
Power Stow International A/S

Erhvervsparken 7, DK-4621 Roskilde

Annual Report for
1 May 2023 - 30 April 2024

CVR No. 10 14 33 57

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 2/9 2024

Martin Vestergaard
Chairman of the
general meeting



Contents

| | <u>Page</u> |
|--|-------------|
| Management's Statement and Auditor's Report | |
| Management's Statement | 1 |
| Independent Auditor's Report | 2 |
| Management's Review | |
| Company information | 5 |
| Group Chart | 6 |
| Financial Highlights | 7 |
| Management's Review | 8 |
| Financial Statements | |
| Income Statement 1 May - 30 April | 10 |
| Balance sheet 30 April | 11 |
| Statement of changes in equity | 15 |
| Cash Flow Statement 1 May - 30 April | 16 |
| Notes to the Financial Statements | 17 |

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Power Stow International A/S for the financial year 1 May 2023 - 30 April 2024.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 April 2024 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2023/24.

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

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

Gadstrup, 2 September 2024

Executive Board

Henriette Holmberg Olsen
CEO

Martin Vestergaard
Manager

Board of Directors

Peter Thostrup
Chairman

Martin Vestergaard

Hanne Dorte Malherbes Jensen

Anders Malherbes Vestergaard

Anne Clara Malherbes Vestergaard Stig Holmegaard Thygesen

Hans Laustrup

Independent Auditor's report

To the shareholders of Power Stow International A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 April 2024 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 May 2023 - 30 April 2024 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Power Stow International A/S for the financial year 1 May 2023 - 30 April 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's report

Hellerup, 2 September 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jacob F Christiansen

State Authorised Public Accountant

mne18628

Kristian Højgaard Carlsen

State Authorised Public Accountant

mne44112

Company information

| | |
|---------------------------|--|
| The Company | Power Stow International A/S Erhvervsparken 7 DK-4621 Roskilde CVR No: 10 14 33 57 Financial period: 1 May 2023 - 30 April 2024 Municipality of reg. office: Roskilde |
| Board of Directors | Peter Thostrup, chairman Martin Vestergaard Hanne Dorte Malherbes Jensen Anders Malherbes Vestergaard Anne Clara Malherbes Vestergaard Stig Holmegaard Thygesen Hans Lastrup |
| Executive Board | Henriette Holmberg Olsen Martin Vestergaard |
| Auditors | PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup |

Group Chart

| <u>Company</u> | <u>Residence</u> | <u>Ownership</u> |
|--|--------------------------|------------------|
| Power Stow International A/S | Gadstrup, Denmark | |
| Power Stow A/S | Gadstrup, Denmark | 100% |
| Ejendomsselskabet Erhvervsparken Gadstrup ApS | Gadstrup, Denmark | 100% |
| Power Stow China ApS | Gadstrup, Denmark | 100% |
| Power Stow Aviation Support Equipment (Shanghai) Co., Ltd. | Shanghai, China | 100% |
| Power Stow Americas Inc. | Atlanta, USA | 100% |
| Power Stow Asia Ltd. | Hong Kong | 100% |
| Power Stow UK Ltd. | London, United Kingdom | 100% |
| Power Stow Italy Srl. | Bolzano, Italy | 100% |

Financial Highlights

Seen over a 5-year period, the development of the Group is described by the following financial highlights:

| | Group | | | | |
|--|--------------|---------|---------|----------|---------|
| | 2023/24 | 2022/23 | 2021/22 | 2020/21 | 2019/20 |
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Key figures | | | | | |
| Profit/loss | | | | | |
| Revenue | 894,122 | 503,637 | 198,657 | 157,487 | 509,319 |
| Gross profit | 421,306 | 219,622 | 97,156 | 72,117 | 249,187 |
| Profit/loss of primary operations | 281,844 | 115,129 | 31,454 | 10,488 | 175,153 |
| Profit/loss of financial income and expenses | -7,321 | -28,305 | 9,141 | -5,707 | -16,119 |
| Net profit/loss for the year | 209,203 | 67,405 | 31,973 | 4,458 | 118,635 |
| Balance sheet | | | | | |
| Balance sheet total | 670,938 | 470,869 | 341,976 | 295,151 | 160,738 |
| Investment in property, plant and equipment | 49,174 | 24,469 | 29,555 | 24,842 | 15,955 |
| Equity | 385,696 | 235,222 | 164,072 | 128,276 | 131,138 |
| Cash flows | | | | | |
| Cash flows from: | | | | | |
| - operating activities | 159,649 | 12,659 | 33,386 | -50,591 | 114,712 |
| - investing activities | -57,779 | -44,052 | -9,594 | -218,234 | 1,865 |
| - financing activities | -61,596 | 15,520 | 24,927 | 275,160 | 1,370 |
| Change in cash and cash equivalents for the year | 40,274 | -15,873 | 48,719 | 6,335 | 117,948 |
| Number of employees | 156 | 121 | 93 | 86 | 120 |
| Ratios | | | | | |
| Gross margin | 47.1% | 43.6% | 48.9% | 45.8% | 48.9% |
| Profit margin | 31.5% | 22.9% | 15.8% | 6.7% | 34.4% |
| Return on assets | 42.0% | 24.5% | 9.2% | 3.6% | 109.0% |
| Solvency ratio | 57.5% | 50.0% | 48.0% | 43.5% | 81.6% |
| Return on equity | 67.4% | 33.8% | 21.9% | 3.4% | 180.9% |

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

Management's review

Key activities

The Group develops highly specialized products and solutions that significantly improve the work environment, safety, and efficiency in the handling of baggage and cargo in the aviation industry. The Group also operates trading and manufacturing businesses and owns its Danish domicile properties through subsidiaries.

The Group has no branches abroad.

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

This year's gross profit amounts to TDKK 421,306, compared to TDKK 219,622 last year. The ordinary profit after tax amounts to TDKK 209,203, compared to TDKK 67,405 last year. Management considers this year's result satisfactory and in line with the expectations stated in the 2022/23 annual report.

Foreign exchange risks

Activities abroad cause earnings, cash flows and equity to be affected by the development in the exchange rate of various currencies. Management continuously assesses the Group's exposure and the potential need for hedging.

Financial risks

The Group is only to a limited extent affected by risks in the form of changes in prices, creditworthiness, liquidity and cash flows. When possible, long-term price agreements are made with key suppliers.

Suppliers

The Group is working closely with its suppliers, to reduce any delays in the production.

Targets and expectations for the year ahead

As the market for the Group's primary product is beginning to reach saturation, the Group has developed and introduced new products to contribute to future growth. This transformation is expected to result in a reduction of the Group's profit by 20-40% in the current financial period.

Research and development

To support continued development and lay the foundation for a broader product range, the Group has maintained its focus on research and development activities during the financial year.

External environment

The Group's activities do not entail significant risks in relation to the environment and climate. The Group engages in dialogue with customers and partners to support a green transition, and ongoing efforts are made to implement initiatives that can accelerate this development.

Intellectual capital resources

The Group's business foundation includes the delivery of high-tech and reliable systems for baggage handling in airports. To consistently deliver these solutions, it is crucial that the Group can recruit and retain employees with a high level of education. As a natural part of this, there is constant focus on the professional development of employees, opportunities for internal/external training, and the continuous improvement of internal systems for documentation and knowledge sharing.

Statement of corporate social responsibility, cf. section 99a of the Financial Statements Act

The statutory statement is available on the Company's website cf. www.powerstow.com/sustainability/

Statement on gender composition, cf. section 99b of the Financial Statements Act

Management's review

The parent company's top management consisted of 7 members in both 2022/23 and 2023/24, of which 2 were from the underrepresented gender. Thus, there is an equal gender distribution, and as a result, no target has been set for the gender composition of the parent company's top management.

The parent company employed fewer than 50 employees during the financial year, and is therefore, not required to report on the company's other management levels.

| | <u>2023/24</u> | <u>2022/23</u> |
|---------------------------|----------------|----------------|
| Top management | | |
| Total number of members | 7 | 7 |
| Underrepresented gender % | 29% | 29% |

Statement on data ethics, cf. section 99d of the Financial Statements Act

The Group neither receives nor stores sensitive information from external parties as a general rule. The Group has implemented guidelines and procedures for data handling to ensure compliance with applicable laws, and management believes these are adequate for the Group's needs. Based on this, management has decided not to develop a separate policy on data ethics.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Unusual events

The financial position at 30 April 2024 of the Group and the results of the activities and cash flows of the Group for the financial year for 2023/24 have not been affected by any unusual events.

Subsequent events

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

Income statement 1 May 2023 - 30 April 2024

| | Note | Group | | Parent company | |
|---|------|--------------------|--------------------|--------------------|-------------------|
| | | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | | DKK | DKK | DKK | DKK |
| Revenue | 1 | 894,121,956 | 503,636,680 | 41,398,937 | 36,514,640 |
| Work on own account recognised in assets | | 7,748,365 | 10,438,911 | 7,748,365 | 10,438,911 |
| Other operating income | | 2,213,295 | 1,060,222 | 0 | 0 |
| Expenses for raw materials and consumables | | -438,402,760 | -256,368,790 | -1,956,491 | -2,577,061 |
| Other external expenses | | -44,374,592 | -39,145,204 | -2,807,104 | -4,721,939 |
| Gross profit | | 421,306,264 | 219,621,819 | 44,383,707 | 39,654,551 |
| Staff expenses | 2 | -124,482,019 | -93,321,090 | -8,454,056 | -7,197,719 |
| Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment | | -14,980,203 | -11,171,237 | -12,305,803 | -13,103,963 |
| Profit/loss before financial income and expenses | | 281,844,042 | 115,129,492 | 23,623,848 | 19,352,869 |
| Income from investments in subsidiaries | | 0 | 0 | 187,681,647 | 59,102,448 |
| Financial income | 3 | 3,498,468 | 206,251 | 15,314,630 | 7,439,214 |
| Financial expenses | 4 | -10,819,048 | -28,511,139 | -10,895,845 | -16,992,719 |
| Profit/loss before tax | | 274,523,462 | 86,824,604 | 215,724,280 | 68,901,812 |
| Tax on profit/loss for the year | 5 | -65,320,732 | -19,419,859 | -6,521,550 | -1,497,067 |
| Net profit/loss for the year | 6 | 209,202,730 | 67,404,745 | 209,202,730 | 67,404,745 |

Balance sheet 30 April 2024

Assets

| | Note | Group | | Parent company | |
|--|-----------|--------------------|--------------------|--------------------|--------------------|
| | | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | | DKK | DKK | DKK | DKK |
| Completed development projects | | 2,216,051 | 2,998,648 | 2,216,051 | 2,998,648 |
| Acquired patents | | 0 | 0 | 34,305,000 | 45,656,850 |
| Development projects in progress | | 31,911,653 | 24,163,288 | 31,911,653 | 24,163,288 |
| Intangible assets | 7 | 34,127,704 | 27,161,936 | 68,432,704 | 72,818,786 |
| Land and buildings | | 61,258,754 | 55,404,723 | 0 | 0 |
| Other fixtures and fittings, tools and equipment | | 120,186,738 | 90,234,051 | 599,744 | 771,100 |
| Leasehold improvements | | 577,949 | 555,183 | 0 | 0 |
| Property, plant and equipment | 8 | 182,023,441 | 146,193,957 | 599,744 | 771,100 |
| Investments in subsidiaries | 9 | 0 | 0 | 289,925,705 | 215,834,381 |
| Deposits | 10 | 138,810 | 135,686 | 0 | 0 |
| Fixed asset investments | | 138,810 | 135,686 | 289,925,705 | 215,834,381 |
| Fixed assets | | 216,289,955 | 173,491,579 | 358,958,153 | 289,424,267 |
| Inventories | 11 | 148,402,729 | 145,316,837 | 0 | 0 |
| Trade receivables | | 207,792,788 | 87,931,989 | 0 | 0 |
| Receivables from group enterprises | | 0 | 0 | 169,728,020 | 182,242,891 |
| Other receivables | 12 | 14,237,534 | 12,039,363 | 3,287,791 | 935,044 |
| Deferred tax asset | 14 | 0 | 9,650,307 | 0 | 0 |
| Prepayments | 13 | 4,759,837 | 3,258,339 | 111,076 | 126,591 |
| Receivables | | 226,790,159 | 112,879,998 | 173,126,887 | 183,304,526 |

Balance sheet 30 April 2024

Assets

| | Note | Group | | Parent company | |
|--------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | | DKK | DKK | DKK | DKK |
| Cash at bank and in hand | | 79,454,905 | 39,180,694 | 753,254 | 743,213 |
| Current assets | | 454,647,793 | 297,377,529 | 173,880,141 | 184,047,739 |
| Assets | | 670,937,748 | 470,869,108 | 532,838,294 | 473,472,006 |

Balance sheet 30 April 2024

Liabilities and equity

| | Note | Group | | Parent company | |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | | DKK | DKK | DKK | DKK |
| Share capital | | 400,000 | 125,000 | 400,000 | 125,000 |
| Reserve for net revaluation under the equity method | | 0 | 0 | 158,547,237 | 84,594,113 |
| Reserve for development costs | | 0 | 0 | 26,619,609 | 21,186,310 |
| Reserve for hedging transactions | | 0 | 631,109 | 0 | 0 |
| Reserve for exchange rate conversion | | 8,839,506 | 6,936,989 | 0 | 0 |
| Retained earnings | | 226,456,794 | 167,528,995 | 50,129,454 | 69,316,670 |
| Proposed dividend for the year | | 150,000,000 | 60,000,000 | 150,000,000 | 60,000,000 |
| Equity | | 385,696,300 | 235,222,093 | 385,696,300 | 235,222,093 |
| Provision for deferred tax | 14 | 2,253,207 | 0 | 15,086,372 | 16,055,419 |
| Other provisions | 15 | 6,369,471 | 5,569,099 | 0 | 0 |
| Provisions | | 8,622,678 | 5,569,099 | 15,086,372 | 16,055,419 |
| Prepayments received from customers | | 26,046,677 | 8,775,539 | 0 | 0 |
| Trade payables | | 59,746,336 | 41,858,851 | 894,249 | 783,418 |
| Payables to group enterprises | | 123,375,611 | 124,971,897 | 123,879,013 | 219,053,477 |
| Corporation tax | | 39,003,075 | 12,673,015 | 7,002,930 | 2,037,420 |
| Deposits | | 673,680 | 580,459 | 0 | 0 |
| Other payables | | 27,773,391 | 41,218,155 | 279,430 | 320,179 |
| Short-term debt | | 276,618,770 | 230,077,916 | 132,055,622 | 222,194,494 |
| Debt | | 276,618,770 | 230,077,916 | 132,055,622 | 222,194,494 |
| Liabilities and equity | | 670,937,748 | 470,869,108 | 532,838,294 | 473,472,006 |

Balance sheet 30 April 2024

Liabilities and equity

| | Note | Group | | Parent company | |
|--|------|---------|---------|----------------|---------|
| | | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | | DKK | DKK | DKK | DKK |
| Contingent assets, liabilities and other financial obligations | 18 | | | | |
| Related parties | 19 | | | | |
| Fee to auditors appointed at the general meeting | 20 | | | | |
| Accounting Policies | 21 | | | | |

Statement of changes in equity

Group

| | Share capital | Reserve for hedging transactions | Reserve for exchange rate conversion | Retained earnings | Proposed dividend for the year | Total |
|---|----------------|----------------------------------|--------------------------------------|--------------------|--------------------------------|--------------------|
| | DKK | DKK | DKK | DKK | DKK | DKK |
| Equity at 1 May | 125,000 | 631,109 | 6,936,989 | 167,529,064 | 60,000,000 | 235,222,162 |
| Cash capital increase | 275,000 | 0 | 0 | -275,000 | 0 | 0 |
| Ordinary dividend paid | 0 | 0 | 0 | 0 | -60,000,000 | -60,000,000 |
| Exchange adjustments relating to foreign entities | 0 | 0 | 1,902,517 | 0 | 0 | 1,902,517 |
| Fair value adjustment of hedging instruments, beginning of year | 0 | -809,114 | 0 | 0 | 0 | -809,114 |
| Tax on adjustment of hedging instruments for the year | 0 | 178,005 | 0 | 0 | 0 | 178,005 |
| Net profit/loss for the year | 0 | 0 | 0 | 59,202,730 | 150,000,000 | 209,202,730 |
| Equity at 30 April | 400,000 | 0 | 8,839,506 | 226,456,794 | 150,000,000 | 385,696,300 |

Parent company

| | Share capital | Reserve for net revaluation under the equity method | Reserve for development costs | Retained earnings | Proposed dividend for the year | Total |
|---|----------------|---|-------------------------------|-------------------|--------------------------------|--------------------|
| | DKK | DKK | DKK | DKK | DKK | DKK |
| Equity at 1 May | 125,000 | 84,594,113 | 21,186,310 | 69,316,739 | 60,000,000 | 235,222,162 |
| Cash capital increase | 275,000 | 0 | 0 | -275,000 | 0 | 0 |
| Ordinary dividend paid | 0 | 0 | 0 | 0 | -60,000,000 | -60,000,000 |
| Exchange adjustments relating to foreign entities | 0 | 1,902,517 | 0 | 0 | 0 | 1,902,517 |
| Fair value adjustment of hedging instruments, beginning of year | 0 | -809,114 | 0 | 0 | 0 | -809,114 |
| Tax on adjustment of hedging instruments for the year | 0 | 178,005 | 0 | 0 | 0 | 178,005 |
| Development costs for the year | 0 | 0 | 6,043,725 | -6,043,725 | 0 | 0 |
| Depreciation, amortisation and impairment for the year | 0 | 0 | -610,426 | 610,426 | 0 | 0 |
| Net profit/loss for the year | 0 | 72,681,716 | 0 | -13,478,986 | 150,000,000 | 209,202,730 |
| Equity at 30 April | 400,000 | 158,547,237 | 26,619,609 | 50,129,454 | 150,000,000 | 385,696,300 |

Cash flow statement 1 May 2023 - 30 April 2024

| | Note | Group | |
|---|------|--------------------|--------------------|
| | | 2023/24 | 2022/23 |
| | | DKK | DKK |
| Result of the year | | 209,202,730 | 67,404,745 |
| Adjustments | 16 | 89,524,032 | 55,676,606 |
| Change in working capital | 17 | -104,848,022 | -62,645,701 |
| Cash flow from operations before financial items | | 193,878,740 | 60,435,650 |
| Financial income | | 3,498,468 | 206,251 |
| Financial expenses | | -10,819,048 | -28,511,139 |
| Cash flows from ordinary activities | | 186,558,160 | 32,130,762 |
| Corporation tax paid | | -26,909,153 | -19,471,469 |
| Cash flows from operating activities | | 159,649,007 | 12,659,293 |
| Purchase of intangible assets | | -7,748,365 | -10,438,912 |
| Purchase of property, plant and equipment | | -51,428,993 | -33,622,681 |
| Fixed asset investments made etc | | -3,124 | 0 |
| Sale of property, plant and equipment | | 1,401,903 | 0 |
| Sale of fixed asset investments made etc | | 0 | 9,375 |
| Cash flows from investing activities | | -57,778,579 | -44,052,218 |
| Repayment of payables to group enterprises | | -1,596,286 | 0 |
| Raising of payables to group enterprises | | 0 | 15,520,499 |
| Dividend paid | | -60,000,000 | 0 |
| Cash flows from financing activities | | -61,596,286 | 15,520,499 |
| Change in cash and cash equivalents | | 40,274,142 | -15,872,426 |
| Cash and cash equivalents at 1 May | | 39,180,694 | 55,053,120 |
| Cash and cash equivalents at 30 April | | 79,454,836 | 39,180,694 |
| Cash and cash equivalents are specified as follows: | | | |
| Cash at bank and in hand | | 79,454,905 | 39,180,694 |
| Cash and cash equivalents at 30 April | | 79,454,905 | 39,180,694 |

Notes to the Financial Statements

| | Group | | Parent company | |
|------------------------------|--------------------|--------------------|-------------------|-------------------|
| | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | DKK | DKK | DKK | DKK |
| 1. Revenue | | | | |
| Geographical segments | | | | |
| Europe | 148,637,451 | 111,654,700 | 41,398,937 | 36,514,640 |
| USA | 681,526,552 | 359,580,738 | 0 | 0 |
| Other countries | 63,957,953 | 32,401,242 | 0 | 0 |
| | 894,121,956 | 503,636,680 | 41,398,937 | 36,514,640 |

Information on the distribution of net revenue by business segments has been omitted, cf. section 96, subsection of the Annual Accounts Act. 1, as the group's management has assessed that inclusion of the information could cause significant damage to the group.

The basis for management's assessment is that the group operates in markets with few major global competitors, just as the group's product range is very narrow. Disclosure of information relating to business segments in the annual report, will have great value for the competitors and thus be harmful for the group.

| | Group | | Parent company | |
|---|--------------------|-------------------|------------------|------------------|
| | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | DKK | DKK | DKK | DKK |
| 2. Staff Expenses | | | | |
| Wages and salaries | 111,997,541 | 84,015,572 | 7,419,071 | 6,433,999 |
| Pensions | 9,755,961 | 7,407,133 | 862,712 | 583,960 |
| Other social security expenses | 956,638 | 791,400 | 60,569 | 58,600 |
| Other staff expenses | 1,771,879 | 1,106,985 | 111,704 | 121,160 |
| | 124,482,019 | 93,321,090 | 8,454,056 | 7,197,719 |
| Including remuneration to the Executive Board and Board of Directors: | | | | |
| Executive board | 3,288,132 | 4,426,574 | 3,288,132 | 4,426,574 |
| Board of directors | 714,663 | 729,874 | 714,663 | 729,874 |
| | 4,002,795 | 5,156,448 | 4,002,795 | 5,156,448 |
| Average number of employees | 156 | 121 | 9 | 8 |

Notes to the Financial Statements

| | Group | | Parent company | |
|--|------------------|----------------|-------------------|------------------|
| | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | DKK | DKK | DKK | DKK |
| 3. Financial income | | | | |
| Interest received from group enterprises | 0 | 0 | 11,768,764 | 7,439,214 |
| Other financial income | 3,498,468 | 206,251 | 3,545,866 | 0 |
| | 3,498,468 | 206,251 | 15,314,630 | 7,439,214 |

| | Group | | Parent company | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | DKK | DKK | DKK | DKK |
| 4. Financial expenses | | | | |
| Interest paid to group enterprises | 8,665,289 | 1,587,282 | 10,891,120 | 9,026,496 |
| Other financial expenses | 2,153,759 | 26,923,857 | 4,725 | 7,966,223 |
| | 10,819,048 | 28,511,139 | 10,895,845 | 16,992,719 |

| | Group | | Parent company | |
|---|-------------------|-------------------|------------------|------------------|
| | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | DKK | DKK | DKK | DKK |
| 5. Income tax expense | | | | |
| Current tax for the year | 52,749,702 | 21,862,643 | 7,002,930 | 2,037,420 |
| Deferred tax for the year | 11,903,514 | -478,346 | -969,047 | -540,353 |
| Adjustment of tax concerning previous years | 489,511 | 0 | 487,667 | 0 |
| | 65,142,727 | 21,384,297 | 6,521,550 | 1,497,067 |
| thus distributed: | | | | |
| Income tax expense | 65,320,732 | 19,419,859 | 6,521,550 | 1,497,067 |
| Tax on equity movements | -178,005 | 1,964,438 | 0 | 0 |
| | 65,142,727 | 21,384,297 | 6,521,550 | 1,497,067 |

Notes to the Financial Statements

| | Parent company | |
|---|--------------------|-------------------|
| | 2023/24 | 2022/23 |
| | DKK | DKK |
| 6. Profit allocation | | |
| Proposed dividend for the year | 150,000,000 | 60,000,000 |
| Reserve for net revaluation under the equity method | 72,681,716 | 59,102,444 |
| Retained earnings | -13,478,986 | -51,697,699 |
| | 209,202,730 | 67,404,745 |

7. Intangible fixed assets

| | Group | | Parent company | | |
|--|--------------------------------|----------------------------------|--------------------------------|--------------------------|----------------------------------|
| | Completed development projects | Development projects in progress | Completed development projects | Acquired patents | Development projects in progress |
| | DKK | DKK | DKK | DKK | DKK |
| Cost at 1 May | 3,040,883 | 24,163,288 | 3,040,883 | 94,246,000 | 24,163,288 |
| Additions for the year | 0 | 7,748,365 | 0 | 0 | 7,748,365 |
| Disposals for the year | 0 | 0 | 0 | -34,024,000 | 0 |
| Cost at 30 April | <u>3,040,883</u> | <u>31,911,653</u> | <u>3,040,883</u> | <u>60,222,000</u> | <u>31,911,653</u> |
| Impairment losses and amortisation at 1 May | 42,235 | 0 | 42,235 | 48,589,150 | 0 |
| Amortisation for the year | 782,597 | 0 | 782,597 | 11,351,850 | 0 |
| Reversal of impairment and amortisation of sold assets | 0 | 0 | 0 | -34,024,000 | 0 |
| Impairment losses and amortisation at 30 April | <u>824,832</u> | <u>0</u> | <u>824,832</u> | <u>25,917,000</u> | <u>0</u> |
| Carrying amount at 30 April | <u>2,216,051</u> | <u>31,911,653</u> | <u>2,216,051</u> | <u>34,305,000</u> | <u>31,911,653</u> |
| Amortised over | 1-6 years | | 1-6 years | 1-18 years | |

The group's development projects include both new products and new functionality for existing products. The projects are initiated on the basis of concrete inquiries from customers and management expectations for future requirements from authorities and players in the GSE industry. The development projects in progress are expected to be completed within a time horizon of 1-5 years.

Notes to the Financial Statements

8. Property, plant and equipment

| | Group | | | Parent company |
|--|--------------------|--|------------------------|--|
| | Land and buildings | Other fixtures and fittings, tools and equipment | Leasehold improvements | Other fixtures and fittings, tools and equipment |
| | DKK | DKK | DKK | DKK |
| Cost at 1 May | 61,059,847 | 131,188,237 | 3,887,516 | 856,778 |
| Exchange adjustment | 0 | 1,904,777 | 80,041 | 0 |
| Additions for the year | 6,924,001 | 41,966,558 | 282,975 | 0 |
| Disposals for the year | 0 | -1,607,360 | 0 | 0 |
| Cost at 30 April | 67,983,848 | 173,452,212 | 4,250,532 | 856,778 |
| Impairment losses and depreciation at 1 May | 5,655,124 | 40,954,186 | 3,332,333 | 85,678 |
| Exchange adjustment | 0 | 778,028 | 59,017 | 0 |
| Depreciation for the year | 1,069,970 | 12,846,403 | 281,233 | 171,356 |
| Reversal of impairment and depreciation of sold assets | 0 | -1,313,143 | 0 | 0 |
| Impairment losses and depreciation at 30 April | 6,725,094 | 53,265,474 | 3,672,583 | 257,034 |
| Carrying amount at 30 April | 61,258,754 | 120,186,738 | 577,949 | 599,744 |
| Amortised over | 50 years | 3-10 years | 20 years | 5 years |

Notes to the Financial Statements

| | Parent company | |
|---|---------------------------|---------------------------|
| | 2023/24 | 2022/23 |
| | DKK | DKK |
| 9. Investments in subsidiaries | | |
| Cost at 1 May | 129,690,487 | 129,616,100 |
| Additions for the year | 0 | 74,387 |
| Cost at 30 April | <u>129,690,487</u> | <u>129,690,487</u> |
| Value adjustments at 1 May | 84,594,113 | 21,746,219 |
| Exchange adjustment | 1,902,517 | -3,219,414 |
| Net profit/loss for the year | 159,064,732 | 72,862,629 |
| Dividend to the Parent Company | -115,000,000 | 0 |
| Other equity movements, net | -590,652 | 6,964,828 |
| Change in intercompany profit on inventories | 28,576,527 | -13,760,149 |
| Value adjustments at 30 April | <u>158,547,237</u> | <u>84,594,113</u> |
| Equity investments with negative net asset value amortised over receivables | <u>1,687,981</u> | <u>1,549,781</u> |
| Carrying amount at 30 April | <u>289,925,705</u> | <u>215,834,381</u> |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Share capital | Ownership | Equity | Net profit/loss for the year |
|---|----------------------------|---------------|-----------|--------------------|------------------------------|
| Power Stow A/S | Gadstrup, Danmark | DKK 3.000.000 | 100% | 179,842,561 | 101,430,996 |
| Ejendomsselskabet Erhversparken Gladstrup ApS | Gadstrup, Danmark | DKK 50.000 | 100% | 52,213,236 | 4,156,629 |
| Power Stow China ApS | Gadstrup, Danmark | DKK 50.000 | 100% | -23,445 | -141,223 |
| Power Stow Americas Inc. | Atlanta, USA | USD 1.000 | 100% | 137,871,107 | 53,484,440 |
| Power Stow Asia Ltd. | Hong Kong | HKD 8 | 100% | -1,664,536 | -82,398 |
| Power Stow UK Ltd. | London, Storbritannien | GBP 1 | 100% | 327,150 | 110,602 |
| Power Stow Italy Srl. | Bolzano, Italien | EUR 10.000 | 100% | 220,530 | 105,686 |
| | | | | <u>368,786,603</u> | <u>159,064,732</u> |

In 2020/21, the parent company acquired patents from the underlying subsidiary for a considerable amount and the internal profit thereon are eliminated in the accounting value of the subsidiary. In addition, the internal profit on inventories and operating assets per 30/4-2024 has been eliminated.

Notes to the Financial Statements

10. Other fixed asset investments Group

| | Deposits |
|------------------------------------|----------------|
| | DKK |
| Cost at 1 May | 135,686 |
| Additions for the year | 3,124 |
| Cost at 30 April | 138,810 |
| Carrying amount at 30 April | 138,810 |

11. Inventories

| | Group | | Parent company | |
|-------------------------------------|--------------------|--------------------|----------------|----------|
| | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | DKK | DKK | DKK | DKK |
| Raw materials and consumables | 71,293,940 | 40,586,894 | 0 | 0 |
| Work in progress | 52,991,955 | 95,362,645 | 0 | 0 |
| Finished goods and goods for resale | 24,116,834 | 9,367,298 | 0 | 0 |
| | 148,402,729 | 145,316,837 | 0 | 0 |

12. Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

| | | | | |
|--------|---|---------|---|---|
| Assets | 0 | 809,114 | 0 | 0 |
|--------|---|---------|---|---|

Forward exchange contracts have been concluded to hedge future sale of goods in USD. At the balance sheet date, the fair value of the forward exchange contracts amounts to DKK 0 (2022/23: DKK 809,114).

| | Value adjustment, equity |
|----------------------------|--------------------------|
| | DKK |
| Forward exchange contracts | -809,114 |

Notes to the Financial Statements

13. Prepayments

Prepayments comprises of prepaid expenses such as insurance and other prepaid expenses.

| | Group | | Parent company | |
|---|------------------|-------------------|-------------------|-------------------|
| | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | DKK | DKK | DKK | DKK |
| 14. Provision for deferred tax | | | | |
| Deferred tax liabilities at 1 May | -9,650,307 | -8,992,891 | 16,055,419 | 16,595,772 |
| Amounts recognised in the income statement for the year | 12,081,519 | -2,442,784 | -969,047 | -540,353 |
| Amounts recognised in equity for the year | -178,005 | 1,785,368 | 0 | 0 |
| Deferred tax liabilities at 30 April | 2,253,207 | -9,650,307 | 15,086,372 | 16,055,419 |

| | Group | | Parent company | |
|--|------------------|------------------|----------------|----------|
| | 2023/24 | 2022/23 | 2023/24 | 2022/23 |
| | DKK | DKK | DKK | DKK |
| 15. Other provisions | | | | |
| The Group provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of DKK 6,369,471 (2022/23: DKK 5.569.099) have been recognised for expected warranty claims. | | | | |
| Other provisions | 6,369,471 | 5,569,099 | 0 | 0 |
| | 6,369,471 | 5,569,099 | 0 | 0 |

| | Group | |
|---|-------------------|-------------------|
| | 2023/24 | 2022/23 |
| | DKK | DKK |
| 16. Cash flow statement - Adjustments | | |
| Financial income | -3,498,468 | -206,251 |
| Financial expenses | 10,819,048 | 28,511,139 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 14,980,203 | 11,171,237 |
| Tax on profit/loss for the year | 65,320,732 | 19,419,859 |
| Exchange adjustments | 1,902,517 | -3,219,378 |
| | 89,524,032 | 55,676,606 |

Notes to the Financial Statements

| | Group | |
|--|---------------------|--------------------|
| | 2023/24 | 2022/23 |
| | DKK | DKK |
| 17. Cash flow statement - Change in working capital | | |
| Change in inventories | -3,085,892 | -43,355,278 |
| Change in receivables | -123,560,468 | -65,982,222 |
| Change in other provisions | 800,372 | 1,583,132 |
| Change in trade payables, etc | 21,807,080 | 36,001,396 |
| Fair value adjustments of hedging instruments | -809,114 | 9,107,271 |
| | <u>-104,848,022</u> | <u>-62,645,701</u> |

18. Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Martin Vestergaard Holding ApS, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The parent company has provided a surety bond with Power Stow A/S and IMEC ApS for all bank balances.

The parent company has submitted a letter of support to Power Stow China ApS valid up to and including 30 April 2025.

Notes to the Financial Statements

19. Related parties and disclosure of consolidated financial statements

| | Basis |
|--------------------------------|-------------------------|
| Controlling interest | |
| MV Invest ApS | Parent company |
| Martin Vestergaard Holding ApS | Ultimate parent company |

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. All transactions has been made on an arm's length basis.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

| Name | Place of registered office |
|--------------------------------|----------------------------|
| Martin Vestergaard Holding ApS | Gadstrup, Denmark |

| | Group | |
|---|------------------|------------------|
| | 2023/24 | 2022/23 |
| | DKK | DKK |
| 20. Fee to auditors appointed at the general meeting | | |
| PricewaterhouseCoopers | | |
| Audit fee | 936,950 | 848,072 |
| Tax advisory services | 94,433 | 175,200 |
| Non-audit services | 527,950 | 427,713 |
| | 1,559,333 | 1,450,985 |

Notes to the Financial Statements

21. Accounting policies

The Annual Report of Power Stow International A/S for 2023/24 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2023/24 are presented in DKK.

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

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Power Stow International A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Leases

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

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies. If currency positions are considered to hedge future cash flows, value adjustments are recognized directly in equity.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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

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

Notes to the Financial Statements

Derivative financial instruments

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

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

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in the fair value reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Segment information on revenue

Information on geographical segments is based on the Group's risks and returns and its internal financial reporting system.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Notes to the Financial Statements

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Martin Vestergaard Holding ApS. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

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 comprises only development costs recognised in financial years beginning on or after 1 January 2016. 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 1-6 year.

Other intangible fixed assets

Patents are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 1-18 years.

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.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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:

| | |
|--|------------|
| Production buildings | 50 years |
| Other fixtures and fittings, tools and equipment | 3-10 years |
| Leasehold improvements | 20 years |

The residual values are estimated at the following percentage of the cost:

| | |
|--|--------|
| Production buildings | 20 % |
| Other fixtures and fittings, tools and equipment | 0-20 % |
| Leasehold improvements | 0-20 % |

Notes to the Financial Statements

The residual value of other fixed assets is determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

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 and costs of completion. 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.

Receivables

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

Notes to the Financial Statements

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

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

Provisions

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

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

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

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Notes to the Financial Statements

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

| | |
|------------------|--|
| Gross margin | Gross profit / Revenue |
| Profit margin | Profit of ordinary primary operations / Revenue |
| Return on assets | Profit of ordinary primary operations / Total assets at year end |
| Solvency ratio | Equity at year end / Total assets at year end |
| Return on equity | Net profit for the year / Average equity |