

# Hydraulic A/S

Rådhusgade 87, 8300 Odder  
CVR no. 11 81 03 30

## Annual report for 2023

Årsrapporten er godkendt på den  
ordinære generalforsamling, d. 30.05.24

Lars Bugge  
Dirigent

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**The company**

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Hydraulicco A/S  
Rådhusgade 87  
8300 Odder  
Tel.: 87 80 20 00  
Registered office: Odder  
CVR no.: 11 81 03 30  
Financial year: 01.01 - 31.12

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**Executive Board**

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Bjarne Ravn Sørensen

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**Board of Directors**

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Michael Gregers Mortensen  
Lars Bugge  
Jens Spaabæk Salling  
Lise Spaabæk Salling Stokkebro

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**Auditors**

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Beierholm  
Statsautoriseret Revisionspartnerselskab

## Statement by the Executive Board and Board of Directors on the annual report

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We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Hydraulic A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Odder, May 30, 2024

### **Executive Board**

Bjarne Ravn Sørensen

### **Board of Directors**

Michael Gregers Mortensen  
Chairman

Lars Bugge

Jens Spaabæk Salling

Lise Spaabæk Salling Stokkebro

**To the Shareholders of Hydraulico A/S****Opinion**

We have audited the financial statements of Hydraulico A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant 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 company's financial position at 31.12.23 and of the results of the company's operations for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' 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 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.

In connection with our audit of the financial statements, it is our responsibility 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, 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 Statements Act. We did not identify any material misstatement of the management's review.

**Management's responsibilities for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material 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 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 judgment and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events 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.

Aarhus, May 30, 2024

**Beierholm**

Statsautoriseret Revisionspartnerselskab  
CVR no. 32 89 54 68

Jesper Resdal Thomsen

State Authorized Public Accountant  
MNE-no. mne34536

**FINANCIAL HIGHLIGHTS****Key figures**

Figures in DKK '000

*Profit/loss*

	2023	2022	2021	2020	2019
Operating profit	4,951	11,673	6,751	4,291	3,945
Index	126	296	171	109	100
Total net financials	-3,186	-123	-118	-276	59
Index	-5,400	-208	-200	-468	100
Profit for the year	1,585	8,995	5,167	3,113	3,119
Index	51	288	166	100	100

*Balance*

Total assets	67,281	83,063	40,063	38,643	35,697
Investments in property, plant and equipment	880	503	334	261	88
Equity	26,774	17,724	14,656	11,379	8,221

**Ratios**

2023 2022 2021 2020 2019

*Profitability*

Return on equity	7%	56%	35%	21%	21%
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*Equity ratio*

Solvency ratio	40%	21%	37%	29%	23%
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*Ratios definitions*

Return on equity:  $\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

Solvency ratio:  $\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$



**Primary activities**

The company's activities comprise of development, manufacturing, and sale of high tech hydraulic presses and production lines for the metalworking industry. Especially forging plants for turbine blades, rail switches for highspeed trains and plants for manufacturing of sinks, bathtubs, and plate heat exchangers.

**Development in activities and financial affairs**

The income statement for the period 01.01.23 - 31.12.23 shows a profit of DKK 1,585,159 against DKK 8,995,094 for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 26,774,027.

The result for 2023 is negatively affected by a large rail forging project where the customer declared bankrupt shortly before the project was completed.

The earnings expectations for 2023 were a net profit of DKK 10,000k - DKK 12,000k. The objective was not met exclusively due the bankruptcy mentioned above.

The management considers the net profit for the year not to be satisfactory.

The company merged with the group companies Hydraulic Upgrade and Hydraulic Tech as of January 1, 2023. Hydraulic A/S is the continuing company.

**Outlook**

The company expect that the global challenges on the market for components and machining will normalize during 2024 and will shorten the manufacturing lead time and free up more capacity.

Still a positive outlook for 2024 with an expected net profit of DKK 10,500k - DKK 12,500k for the year.

**Subsequent events**

No important events have occurred after the end of the financial year.

## Income statement

Note	2023 DKK	2022 DKK
	<b>28,358,014</b>	<b>33,989,661</b>
<b>Gross profit</b>		
1 Staff costs	-22,712,992	-21,876,141
	<b>5,645,022</b>	<b>12,113,520</b>
<b>Profit before depreciation, amortisation, write-downs and impairment losses</b>		
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-694,447	-440,440
	<b>4,950,575</b>	<b>11,673,080</b>
<b>Operating profit</b>		
2 Income from equity investments in group enterprises	966,189	0
3 Financial income	292,055	149,038
4 Financial expenses	-4,443,987	-271,986
	<b>1,764,832</b>	<b>11,550,132</b>
<b>Profit before tax</b>		
5 Tax on profit for the year	-179,673	-2,555,038
	<b>1,585,159</b>	<b>8,995,094</b>
<b>Profit for the year</b>		
<b>Proposed appropriation account</b>		
Reserve for net revaluation according to the equity method	966,189	0
Proposed dividend for the financial year	10,000,000	0
Retained earnings	-9,381,030	8,995,094
	<b>1,585,159</b>	<b>8,995,094</b>
<b>Total</b>		

<b>ASSETS</b>		31.12.23	31.12.22
		DKK	DKK
Note			
	Completed development projects	123,332	287,170
	Acquired rights	61,096	0
<b>7</b>	<b>Total intangible assets</b>	<b>184,428</b>	<b>287,170</b>
	Leasehold improvements	706,471	293,474
	Other fixtures and fittings, tools and equipment	914,090	441,445
<b>8</b>	<b>Total property, plant and equipment</b>	<b>1,620,561</b>	<b>734,919</b>
9	Equity investments in group enterprises	1,438,483	0
9	Other investments	30,000	30,000
10	Deposits	758,642	1,010,812
	<b>Total investments</b>	<b>2,227,125</b>	<b>1,040,812</b>
	<b>Total non-current assets</b>	<b>4,032,114</b>	<b>2,062,901</b>
	Raw materials and consumables	224,900	257,420
	Manufactured goods and goods for resale	56,753	56,753
	<b>Total inventories</b>	<b>281,653</b>	<b>314,173</b>
11	Work in progress for third parties	21,956,196	25,871,525
	Trade receivables	3,729,700	3,525,292
	Receivables from group enterprises	875,886	3,582,833
	Other receivables	7,688,205	2,381,471
12	Prepayments	268,812	646,213
	<b>Total receivables</b>	<b>34,518,799</b>	<b>36,007,334</b>
	<b>Cash</b>	<b>28,448,093</b>	<b>44,678,164</b>
	<b>Total current assets</b>	<b>63,248,545</b>	<b>80,999,671</b>
	<b>Total assets</b>	<b>67,280,659</b>	<b>83,062,572</b>

		31.12.23	31.12.22
		DKK	DKK
<b>EQUITY AND LIABILITIES</b>			
Note			
14	Share capital	1,010,000	1,000,000
	Reserve for net revaluation according to the equity method	1,437,843	0
	Reserve for development costs	96,199	223,993
	Cash flow hedging reserve	91,608	-317,214
	Retained earnings	14,138,377	16,817,598
	Proposed dividend for the financial year	10,000,000	0
	<b>Total equity</b>	<b>26,774,027</b>	<b>17,724,377</b>
15	Provisions for deferred tax	7,487,540	5,872,256
16	Other provisions	2,785,968	4,433,595
	<b>Total provisions</b>	<b>10,273,508</b>	<b>10,305,851</b>
17	Other payables	1,768	0
	<b>Total long-term payables</b>	<b>1,768</b>	<b>0</b>
11	Prepayments received from work in progress for third parties	14,091,279	37,517,124
	Trade payables	10,915,072	16,393,885
	Payables to group enterprises	1,172,630	0
	Other payables	4,052,375	1,121,335
	<b>Total short-term payables</b>	<b>30,231,356</b>	<b>55,032,344</b>
	<b>Total payables</b>	<b>30,233,124</b>	<b>55,032,344</b>
	<b>Total equity and liabilities</b>	<b>67,280,659</b>	<b>83,062,572</b>
18	Fair value information		
19	Derivative financial instruments		
20	Contingent liabilities		
21	Charges and security		
22	Related parties		

## Statement of changes in equity

Figures in DKK	Share capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Cash flow hedging reserve	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.23 - 31.12.23							
Balance as at 01.01.23	1,000,000	0	223,993	-317,214	16,817,598	0	17,724,377
Net effect of mergers and acquisition of enterprises	10,000	486,057	0	0	6,574,015	0	7,070,072
Adjusted balance as at 01.01.23	1,010,000	486,057	223,993	-317,214	23,391,613	0	24,794,449
Foreign currency translation adjustment of foreign enterprises	0	-14,403	0	0	0	0	-14,403
Dissolution of fair value reserve on realization	0	0	0	317,214	0	0	317,214
Total depreciation, amortisation, impairment losses and write-downs during the year	0	0	-127,794	0	127,794	0	0
Fair value adjustment of hedging instruments	0	0	0	117,446	0	0	117,446
Tax on changes in equity	0	0	0	-25,838	0	0	-25,838
Net profit/loss for the year	0	966,189	0	0	-9,381,030	10,000,000	1,585,159
Balance as at 31.12.23	1,010,000	1,437,843	96,199	91,608	14,138,377	10,000,000	26,774,027

	2023	2022
	DKK	DKK

### 1. Staff costs

Wages and salaries	19,654,387	19,283,311
Pensions	1,560,875	1,235,359
Other social security costs	69,870	97,012
Other staff costs	1,427,860	1,260,459
<b>Total</b>	<b>22,712,992</b>	<b>21,876,141</b>

Average number of employees during the year	31	31
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Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	2,170,196	2,068,500
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### 2. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	966,189	0
<b>Total</b>	<b>966,189</b>	<b>0</b>

### 3. Financial income

Interest, group enterprises	10,630	14,304
Other financial income	281,425	134,734
<b>Total</b>	<b>292,055</b>	<b>149,038</b>

	2023	2022
	DKK	DKK

#### 4. Financial expenses

Interest, group enterprises	0	15,764
Other financial expenses total	4,443,987	256,222
Total	4,443,987	271,986

#### 5. Tax on profit for the year

Adjustment of deferred tax for the year	179,673	2,555,038
Total	179,673	2,555,038

#### 6. Proposed appropriation account

Reserve for net revaluation according to the equity method	966,189	0
Proposed dividend for the financial year	10,000,000	0
Retained earnings	-9,381,030	8,995,094
Total	1,585,159	8,995,094

**7. Intangible assets**

Figures in DKK	Completed development projects	Acquired rights
Cost as at 01.01.23	1,089,057	0
Additions relating to mergers and acquisition of enterprises	486,523	0
Additions during the year	0	61,096
Cost as at 31.12.23	1,575,580	61,096
Amortisation and impairment losses as at 01.01.23	-801,887	0
Additions relating to mergers and acquisition of enterprises	-310,430	0
Amortisation during the year	-339,931	0
Amortisation and impairment losses as at 31.12.23	-1,452,248	0
Carrying amount as at 31.12.23	123,332	61,096
Carrying amount of assets held under finance leases as at 31.12.23	0	0

Completed development projects comprise of control system for hydraulic presses and a document management system update.



**8. Property, plant and equipment**

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.23	778,059	4,588,637
Additions relating to mergers and acquisition of enterprises	0	680,877
Additions during the year	490,896	389,334
Disposals during the year	0	-1,245,741
Cost as at 31.12.23	1,268,955	4,413,107
Depreciation and impairment losses as at 01.01.23	-484,584	-4,147,194
Additions relating to mergers and acquisition of enterprises	0	-320,948
Depreciation during the year	-77,900	-276,616
Reversal of depreciation of and impairment losses on disposed assets	0	1,245,741
Depreciation and impairment losses as at 31.12.23	-562,484	-3,499,017
Carrying amount as at 31.12.23	706,471	914,090

**9. Investments**

Figures in DKK	Equity invest- ments in group enterprises	Other invest- ments
Cost as at 01.01.23	0	30,000
Additions relating to mergers and acquisition of enterprises	640	0
Cost as at 31.12.23	640	30,000
Additions relating to mergers and acquisition of enterprises	486,057	0
Foreign currency translation adjustment of foreign enterprises	-14,403	0
Net profit/loss from equity investments	966,189	0
Revaluations as at 31.12.23	1,437,843	0
Carrying amount as at 31.12.23	1,438,483	30,000

Name and registered office:	Ownership interest
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Subsidiaries:

Hydraulico INC, USA	100%
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**10. Other non-current financial assets**

Figures in DKK	Deposits
Cost as at 01.01.23	1,010,812
Additions during the year	67,866
Disposals during the year	-320,036
Cost as at 31.12.23	758,642
Carrying amount as at 31.12.23	758,642

	31.12.23	31.12.22
	DKK	DKK

### 11. Work in progress for third parties

Work in progress for third parties	175,778,299	121,265,298
On-account invoicing	-167,913,382	-132,910,894
<b>Total work in progress for third parties</b>	<b>7,864,917</b>	<b>-11,645,596</b>

Work in progress for third parties is recognized in the balance sheet as:

Work in progress for third parties	21,956,196	25,871,525
Prepayments received from work in progress for third parties, short-term payables	-14,091,279	-37,517,124
<b>Total</b>	<b>7,864,917</b>	<b>-11,645,599</b>

### 12. Prepayments

Other prepayments	268,812	646,213
<b>Total</b>	<b>268,812</b>	<b>646,213</b>

### 13. Equity investments in group enterprises

Positive balances ascertainable on initial recognition of equity investments measured at equity value	966,189	0
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Name and registered office:	Ownership interest
Hydraulic INC, USA	100%

**14. Share capital**

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	1,010	1,010,000
Total		1,010,000
	31.12.23 DKK	31.12.22 DKK

**15. Deferred tax**

Deferred tax as at 01.01.23	5,872,266	3,437,478
Additions relating to mergers and acquisition of enterprises	36,902	0
Deferred tax recognised in the income statement	1,552,534	2,524,249
Deferred tax recognised in equity	25,838	-89,471
Deferred tax as at 31.12.23	7,487,540	5,872,256

**16. Other provisions**

Figures in DKK	Warranty commitments
Provisions as at 01.01.23	4,433,595
Applied during the year	-3,255,689
Provisions during the year	1,608,062
Provisions as at 31.12.23	2,785,968

31.12.23	31.12.22
DKK	DKK

Other provisions are expected to be distributed as follows:

Current liabilities	2,785,968	4,433,595
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### 17. Long-term payables

Figures in DKK	Outstanding debt after 5 years	Total payables at 31.12.23
Other payables	0	1,768
Total	0	1,768

### 18. Fair value information

Figures in DKK	Derivative financial instruments
Fair value as at 31.12.23	117,446
Unrealised changes of fair value recognised in equity for the year	117,446

## 19. Derivative financial instruments

The Board of Directors lays down the framework for the conclusion of contracts for derivative financial instruments. The company concludes contracts for the sole purpose of hedging the currency risk on the future sale of goods in foreign currency. At the end of a 2023, a future sale of goods of USD 4,707k was secured for a period of up to 17 months. The fair value of the forward exchange contracts amounts to DKK 31,747k as at 31.12.23, and the unrealised net gain before tax recognised in equity as at 31.12.23 also constitutes DKK 117k.

Forward exchange contracts are only concluded with counterparties (Danish banks) with a good credit score from a reputable credit rating agency.

## 20. Contingent liabilities

### *Lease commitments*

The company has concluded lease agreements with terms to maturity of 1-42 months and total lease payments of DKK 3,452k. This includes lease agreements concluded with group enterprises, but the agreements are also specified separately below.

The company has concluded lease agreements with group enterprises with terms to maturity of 12 months and average lease payment of DKK156k, a total of DKK 1,877k.

### *Guarantee commitments*

The company has provided a performance bond of DKK 13,038k via credit institutions and insurance institutions

### *Other contingent liabilities*

The company is taxed jointly with the other companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

## 21. Charges and security

The company has provided a company charge of DKK 9,000k as security for debt to credit institutions of DKK 0k. As at 31.12.23, the company charge comprises goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, trade receivables as well as fuel and other ancillary materials. The total carrying amount of the comprised assets is DKK 4.925.

The company has provided a company charge for debt to credit institutions of DKK 0k, comprising cash equivalent whose carrying amount is DKK 28,444k.

As security for work guarantee via credit institutions DKK 4,430k, a mortgage has been provided comprising cash equivalent whose carrying amount is DKK 0.

## 22. Related parties

Controlling influence	Basis of influence
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TS Holding ApS, Odder	Ultimativ modervirksomhed
TS Holding II ApS, Odder	Modervirksomhed
Torkild Lundsby Salling	

Transactions	Relation	2023 DKK
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Remuneration for the management is specified in note 1. Staff costs.

Balances	31.12.23 DKK
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Receivables from group enterprises	875,886
Payables to group enterprises	-1,172,630

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the company's standard terms of agreement and payment. No write-downs have been made on the receivables.

## 23. Accounting policies

### GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

### BUSINESS COMBINATIONS

For combined enterprises subject to common control, the pooling of interests method is used. The pooling of interests is deemed to be completed at the date of acquisition without restatement of comparative figures. The difference between the agreed consideration and the equity value of the acquired enterprise is recognised in equity.

### CURRENCY

The annual report is presented in Danish kroner (DKK).



**23. Accounting policies** - continued -

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

**DERIVATIVE FINANCIAL INSTRUMENTS**

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

**23. Accounting policies** - continued -**LEASES**

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

**GRANTS**

Grants are recognised when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants to cover expenses incurred are recognised on a proportionate basis in the income statement over the period in which the expenses eligible for grants are expensed. Grants are recognised under other operating income.

**INCOME STATEMENT****Gross profit**

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

**Revenue**

Income from the sale of services is recognised in the income statement in line with completion of services, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

**Other operating income**

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

**23. Accounting policies** - continued -**Costs of raw materials and consumables**

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

**Other external expenses**

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

**Staff costs**

Staff costs comprise wages and salaries as well as other staff-related costs.

**Depreciation, amortisation and impairment losses**

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Completed development projects	3-5	
Acquired rights	12	0
Leasehold improvements	5	0
Other plant, fixtures and fittings, tools and equipment	5-8	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

**23. Accounting policies** - continued -**Income from equity investments in group enterprises**

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

**Other net financials**

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

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

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

**BALANCE SHEET****Intangible assets***Completed development projects and development projects in progress*

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use.

**23. Accounting policies** - continued -

Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Gains or losses on the disposal of intangible assets*

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

**Property, plant and equipment**

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

**23. Accounting policies** - continued -

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

**Equity investments in group enterprises**

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

**Impairment losses on fixed assets**

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

**23. Accounting policies** - continued -

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

**Inventories**

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

**Work in progress for third parties**

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

**23. Accounting policies** - continued -

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

**Prepayments**

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

**Other investments**

Equity investments that are not classified as group enterprises, associates or participating interests and which are not traded in an active market are measured in the balance sheet at cost.

**Cash**

Cash includes deposits in bank accounts as well as operating cash.

**Equity**

The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.



**23. Accounting policies** - continued -

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. The reserve is measured less deferred tax. The reserve is dissolved when the hedged transaction occurs, or it is no longer expected to occur.

**Provisions**

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

**23. Accounting policies** - continued -

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

**Payables**

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

**CASH FLOW STATEMENT**

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.