

Audo A/S
Århusgade 130, 1.
2150 Nordhavn
CVR No. 15 21 42 36

Annual report 2024

The Annual General Meeting adopted the annual report on 01.07.2025

Chairman of the General Meeting

Name: Kristoffer Mejborn

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Entity details

Entity

Audo A/S

Århusgade 130, 1.

2150 Nordhavn

Central Business Registration No (CVR): 15214236

Registered in: Copenhagen

Financial year: 01.01.2024 - 31.12.2024

Website: www.audocph.com

Board of Directors

Elisabetta Scotti, Chairman

Lars Hardboe Galsgaard

Silvia Milanese

Executive Board

Lars Hardboe Galsgaard, CEO

Entity auditors

EY Godkendt Revisionspartnerselskab

Dirch Passers Allé 36

2000 Frederiksberg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Audo A/S for the financial year 2024.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2024 and of the results of its operations for the financial year 1 January - 31 December 2024.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, results for the year, cash flows and financial position as well as a description of material risks and uncertainties that the Company faces.

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

Copenhagen, 01.07.2025

Executive Board

Lars Hardboe Galsgaard
CEO

Board of Directors

Elisabetta Scotti
Chairman

Lars Hardboe Galsgaard

Silvia Milanese

Independent auditor's report

Opinion

We have audited the financial statements of Audo A/S for the financial year 1 January – 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2024 and of the results of the Company's operations for the financial year 1 January – 31 December 2024 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

Independent auditor's report

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

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

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

Copenhagen, 01.07.2025

EY Godkendt Revisionspartnerselskab

CVR-no. 30 70 02 28

Dan Mose Andersen
State Authorised
Public Accountant
MNE35406

Anders Christian Lau Reifling Nielsen
State Authorised
Public Accountant
MNE51509

Management commentary

	2024 DKK'000 (12 months)	2023 DKK'000 (12 months)	2021/22 DKK'000 (15 months)	2020/21 DKK'000 (12 months)	2020 DKK'000 (9 months)
Financial highlights					
Key figures					
Revenue	303.562	320.200	500.833	265.494	123.763
Gross profit/(loss)	49.689	54.951	140.496	97.593	29.056
Profit/(loss) before financial income and expenses	-24.288	-31.320	30.876	43.252	-8.448
Net financials	-936	929	5.163	-2.313	1.216
Profit/(loss) for the year	-18.882	-21.913	26.449	31.632	-5.087
Total assets	245.222	253.764	287.452	161.126	167.035
Investment in property, plant and equipment	1.286	1.158	10.647	5.852	3.139
Equity	62.257	81.139	102.997	52.939	26.682
Ratios					
Gross margin (%)	16,4	17,2	28,1	36,8	23,5
Profit margin (%)	-8,0	-9,8	6,2	16,3	-6,8
Return on assets (%)	-12,8	-12,3	10,7	26,8	-5,1
Solvency ratio (%)	25,4	32,0	35,8	32,9	16,0
Return on equity (%)	-26,3	-23,8	33,9	79,5	-13,7
Profit /(loss) before depreciation (EBITDA)	-8.502	-12.257	48.555	51.929	-621

The financial ratios have been calculated as follows:

Ratios	Calculation formula
Gross margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin (%)	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets (%)	$\frac{\text{Profit before financials} \times 100}{\text{Total assets at year end}}$
Solvency ratio (%)	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity (%)	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Management commentary

Primary activities

Audo is a Danish design brand, based in Copenhagen, with a simple yet significant purpose: to enrich modern living through designs that connect individuals creatively, comfortably, and functionally.

Since 1978, we have harnessed the skills of top designers and craftspeople around the world to create contemporary furniture, lighting and accessories that are clean, clever, and natural, infusing a sense of calm through high-quality materials in minimalist silhouettes.

By connecting the dots between home, work and hospitality, our design redefine how we use space and, ultimately, how we connect to those around us.

Among others, the company hold all rights to a unique product portfolio created by Danish designers Mogens Lassen, Flemming Lassen and Ib Kofod-Larsen. We also hold the rights to a portfolio of products created by international designers as for example Colin King and Anderssen & Voll.

With an iconic portfolio of historic designs, along with diversified contemporary products, the company serves a broad customer base. The products are sold to the end user through retailers and wholesalers in more than 60 countries. Audo has a strong presence in Northern European and in the US market.

Development in activities and finances

During 2024 we have witnessed soft demand and a gradual normalization of the global high-end design market. Within this environment, we have utilized our integration activities in Flos B&B Italia Group to secure good cooperation in many areas such as digital transformation, go-to-market strategies, international opportunities, production and procurement just to mention some.

Overall, Audo delivered resilience in a year with unpredictable market situations which proves the continuing appeal of Audo and the strength and relevance of our brand.

We navigated through 2024 under high inflation, geopolitical tension, and rising interest rates. These macroeconomic factors alongside with the normalization of market conditions had a significant impact on the demand especially for the business to consumer segment, which has decreased for 2024.

In 2024 Audo has spent significant resources, both on internal resources and external consultants, to implement a new ERP-system. The system went live January 1st 2025. According to the company's accounting policy the costs are capitalized when the criteria are met or else expensed. It is expected that the project also will affect the cost in 2025.

Revenue decreased by 5 percent to DKK 304 million compared to DKK 320 million in 2023.

The gross profit margin decreased by 1 percentage points to 16 percent in 2024 against 17 percent in 2023 due to the decrease in revenue. Operating profit/(loss) (EBIT) improved 22 percent to a loss of DKK (24) million in 2024 compared to a loss of DKK (31) million in 2023.

Management commentary

The decline in revenue and profit was expected after recent years' extraordinary market conditions but landing below expectations set in the Annual Report for 2023. The volatility and complex market conditions as mentioned above are assessed as the main reasons for this.

Management considers the financial development to be satisfactory under given market conditions.

Profit/loss for the year in relation to expected developments

Compared to the expected development stated in the Annual report of 2023, the profit and revenue for 2024 was significantly lower than expected, primarily due to the external factors described in development in activities and finances.

Outlook

Audo A/S expects an increase in the revenue in 2025 between 2% and 6%. The profit before financial income and expenses (EBIT) is expected to be positive in 2025 in the range of DKK 10-20 million. The volatility and uncertainty in the world have increased substantially in recent years. Geopolitical developments could bring renewed challenges in 2025. Overall, Audø A/S is, however, anticipating improvements in cost prices and a lower base of fixed costs. It is in general an unpredictable market situation also for 2025, which of course leads to uncertainty for the full year expectations on revenue. We see less uncertainty related to the values in our balance sheet.

Intellectual capital resources

The employees are the Group's most important resource, with main emphasis on design and product development. The group has an experienced and highly competent staff working throughout the value chain. The group will continue to implement measures to attract and retain highly skilled staff with expertise in the development of Furniture, Lighting and Accessories to ensure future growth. Great demand is placed on the employees' technical and craftsman skills and their ability to engage in a logistically demanding production process. The Danish labor market has been competitive in 2024, and there is a general increase in demand for talent within most areas, which is expected to continue. During 2024 Audø A/S has recruited competencies within the areas of marketing, sales, sourcing, finance, IT and HR.

Research and development activities

Audo continuously invests in development, updates, and improvements of its product portfolio. Costs related to development of products are expensed in the income statement or accounted for as an asset following the accounting policies.

Management commentary

Environmental performance

Many of our raw materials and ingredients are sourced directly from nature and the continued success of our business is causally linked to the health of the environment.

We are therefore constantly striving to optimize our use of natural resources, to view our products and activities from a life cycle perspective and to develop and use environmentally friendly products, materials and technologies in a way that contributes to long-term sustainable development.

These impacts could lead to reputational risk if impacts not managed properly.

During the fiscal year, we produced long-lasting solutions and investing in R&D to further expand products lifecycle and progressively reduce carbon footprint by using more sustainable materials and ensuring energy efficiency in use phase.

In line with our environmental policy, we strive towards continuous improvement in our day-to-day operations where we focus on reducing waste, energy use and greenhouse gas emissions.

Events after the balance sheet date

The tariffs imposed on the American market will have a negative impact on Audo's revenue and profits. Audo will take the necessary steps to safeguard the company's financial position.

No other events have occurred after the balance sheet date to this date, which may materially affect the assessment of the Company's financial position.

Income statement 1 January - 31 December

	Notes	2024 DKK'000	2023 DKK'000
Revenue		303.562	320.200
Other operating income		2.273	80
Cost of sales		-195.302	-198.648
Other external expenses		-60.844	-66.681
Gross profit/loss		49.689	54.951
Staff expenses	2	-58.191	-67.208
Profit/loss before depreciations		-8.502	-12.257
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-15.674	-16.922
Other operating expenses		-112	-2.141
Profit/loss before financial income and expenses		-24.288	-31.320
Financial income	4	4.614	10.664
Financial expenses	5	-5.550	-9.735
Profit/loss before tax		-25.224	-30.391
Tax on profit/loss for the year	6	6.342	8.478
Profit/loss for the year	7	-18.882	-21.913

Balance sheet 31 December

	Notes	2024 DKK'000	2023 DKK'000
Completed development projects		5.894	5.185
Acquired trademarks		303	771
Acquired other rights		13.062	16.073
Software		21.903	9.891
Goodwill		878	926
Intangible assets	8	42.040	32.846
Other fixtures and fittings, tools and equipment		3.701	4.691
Leasehold improvements		3.884	5.021
Property, plant and equipment in process		0	245
Property, plant and equipment	9	7.585	9.957
Deposits	10	2.323	2.277
Fixed asset investment		2.323	2.277
Fixed assets		51.948	45.080
Finished goods and goods for resale		48.284	65.830
Inventories		48.284	65.830
Trade receivables		26.330	30.421
Receivables from group enterprises		83.679	84.411
Other receivables		5.052	8.330
Corporation tax, receivable		7.921	5.851
Prepayments	11	1.650	2.637
Receivables		124.632	131.650
Cash at bank and in hand		20.358	11.204
Current assets		193.274	208.684
Assets		245.222	253.764

Balance sheet 31 December

	Notes	2024 DKK'000	2023 DKK'000
Share capital		2.504	2.504
Reserve for development costs		4.597	4.044
Retained earnings		55.156	74.591
Equity		62.257	81.139
Deferred tax	12	7.427	5.848
Provisions		7.427	5.848
Payables to group enterprises		84.087	85.073
Financial lease liabilities		277	1.089
Long-term debt	13	84.364	86.162
Credit institutions		20.690	8.864
Financial lease liabilities		710	640
Trade payables		31.092	41.966
Payables to group enterprises		22.560	12.460
Other payables		5.085	8.968
Prepayments received from customers	14	11.036	7.717
Short-term debt		91.173	80.615
Debt		119.949	166.777
Equity and liabilities		245.222	253.764
Events after the balance sheet date		1	
Distribution of profit		7	
Contingent assets, liabilities and other financial obligations		15	
Related parties		16	
Transactions with related parties		17	

Statement of changes in equity for 2024

	Share capital DKK'000	Reserve for develop- ment costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2.504	4.044	74.591	81.139
Transfer to reserves	0	553	-553	0
Profit/(loss) for the year	0	0	-18.882	-18.882
Equity end of year	2.504	4.597	55.156	62.257

The Company's share capital is DKK 2.504.000 divided into shares of DKK 1.000.

Notes to financial statements

1. Events after the balance sheet date

The tariffs imposed on the American market will have a negative impact on Audo's revenue and profits. Audo will take the necessary steps to safeguard the company's financial position.

No other events have occurred after the balance sheet date to this date, which may materially affect the assessment of the Company's financial position.

	2024	2023
	DKK'000	DKK'000
2. Staff expenses		
Wages and salaries	53.836	63.307
Pensions	3.339	3.531
Other social security costs	1.016	370
	58.191	67.208
 Average number of employees	 83	 98

Management remuneration is not disclosed following section 98b(3)(2) of the Danish Financial Statements Act.

The Executive Board and other senior managers are covered by bonus schemes that are based on yearly performance.

	2024	2023
	DKK'000	DKK'000
3. Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	12.016	12.274
Depreciation on property, plant and equipment	3.658	4.648
	15.674	16.922
 4. Financial income		
Financial income from group enterprises	3.914	4.906
Other financial income	438	337
Exchange rate adjustments, income	262	5.421
	4.614	10.664

Notes to financial statements

	2024	2023
	DKK'000	DKK'000
5. Financial expenses		
Financial expenses to group enterprises	4.381	4.339
Other financial expenses	1.169	657
Exchange rate adjustments	0	4.739
	5.550	9.735

	2024	2023
	DKK'000	DKK'000
6. Tax on profit/loss for the year		
Current tax	-7.921	-5.852
Change in deferred tax	2.401	-686
Adjustment of tax relating to previous year	-822	-1.924
	-6.342	-8.462

which breaks down as follows:

Tax on profit/loss for the year	-6.342	-8.478
Tax on changes in equity	0	16
	-6.342	-8.462

	2024	2023
	DKK'000	DKK'000
7. Proposed distribution of profit		
Retained earnings	-18.882	-21.913
	-18.882	-21.913

Notes to financial statements

	Completed development projects DKK'000	Acquired trademarks DKK'000	Acquired other rights DKK'000
8. Intangible assets			
Cost beginning of the year	8.724	1.717	43.433
Transfer	0	0	0
Additions	1.646	94	0
Disposals	-1.498	0	0
Cost end of year	8.872	1.811	43.433
Amortisation and impairment losses beginning of year	-3.539	-946	-27.360
Transfer	0	0	0
Amortisation for the year	-937	-562	-3.011
Reversal regarding disposals	1.498	0	0
Amortisation and impairment losses end of year	-2.978	-1.508	-30.371
Carrying amount end of year	5.894	303	13.062

Completed development projects

Completed development projects comprises of capitalized cost for development of new products as well as development of tools for the actual production.

The cost of development projects comprises of cost such as salaries and development of tools for production.

Based on management evaluation the projects have been finalized and launched as planned and are amortized over 5 years. The completed development projects are regularly evaluated by the management of Audo and management has found no indication of the need for write-downs in relation to the accounting value.

Notes to financial statements

	Software DKK'000	Goodwill DKK'000
8. Intangible assets (continued)		
Cost beginning of the year	18.904	4.694
Additions	19.470	0
Disposals	-9.946	-267
Cost end of year	28.428	4.427
Amortisation and impairment losses beginning of year	-9.013	-3.768
Amortisation for the year	-7.458	-48
Reversal regarding disposals	9.946	267
Amortisation and impairment losses end of year	-6.525	-3.549
Carrying amount end of year	21.903	878

Notes to financial statements

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000	Property, plant and equipment in process DKK'000
9. Property, plant and equipment			
Cost beginning of the year	31.538	8.947	245
Transfer	245	0	-245
Additions	1.119	167	0
Disposals	-22.926	0	0
Cost end of year	9.976	9.114	0
Amortisation and impairment losses beginning of year	-26.847	-3.926	0
Amortisation for the year	-2.354	-1.304	0
Reversal regarding disposals	22.926	0	0
Amortisation and impairment losses end of year	-6.275	-5.230	0
Carrying amount end of year	3.701	3.884	0
			Deposits DKK'000
10. Fixed assets investment			
Cost beginning of the year			2.277
Additions			46
Disposals			0
Cost end of year			2.323
Carrying amount end of year			2.323

Notes to financial statements

11. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions etc.

	2024	2023
	DKK'000	DKK'000
12. Deferred tax liabilities		
Provision for deferred tax at 1 January	5.848	4.414
Amounts recognised in the income statement for the year	2.401	-686
Amounts recognised as adjustment of tax relating to previous year	-822	2.120
Provision for deferred tax at 31 December	7.427	5.848

	2024	2023
	DKK'000	DKK'000
13. Long term debt		
Financial lease liabilities		
Between 1 and 5 years	277	1.089
Long term part	277	1.089
Within 1 year	710	640
Financial lease liabilities total	987	1.729

Payables to group enterprises		
Between 1 and 5 years	84.087	85.073
Long term part	84.087	85.073
Within 1 year	0	0
Payables to group enterprises total	84.087	85.073

14. Prepayments received from customers

Prepayments received from customers comprises payments received in respect of income in subsequent years.

Notes to financial statements

15. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2024 DKK'000	2023 DKK'000
Between 1 and 5 years	943	368
Within 1 year	665	634
	1.608	1.002
Lease obligations, period of non-terminability for all lease obligations	24.021	29.120
Guarantee commitments	3.155	3.155

Other contingent liabilities

The Group's enterprises are jointly and severally liable for the Group's jointly taxed income etc. The total corporation tax payable for the period 1 January - 31 December 2024 is stated in the Annual Report of Luminous Designs Investments ApS, which acts as management company in the jointly taxed Group for the respective period. Moreover, the respective Groups' Danish enterprises are jointly and severally liable for royalty and interest. Any subsequent adjustments to the corporation tax or withholding tax may result in changes to the Company's liability.

16. Related parties

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

- Flos B&B Italia Group S.p.A., Via Manzoni 38 - 20121 Milan (MI), Italy

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

- Flos B&B Italia S.p.A., Via Manzoni 38- 20121 Milan (MI), Italy Annual Reports can be requested by contacting the company).

Related parties with controlling interest:

- Flos B&B Italia Group S.p.A., Via Manzoni 38 - 20121 Milan (MI), Italy, parent
- Designers Company A/S, Århusgade 130, 1., 2150 Nordhavn, parent

Notes to financial statements

17. Transactions with related parties

	2024	2023
	DKK'000	DKK'000
Revenues	57.536	73.191
Administrative expenses	6.062	4.298
Financial income	3.914	4.906
Financial expenses	4.381	4.339
Receivables from group enterprises	83.679	84.411
Payables to group enterprises	106.647	97.533

Accounting policies

The Annual Report of Audo A/S for 2024 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium enterprises of reporting class C. The reporting class was changed from large to medium in 2024.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2024 are presented in 000'DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Flos B&B Italia Group S.p.A and Flos B&B Italia S.p.A, the Company has not prepared a cash flow statement.

Recognition and measurement

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

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

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

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

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases. Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

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

Accounting policies

Translation policies

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

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

Income statement

Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition. Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company. Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff costs

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

Amortisation, depreciation and impairment losses

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

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among others factors, the nature and market position of the business, the stability of the industry and the dependence on key staff. The amortisation period runs for 10 years. Intangible assets are amortised on a straight-line basis over the expected useful life of the individual assets. Property, plant and equipment are depreciated on a straight-line basis to the residual value, based on the cost.

Accounting policies

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Balance sheet

Intangible asset

Development projects, trademarks and other rights

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis. As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-5 years.

Acquired patents and software licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Acquired patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is years. Software licences are amortised over the period of the agreement, which is 4-10 years.

Accounting policies

Goodwill

Goodwill is amortised on a straightline over the estimated useful life of 15-20 years. determined on the basis of Management's experience with the individual business areas.

Goodwill can be referred to withdrawal of agency agreements in several countries where the company handles the sale and management of the customers.

Goodwill is amortized over a period of 15-20 years, due to costumer databases and relationships which has been adopted by the Company from the agent.

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	3-15 years
Leasehold improvements	3-15 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

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

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

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Accounting policies

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortized cost.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include expected warranty obligations. Provisions are measured and recognised based on experience with repairs and returns.

Deferred tax assets and liabilities

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

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

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

Accounting policies

Current tax receivables and liabilities

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

Financial debts

The Company has chosen IAS 39 as interpretation for liabilities. Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts and other payables are measured at amortised cost, substantially corresponding to nominal value.

Prepayments received from customers

Prepayments received from customers comprises payments received in respect of income in subsequent years.