000</b>	<b>Development projects in progress DKK'000</b>
Cost beginning of year	12,567	2,405	330,801	1,552,185	3,818
Transfers	3,818	0	0	0	(3,818)
Additions	178	2,405	0	0	2,040
Disposals	(167)	0	0	0	0
<b>Cost end of year</b>	<b>16,396</b>	<b>4,810</b>	<b>330,801</b>	<b>1,552,185</b>	<b>2,040</b>
Amortisation and impairment losses beginning of year	(3,774)	(363)	(33,080)	(155,284)	0
Amortisation for the year	(2,389)	(379)	(8,270)	(38,805)	0
Reversal regarding disposals	167	0	0	0	0
<b>Amortisation and impairment losses end of year</b>	<b>(5,996)</b>	<b>(742)</b>	<b>(41,350)</b>	<b>(194,089)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>10,400</b>	<b>4,068</b>	<b>289,451</b>	<b>1,358,096</b>	<b>2,040</b>

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	4,895	4,328
Additions	0	261
Disposals	(1,644)	(1,682)
<b>Cost end of year</b>	<b>3,251</b>	<b>2,907</b>
Depreciation and impairment losses beginning of year	(3,043)	(2,417)
Depreciation for the year	(324)	(375)
Reversal regarding disposals	1,644	1,682
<b>Depreciation and impairment losses end of year</b>	<b>(1,723)</b>	<b>(1,110)</b>
<b>Carrying amount end of year</b>	<b>1,528</b>	<b>1,797</b>

### 13 Fixed asset investments

	Deposits DKK'000
Cost beginning of year	3,032
Additions	360
<b>Cost end of year</b>	<b>3,392</b>
<b>Carrying amount end of year</b>	<b>3,392</b>

### 14 Prepayments

Prepayments are related to prepaid costs.

### 15 Deferred tax

	31.12.2020 DKK'000	30.06.2020 DKK'000
<b>Changes during the year</b>		
Beginning of year	65,835	68,199
Recognised in the income statement	(1,187)	(2,364)
<b>End of year</b>	<b>64,648</b>	<b>65,835</b>

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

### 16 Other provisions

Provisions for warranty and fairness of DDK 9m have been recognised as of 31 December 2020 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 4m.

### 17 Non-current liabilities other than provisions

	Due within 12 months 31.12.2020 DKK'000	Due within 12 months 30.06.2020 DKK'000	Due after more than 12 months 31.12.2020 DKK'000
Bank loans	21,788	46,788	436,693
Joint taxation contribution payable	0	0	9,734
	<b>21,788</b>	<b>46,788</b>	<b>446,427</b>

All debt is due within five years.

Amortization allowance on DKK 10m 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.

### 18 Unrecognised rental and lease commitments

	31.12.2020 DKK'000	30.06.2020 DKK'000
Total liabilities under rental or lease agreements until maturity	<b>4,296</b>	<b>3,725</b>

### 19 Contingent liabilities

The Group has a repurchase obligation towards a number of their suppliers. The repurchase obligation amounts to DKK 13,417 as of 31 December 2020.

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.

### 20 Assets charged and collateral

In an agreement with Nordea Denmark The Group has posted pledge for simple claims arising from sales and services, stocks of raw material, semi-finished goods and finished goods, corporate mortgages from leased premises, operation equipment and operating materials, debt collateral, movables from motor vehicles etc, goodwill, domain names and rights as well as motor vehicles.

## 21 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.

## 22 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

## 23 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 2020

	Notes	2020 6 months DKK'000	2019/20 12 months DKK'000
Revenue		10,143	12,712
Other external expenses		(1,454)	(537)
<b>Gross profit/loss</b>		<b>8,689</b>	<b>12,175</b>
Staff costs	2	(8,074)	(11,236)
<b>Operating profit/loss</b>		<b>615</b>	<b>939</b>
Income from investments in group enterprises		(8,600)	(24,961)
Other financial expenses	3	(12,063)	(24,996)
<b>Profit/loss before tax</b>		<b>(20,048)</b>	<b>(49,018)</b>
Tax on profit/loss for the year	4	1,145	5,872
<b>Profit/loss for the year</b>	5	<b>(18,903)</b>	<b>(43,146)</b>

# Parent balance sheet at 31.12.2020

## Assets

	Notes	31.12.2020 DKK'000	30.06.2020 DKK'000
Investments in group enterprises		1,633,802	1,682,511
<b>Fixed asset investments</b>	6	<b>1,633,802</b>	<b>1,682,511</b>
<b>Fixed assets</b>		<b>1,633,802</b>	<b>1,682,511</b>
Receivables from group enterprises		9,527	147
Deferred tax	7	343	430
Other receivables		0	55
Joint taxation contribution receivable		1,442	3,769
<b>Receivables</b>		<b>11,312</b>	<b>4,401</b>
<b>Cash</b>		<b>223</b>	<b>29,641</b>
<b>Current assets</b>		<b>11,535</b>	<b>34,042</b>
<b>Assets</b>		<b>1,645,337</b>	<b>1,716,553</b>

**Equity and liabilities**

	<b>Notes</b>	<b>31.12.2020</b> <b>DKK'000</b>	<b>30.06.2020</b> <b>DKK'000</b>
Contributed capital		50	50
Translation reserve		(109)	0
Reserve for fair value adjustments and hedging instruments		309	760
Retained earnings		1,176,295	1,194,438
<b>Equity</b>		<b>1,176,545</b>	<b>1,195,248</b>
Bank loans		436,692	460,742
<b>Non-current liabilities other than provisions</b>	<b>8</b>	<b>436,692</b>	<b>460,742</b>
Current portion of non-current liabilities other than provisions	8	21,788	46,788
Trade payables		1,315	138
Payables to group enterprises		0	9,346
Joint taxation contribution payable		1,018	0
Other payables		7,979	4,291
<b>Current liabilities other than provisions</b>		<b>32,100</b>	<b>60,563</b>
<b>Liabilities other than provisions</b>		<b>468,792</b>	<b>521,305</b>
<b>Equity and liabilities</b>		<b>1,645,337</b>	<b>1,716,553</b>
Events after the balance sheet date	1		
Contingent liabilities	9		
Assets charged and collateral	10		
Related parties with controlling interest	11		
Transactions with related parties	12		

# Parent statement of changes in equity for 2020

	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	0	0	1,195,198	1,195,248
Exchange rate adjustments	0	(109)	0	0	(109)
Fair value adjustments of hedging instruments	0	0	396	0	396
Tax of entries on equity	0	0	(87)	0	(87)
Profit/loss for the year	0	0	0	(18,903)	(18,903)
<b>Equity end of year</b>	<b>50</b>	<b>(109)</b>	<b>309</b>	<b>1,176,295</b>	<b>1,176,545</b>

# Notes to parent financial statements

## 1 Events after the balance sheet date

Management noted that the worldwide Covid-19 outbreak is still affecting the Company's performance in most markets. However, it is not possible for management at the time of financial reporting to further quantify the effect, as it will depend on the duration and extent of the virus outbreak and implementation of vaccine programs.

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

## 2 Staff costs

	2020 6 months DKK'000	2019/20 12 months DKK'000
Wages and salaries	8,027	11,179
Other social security costs	47	57
	<b>8,074</b>	<b>11,236</b>
Average number of full-time employees	<b>7</b>	<b>7</b>

## 3 Other financial expenses

	2020 6 months DKK'000	2019/20 12 months DKK'000
Financial expenses from group enterprises	211	104
Other interest expenses	11,819	24,891
Exchange rate adjustments	33	1
	<b>12,063</b>	<b>24,996</b>

## 4 Tax on profit/loss for the year

	2020 6 months DKK'000	2019/20 12 months DKK'000
Current tax	(1,442)	(5,872)
Adjustment concerning previous years	297	0
	<b>(1,145)</b>	<b>(5,872)</b>

## 5 Proposed distribution of profit and loss

	2020 6 months DKK'000	2019/20 12 months DKK'000
Retained earnings	(18,903)	(43,146)
	<b>(18,903)</b>	<b>(43,146)</b>

## 6 Fixed asset investments

	Investments in group enterprises DKK'000
Cost beginning of year	1,837,438
<b>Cost end of year</b>	<b>1,837,438</b>
Impairment losses beginning of year	(154,927)
Exchange rate adjustments	(109)
Amortisation of goodwill	(45,255)
Share of profit/loss for the year	36,655
Dividend	(40,000)
<b>Impairment losses end of year</b>	<b>(203,636)</b>
<b>Carrying amount end of year</b>	<b>1,633,802</b>

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

Group enterprises contains goodwill which amounts to DKK 1,584 thousand.

## 7 Deferred tax

	31.12.2020	30.06.2020
	DKK'000	DKK'000
<b>Changes during the year</b>		
Beginning of year	430	644
Recognised directly in equity	(87)	(214)
<b>End of year</b>	<b>343</b>	<b>430</b>

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

Deferred tax assets, including the tax value of tax-deductible tax loss carryforwards, are recognized in the balance sheet at the value which the asset is expected to be realised.

## 8 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2019/20 DKK'000	Due after more than 12 months 2020 DKK'000
Bank loans	21,788	46,788	436,692
	<b>21,788</b>	<b>46,788</b>	<b>436,692</b>

All debt is due within 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.

## 9 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.

## 10 Assets charged and collateral

In an agreement with Nordea Denmark The Company has posted pledge ban for simple claims arising from sales and services, stocks of raw material, semi-finished goods and finished goods, corporate mortgages from leased premises, operation equipment and operating materials, debt collateral, movables from motor vehicles etc.

## 11 Related parties with controlling interest

Related parties with controlling interest in Gubi Group A/S:

AX Gubi Holding I ApS, Klubiensvej 7, 2150 Nordhavn (immediate 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)

## 12 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 twelve months (1.7.2019 - 30.06.2020) and the current figures contains six months (1.7.2020 - 31.12.2020). Therefore the two periods can not be directly compared.

## Recognition and measurement

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

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

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

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

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

## Consolidated financial statements

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

## Basis of consolidation

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

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

### Foreign currency translation

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

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

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

### Derivative financial instruments

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

### Income statement

#### Revenue

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

#### Other operating income

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

#### 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	<b>5 years</b>

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.

**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.

**Tax payable or receivable**

Current joint taxation contributions payable or receivables are recognised in the balance sheet, states 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 agreement.

**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.

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## Bill Haudal Pedersen

Revisor

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## Hans Tauby

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## Jacob Gudmund Olsen

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## Hans Christian Galst

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## Klaus Thyge Høeg-Hagensen

Adm. direktør

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## Lars Henrik Munch

Bestyrelsesformand

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