SH Group A/S

Kuopiovej 20, DK-5700 Svendborg

Annual Report for 1 January - 31 December 2022

CVR No 12 76 27 04

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 26/4 2023

Morten Brian Nielsen
Chairman of the General Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SH Group A/S koncern for the financial year 1 January - 31 December 2022.

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 31 December 2022 of the Company and the Group and of the results of the Company and Group operations for 2022.

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.

Svendborg, 26 April 2023

Executive Board

Kaare Vang Jensen
Executive Officer

Management's Statement

Board of Directors

Jacob Østergaard Bergenholtz Chairman	Jeppe Løkkegaard Sonne	Peter Liu Johansen
Knud Andersen	Lars Præst	

Independent Auditor's Report

To the Shareholder of SH Group 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 31 December 2022 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of SH Group A/S for the financial year 1 January - 31 December 2022, 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 ("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 Financials 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 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 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

Odense, 26 April 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Line Hedam	Brian Petersen
statsautoriseret revisor	statsautoriseret revisor
mne27768	mne33722

Company Information

The Company	SH Group A/S koncern Kuopiovej 20 DK-5700 Svendborg Telephone: + 45 62 21 78 10 Facsimile: + 45 62 21 92 35 CVR No: 12 76 27 04 Financial period: 1 January - 31 December Municipality of reg. office: Svendborg
Board of Directors	Jacob Østergaard Bergenholtz, Chairman Jeppe Løkkegaard Sonne Peter Liu Johansen Knud Andersen Lars Præst
Executive Board	Kaare Vang Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Munkebjergvænget 1, 3. og 4. sal DK-5230 Odense M
Lawyers	Focus Advokater
Bankers	Sydbank Kirkevej 7 6200 Aabenraa

Financial Highlights

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

	Group				
	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	595,383	450,853	430,718	478,854	333,768
Gross profit/loss	254,608	206,602	216,000	236,214	164,142
Operating profit/loss	20,037	-4,561	14,482	21,906	5,695
Profit/loss before financial income and expenses	24,439	1,963	14,486	21,883	5,713
Net financials	-5,593	-3,380	-2,417	-5,001	-4,532
Net profit/loss for the year	14,168	-664	8,754	12,099	157
Balance sheet					
Balance sheet total	399,896	309,582	314,250	340,903	301,378
Equity	124,738	110,348	111,044	103,122	91,364
Investment in property, plant and equipment	-4,595	-1,141	-1,543	-14,300	-3,280
Number of employees	311	296	306	308	235
Ratios					
Gross margin	42.8%	45.8%	50.1%	49.3%	49.2%
Profit margin	4.1%	0.4%	3.4%	4.6%	1.7%
Return on assets	6.1%	0.6%	4.6%	6.4%	1.9%
Solvency ratio	31.2%	35.6%	35.3%	30.2%	30.3%
Return on equity	12.1%	-0.6%	8.2%	12.4%	0.2%
EBITDA	41,907	17,373	33,621	40,731	24,996
EBITDA-margin	7.0%	3.9%	7.8%	8.5%	7.5%

Management's Review

Key activities

The Group's activity comprises sale, development and design as well as production, installation and servicing of advanced hydraulic, electric and mechanical lifting and handling systems for operations focusing on operational reliability, primarily in the marine, defence, wind, offshore and industrial sectors.

Market overview

The Group sells its solutions globally; however, primarily to the North European market. The Group sees an increasing number of global market opportunities and, therefore, the establishment of enterprises in other countries is being considered on a current basis.

Development in the year

The consolidated income statement for 2022 shows revenue of DKK 595,383k compared to revenue of DKK 450,853k in 2021 as well as consolidated EBITDA of DKK 41,907k for 2022 compared to EBITDA of DKK 17,373k in 2021.

The Group achieved considerable revenue growth and saw profit from operating activities improve significantly in 2022. Growth has primarily been achieved in the Group's core areas and through the development of new business areas in the defence industry and the green transition of the maritime sector.

The development for the year should be viewed in light of the expectations expressed by the Group in the Annual Report 2021 of a positive revenue development of up to 10%. Due to the increased revenue and the development of new business areas, profit from operating activities was, likewise, expected to increase substantially in 2022.

DVCA guidelines

As a group owned by a private equity fund, SH Group A/S follows Active Owners Denmark's recommendations on corporate governance. We refer to www.aktiveejere.dk for further information on the guidelines. In SH Group A/S's opinion, the Company complies with Active Owners Denmark's recommendations.

The Annual Report for 2022 is not available at the Group's website but may be found at cvr.dk.

Capital resources

Management assesses regularly whether the Group's capital structure is adequate, and the Board of Directors assesses on a current basis whether the Company's capital structure is in accordance with the interests of the Company and its stakeholders. The overall objective is to ensure a capital structure which supports long-term profitable growth.

Major changes may occur in the Group's working capital depending on the size of the projects undertaken by the Group. The Group seeks, at all times, to have the capital resources required to meet such changes.

At 31 December 2022, the Group's interest-bearing debt totals net DKK 59 million (31 December 2021: DKK 41 million), which is considered a low level compared to the current need for financial flexibility.

Management assesses that the current capital structure provides the flexibility necessary to meet the Company's forward-looking strategy

Operating risks

The Group is not exposed to any particular operating risks.

Market risks

The Group's use of steel etc as raw material implies a special market risk as price increases can only be included in the price of future products.

Foreign exchange risks

The Group's purchases and sales are primarily made in EUR, Norwegian or Danish kroner. The Company is not deliberately involved in any speculative foreign exchange transactions.

Interest rate risks

The Group does not hedge interest rate risks and is therefore exposed to movements in the interest rate level in respect of both short and long-term rates.

Credit risks

The Group currently evaluates its financial business partners. When concluding sales agreements, the Group always tries to ensure current payments which set off the expenses incurred from project completion. Historically, the Company has realised only immaterial bad debts.

Strategy and objectives

Strategy

The Group's strategy is to develop, produce and deliver high-quality products and services resulting in continuous expansive profitable growth. Our aim is to create growth through organic development of existing business areas and to develop new business areas based on the Group's capabilities. At the same time, the opportunities of strategic cooperation and acquisitions are continuously explored.

Targets and expectations for the year ahead

For the year 2023, the Group expects a positive development in revenue of up to 10%. As a result of an increase in revenue and the development of new business areas, a improvement in operating profit is expected in 2023.

Research and development

In 2022, the Group completed and tested a patented system for the management of flexible modules for the defence industry.

Ownership and Management

SH Group A/S is wholly owned by 28. JUNI 2012 II A/S. 28. JUNI 2012 II A/S is partly owned (51.5%) by the private equity fund BWB Partners through Anpartsselskabet af 28. JUNI 2012 A/S. A number of executives and previouscontrolling shareholders hold the remaining ownership share.

The Company 28. juni 2012 II A/S owns at the end of the year a total of 63,002 own shares with a nominal value of a total of DKK 63,002. No shares were bought or sold during the year.

BWB Partners is represented on the Board of Directors by Jacob Bergenholtz (Chairman, joined on 19 September 2012) and Peter Liu Johansen (joined on 22 September 2020).

Corporate social responsibility report

The Group actively strives to be considered a socially responsible enterprise. Our CSR policies lay down the guidelines for our efforts in this respect. The Group has implemented policies for human rights, environment and climate, social and staff conditions, data ethics as well as an anti-corruption policy.

In relation to the Group's business model, reference is made to the description in the section "Main activity".

Human rights and anti-corruption

In the opinion of the Group, we must all treat each other with mutual respect. The Group respects people as they are irrespective of their gender, age, origin, religious beliefs, etc. The Group does not want to cooperate with enterprises that are corrupt or do not respect human rights.

The Group assesses the risk of human rights violations and corruption as low. The Group has prepared a Code of Conduct with which all executives are familiar and all business partners are required to comply. All employees are familiar with the Group's values, and neither human rights violations nor attempts at corruption were recorded in 2022. Going forward, the group will continue to monitor that the policies for human rights and anti-corruption are complied with.

Statutory statement in accordance with section 99 d of the Danish Financial Statements Act

The Group complies with legal requirements and acknowledge and respect that use of data (both personal data and non-personal data) may create risks for the users that applicable laws do not cover. The Group have standards in relation to where data is collected and how it is used:

- The Group refrain from extensive collection of data which may be characterised as data-driven surveillance.

- The Group set standards for collection of data from assets and other sources.

The Group will develop additional policies and procedures to ensure compliance with the above-mentioned principles.Going forward, the group will continue to monitor that the policies for data ethics is complied with.

Environment and climate

The Group's production does not have any particular impact on the external environment. The Group monitors the area closely and prepares an environmental statement, etc. The Group has set out environmental targets for waste and the use of chemicals, respectively, in order to protect the environment and to have the least possible impact on employees.

In 2022, the Company continued its efforts in a number of focus areas, including waste separation, clean-up of chemicals and compliance with the conditions of the environmental approval.

With respect to the clean-up of chemicals, we seek to manage and improve the impact of chemicals in order to protect the environment and our employees to the best possible extent. This is done by selecting better products with the same effect.

The Group's environmental approval requires internal inspection with respect to maintenance of filters and replacement of filter materials in extraction systems.The Group focuses on the impact on the environment of the production and the related energy consumption, and the Group constantly seeks to reduce its energy consumption, most recently through the implementation of recommendations from energy consultants. In 2022, the Group commissioned an analysis of the energy savings from converting from gas to a heat pump in parts of the facilities. The Group has received a grant for this investment and expects to commission the system in 2023.

Presently, the Group is not environmentally certified but works systematically according to standardised principles. Written policies as well as both short and long-term environmental targets are to contribute to reducing the impact of CO_2, SO_2 and NOX by reducing energy consumption and waste. In 2022, the Group carried on its work in terms of becoming environmentally certified. Environmental certification is a target of the Company.

The total effect of our environmental efforts is positive, and our self-review did not give rise to any comments.

Social and employee matters

The Group gives priority to a good working environment with good physical and mental working conditions for all employees. Due to its business model and the nature of the work, safety is of the highest priority to the Group and it ensures compliance with existing legislation. The risk of work-related injuries is assessed as limited and continuous efforts are made to reduce the risk. As part of this work, the Group has established a workplace environment committee which works continuously to improve safety and working conditions. Moreover, the Group focuses on ensuring that relevant employees receive the necessary training and certificates so that they have the skills required to perform specialised tasks in a sound and safe manner.

An important part of a good working environment is the development of employees' skills, which is

continuously prioritised, for example through training and employee performance reviews. The Group employs a considerable number of apprentices and trainees and gives priority to training and developing their skills.
In 2022, a number of employees attended courses and training and had their certificates renewed to the effect that, in the year, new competencies were acquired and existing competencies were maintained. In addition, a number of apprentices earned their certificate of completed apprenticeship in 2022.

Report on gender representation

Target figures for the Board of Directors
To ensure gender diversity on the Board of Directors, SH Group has revised its earlier target and is now pursuing a target of having at least one female member on the Board of Directors by 2025 (formerly 2020).

In the current financial year, the Board of Directors had five male members, and no changes were made to the Board during the year. As a consequence, this did not result in any changes to the gender representation on the Board of Directors. Thus, the target established has not yet been met. Going forward, the Board of Directors will to the extent possible nominate suitable female candidates for the Board of Directors.

Gender equality at other management levels of the Group
Group Management has joint responsibility for identifying and developing employees who want a management career with staff or business area responsibility. Besides skills, ambition and talent, Group Management focuses in the selection process on the general need for gender diversity at the Group's future management levels. The Group thus wants to offer equal opportunities in terms of supplementary training and to ensure that advertising targets both male and female candidates.

The Group always employs the best candidate for the job, which specifically in 2022 meant that the gender representation at other management levels has remained unchanged.

Internal controls and risk management systems

The Board of Directors and the Executive Board have the overall responsibility for the Group's risk management and internal controls in connection with the financial reporting.

The organisational structure and the internal guidelines constitute the control environment together with legislation and other rules applying to the Group.

Management assesses on a current basis the Group's organisational structure and staffing and determines and approves overall policies, procedures and controls in connection with the financial reporting process.

In relation to the financial reporting, Management has special focus on procedures and internal controls with respect to the following areas and accounting items which support appropriate financial reporting:

•Recognition of income and statement of work in progress under the percentage of completion method;

•Inventory management, including write-down principles;

•Receivables management, including provision assessments.

The Group has established a formal group reporting process comprising monthly reporting, which includes, among other things, budget follow-up, performance assessment and target realisation, etc.The Board of Directors reviews the management guidelines and determines management requirements which ensure reliable, adequate and timely reporting to the Board of Directors. In addition, the Group has introduced a whistleblower scheme to facilitate the reporting of any serious wrongdoing.

Based on the reporting, besides board meetings, current telephone meetings are held with the Chairman at which the reporting is discussed. Key staff members participate in these meetings.

Board of Directors and Executive Board

The Board of Directors has been elected by all shareholders of the Company.

Kaare Vang Jensen joined the Executive Board of SH Group A/S as of 1 January 2023.

The Board of Directors has set up a special Audit Committee that monitors the financial reporting process, internal control systems and risk management systems. Four to six annual board meetings and two meetings of the Audit Committee are held. All members of the Board of Directors are recommended jointly by the shareholders.
The Board of Directors of SH Group A/S has five members:

Name	**Jacob Østergaard Bergenholtz**	**Knud Andersen**	**Lars Præst**	**Jeppe Løkkegaard Sonne**	**Peter Liu Johansen**
Position	Managing Partner - BWB Partners	Direktør - Klosterdal ApS	Teknisk direktør - SH Group	Salgsdirektør - SH Group	Partner - BWB Partners
Joined the board	19.09.2012	01.11.2018	09.09.2005	09.09.2005	22.09.2020
Chairman of the board of directors of	28. JUNI 2012 II A/S, SH GROUP A/S, JACK-UP HOLDING A/S, Jack-Up Holding II ApS	AB INVENTECH A/S, AB Inventech Group ApS, ABI Industriudvikling ApS, OKTO Grid ApS HOVE A/S, Aabo-Ideal A/S, LOEVSCHALL A/S,			
Deputy chairman of directors of		A/S VESTFROST			HOLMRIS B8 A/S
Member of the board of directors of	BWBP Fonden, HOLMRIS B8 A/S, Mentha Capital Denmark P/S	SH GROUP A/S, 28. JUNI 2012 II A/S, TOPPAC A/S, Hans Aa Group Holding ApS, Hans Aa A/S	28. JUNI 2012 II A/S, SH GROUP A/S	SH GROUP A/S, 28. JUNI 2012 II A/S, Gourmet Vine Svendborg ApS	28. JUNI 2012 II A/S, JACK-UP HOLDING A/S, JB Partners ApS, Jupiter Bach A/S, SH Group A/S, Mentha Capital Denmark P/S
Managerial post	ANPARTSSELSKABET AF 31. OKTOBER 2007, ANPARTSSELSKABET AF 1. DECEMBER 2011, ANPARTSSELSKABET AF 28. JUNI 2012, ANPARTSSELSKABET AF 14. OKTOBER 2013, ANPARTSSELSKABET AF 7. JUNI 2007, BWB Partners GP ApS, BWBP CIV GP ApS, JB1 ApS, Mentha Capital Denmark P/S	Klosterdal ApS	Yggdrasil Invest ApS	1. JULI 2005 INVEST ApS, Marine Service ApS	ANPARTSSELSKABET AF 31. OKTOBER 2007, ANPARTSSELSKABET AF 1. DECEMBER 2011, ANPARTSSELSKABET AF 28. JUNI 2012, ANPARTSSELSKABET AF 14. OKTOBER 2013, CAVIAN ApS, BWB Partners GP ApS, BWBP CIV GP ApS, JB Partners ApS, Cavian III ApS
Owner	BWB Partners I K/S BWB Partners II K/S, BWBP CIV GP ApS, BWBP I CIV K/S BWBP II CIV K/S JB1 ApS, Mentha Capital Denmark P/S BWB Partners GP ApS	Klosterdal ApS, Tvilumvej 27	Yggdrasil Invest ApS	1. JULI 2005 INVEST ApS, Marine Service ApS	CAVIAN ApS, BWB Partners GB ApS, Mentha Capital Denmark P/S, BWBP CIV GP ApS, BWBP I CIV K/S, Cavian III ApS, Gourmet Holding ApS, TS Cph ApS, Udemark og Larsen Ejendomme ApS

Employees

During the year, the Group has seen an inflow of skilled and experienced employees who have reinforced its knowledge and skills base. This has contributed towards driving the increased activities of the Group. The average number of employees of the Group for 2022 was 311 (2021: 296).

The development in the number of employees (including part-time employees) from the beginning of 2022 to the end of 2022 was as follows:

	Total	**Denmark**	**Rest of the world**
Number of employees, beginning 2022	314	308	6
Net inflow/outflow	+53	+54	-1
Number of employees, end of 2022	**367**	**362**	**5**

Unusual events

The financial position at 31 December 2022 of the Group and the results of the activities of the Group for the financial year for 2022 have not been affected by any unusual events.

Uncertainty relating to recognition and measurement

In 2020, the Group was informed that a customer of two of the Company's projects had its contracts with the end customer terminated. The contracts between the customer and the Group have not been terminated, and both parties have fulfilled their contractual obligations. Based on the global energy market development, it is Management's assessment that both projects will be completed. However, should the customer choose to terminate the contracts with the Group, this will have an adverse effect on the 2023 Financial Statements. The case showed no significant developments in 2022. The matter has been described further in the section on uncertainty relating to recognition and measurement.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	Group 2022	Group 2021	Parent company 2022	Parent company 2021
		TDKK	TDKK	TDKK	TDKK
Revenue	2	**595,383**	**450,853**	**595,383**	**450,854**
Other operating income		4,402	6,524	4,299	6,524
Expenses for raw materials and consumables		-298,219	-213,445	-298,219	-213,445
Other external expenses		-46,958	-37,330	-50,496	-40,390
Gross profit/loss		**254,608**	**206,602**	**250,967**	**203,543**
Staff expenses	3	-212,701	-189,229	-209,454	-185,928
Resultat før afskrivninger / EBITDA		**41,907**	**17,373**	**41,513**	**17,615**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-17,468	-15,410	-13,556	-11,589
Profit/loss before financial income and expenses		**24,439**	**1,963**	**27,957**	**6,026**
Income from investments in subsidiaries		0	0	-3,537	-3,661
Financial income	5	1,279	126	1,277	126
Financial expenses	6	-6,872	-3,506	-6,851	-3,910
Profit/loss before tax		**18,846**	**-1,417**	**18,846**	**-1,419**
Tax on profit/loss for the year	7	-4,678	753	-4,678	755
Net profit/loss for the year		**14,168**	**-664**	**14,168**	**-664**

Balance Sheet 31 December

Assets

		Group		Parent company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Completed development projects		19,906	9,260	19,906	9,260
Acquired patents		311	0	311	0
Software		15	197	15	197
Goodwill		62,827	68,967	26,307	28,703
Intangible assets	8	**83,059**	**78,424**	**46,539**	**38,160**
Land and buildings		33,634	35,589	33,634	35,589
Plant and machinery		9,173	8,738	9,171	8,738
Other fixtures and fittings, tools and equipment		1,136	5,453	886	5,373
Leasehold improvements		2,983	0	2,983	0
Property, plant and equipment in progress		211	0	211	0
Property, plant and equipment	9	**47,137**	**49,780**	**46,885**	**49,700**

Balance Sheet 31 December

Assets

	Note	Group 2022 TDKK	Group 2021 TDKK	Parent company 2022 TDKK	Parent company 2021 TDKK
Investments in subsidiaries	10	0	0	37,695	41,589
Fixed asset investments		**0**	**0**	**37,695**	**41,589**
Fixed assets		**130,196**	**128,204**	**131,119**	**129,449**
Inventories	11	**26,515**	**18,639**	**26,515**	**18,639**
Trade receivables		105,707	69,309	105,707	69,309
Contract work in progress	12	126,191	82,769	126,191	82,769
Receivables from group enterprises		1,200	1,075	1,200	1,075
Other receivables		1,013	1,867	1,013	1,840
Corporation tax		200	213	200	213
Prepayments	13	2,318	2,277	2,272	2,277
Receivables		**236,629**	**157,510**	**236,583**	**157,483**
Cash at bank and in hand		**6,556**	**5,229**	**6,137**	**4,787**
Currents assets		**269,700**	**181,378**	**269,235**	**180,909**
Assets		**399,896**	**309,582**	**400,354**	**310,358**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent company	
	Note	2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Share capital		1,000	1,000	1,000	1,000
Reserve for development costs		0	0	15,527	7,221
Reserve for hedging transactions		-286	-864	-286	-864
Retained earnings		124,024	110,212	108,497	102,991
Equity		**124,738**	**110,348**	**124,738**	**110,348**
Provision for deferred tax	15	20,018	15,178	20,116	15,289
Other provisions	16	447	182	447	182
Provisions		**20,465**	**15,360**	**20,563**	**15,471**
Mortgage loans		8,740	9,794	8,740	9,794
Credit institutions		1,321	2,431	1,321	2,431
Lease obligations		3,644	4,660	3,644	4,660
Other payables		18,416	18,000	18,416	18,000
Long-term debt	17	**32,121**	**34,885**	**32,121**	**34,885**
Mortgage loans	17	1,089	1,222	1,089	1,222
Credit institutions	17	43,683	22,182	43,683	22,182
Lease obligations	17	1,016	996	1,016	996
Trade payables		100,182	51,398	100,105	51,349
Contract work in progress, liabilities	12	42,332	18,560	42,332	18,560
Payables to group enterprises		288	916	1,258	2,003
Corporation tax		0	2	0	0
Other payables	17	33,982	53,713	33,449	53,342
Short-term debt		**222,572**	**148,989**	**222,932**	**149,654**
Debt		**254,693**	**183,874**	**255,053**	**184,539**
Liabilities and equity		**399,896**	**309,582**	**400,354**	**310,358**

Uncertainty relating to recognition and measurement	1
Distribution of profit	14
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Statement of Changes in Equity

Group

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1,000	0	-864	110,213	110,349
Exchange adjustments relating to foreign entities	0	0	0	3	3
Fair value adjustment of hedging instruments, beginning of year	0	0	686	0	686
Fair value adjustment of hedging instruments, end of year	0	0	55	0	55
Tax on adjustment of hedging instruments for the year	0	0	-163	0	-163
Other equity movements	0	0	0	-360	-360
Net profit/loss for the year	0	0	0	14,168	14,168
Equity at 31 December	**1,000**	**0**	**-286**	**124,024**	**124,738**

Parent company

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1,000	7,222	-864	102,991	110,349
Exchange adjustments relating to foreign entities	0	0	0	3	3
Fair value adjustment of hedging instruments, beginning of year	0	0	686	0	686
Fair value adjustment of hedging instruments, end of year	0	0	55	0	55
Tax on adjustment of hedging instruments for the year	0	0	-163	0	-163
Other equity movements	0	0	0	-360	-360
Development costs for the year	0	11,405	0	-11,405	0
Depreciation, amortisation and impairment for the year	0	-3,100	0	3,100	0
Net profit/loss for the year	0	0	0	14,168	14,168
Equity at 31 December	**1,000**	**15,527**	**-286**	**108,497**	**124,738**

Notes to the Financial Statements

1 Uncertainty relating to recognition and measurement

In 2020, SH Group was announced that the customer for the company's 2 projects relating to the delivery of lifeboat systems has had their contract with the end customer terminated. Since then, SH Group as well as the customer have complied with their contractual obligations to each other, which has significantly reduced the risk of loss, especially for project 1. Given the development in the global energy markets, management believes that both projects will be completed. The projects are included in the ongoing work according to the normal principles, which is why the result for 2023 will be negatively affected if the customer unexpectedly chooses to terminate the remaining part of the contracts with SH Group.

2 Revenue

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Geographical segments				
Revenue, Denmark	319,345	257,131	319,345	257,132
Revenue, exports	276,038	193,722	276,038	193,722
	595,383	**450,853**	**595,383**	**450,854**
Business segments				
Denmark	319,345	257,131	319,345	257,132
North	105,085	52,294	105,085	52,293
Europe	83,019	48,312	83,019	48,312
Asia	36,978	33,874	36,978	33,874
Amerikca	45,888	49,221	45,888	49,221
Others	5,068	10,021	5,068	10,021
	595,383	**450,853**	**595,383**	**450,854**

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
3 Staff expenses				
Wages and salaries	181,667	162,879	178,744	159,578
Pensions	22,113	19,714	22,113	19,714
Other social security expenses	4,454	3,907	4,369	3,907
Other staff expenses	4,467	2,729	4,228	2,729
	212,701	**189,229**	**209,454**	**185,928**
Including remuneration to the Executive Board of:				
Executive Board and supervisory Board	1,941	2,013	1,941	2,013
	1,941	**2,013**	**1,941**	**2,013**
Average number of employees	**311**	**296**	**307**	**291**

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK

4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2022	2021	2022	2021
Amortisation of intangible assets	10,296	8,098	6,550	4,353
Depreciation of property, plant and equipment	7,172	7,312	7,006	7,236
	17,468	**15,410**	**13,556**	**11,589**

5 Financial income

	2022	2021	2022	2021
Other financial income	1,279	126	1,277	126
	1,279	**126**	**1,277**	**126**

6 Financial expenses

	2022	2021	2022	2021
Interest paid to group enterprises	24	28	30	459
Other financial expenses	6,848	3,478	6,821	3,451
	6,872	**3,506**	**6,851**	**3,910**

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
7 Tax on profit/loss for the year				
Current tax for the year	0	-241	0	-243
Deferred tax for the year	3,854	-755	3,854	-755
Adjustment of tax concerning previous years	14	0	14	0
Adjustment of deferred tax concerning previous years	973	0	973	0
	4,841	**-996**	**4,841**	**-998**
which breaks down as follows:				
Tax on profit/loss for the year	4,678	-753	4,678	-755
Tax on changes in equity	163	-243	163	-243
	4,841	**-996**	**4,841**	**-998**

8 Intangible assets

Group

	Completed development projects	Acquired patents	Software	Goodwill	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	20,578	1,373	17,566	123,709	163,226
Additions for the year	14,622	311	0	0	14,933
Cost at 31 December	35,200	1,684	17,566	123,709	178,159
Impairment losses and amortisation at 1 January	11,319	1,373	17,370	54,742	84,804
Amortisation for the year	3,975	0	181	6,140	10,296
Impairment losses and amortisation at 31 December	15,294	1,373	17,551	60,882	95,100
Carrying amount at 31 December	**19,906**	**311**	**15**	**62,827**	**83,059**

Development projects in the financial year are related to the completion of a patented system for the management of flexible modules used by the defence industry and development of an innovative production tool for the turbine industry.

Notes to the Financial Statements

Parent company

	Completed development projects	Acquired pa-tents	Software	Goodwill	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	20,578	1,373	17,566	47,886	87,403
Additions for the year	14,622	311	0	0	14,933
Cost at 31 December	35,200	1,684	17,566	47,886	102,336
Impairment losses and amortisation at 1 January	11,319	1,373	17,370	19,185	49,247
Amortisation for the year	3,975	0	181	2,394	6,550
Impairment losses and amortisation at 31 December	15,294	1,373	17,551	21,579	55,797
Carrying amount at 31 December	**19,906**	**311**	**15**	**26,307**	**46,539**

Development projects in the financial year are related to the completion of a patented system for the management of flexible modules used by the defence industry and development of an innovative production tool for the turbine industry.

Notes to the Financial Statements

9 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	73,023	38,892	35,369	0	0	147,284
Exchange adjustment	0	1	33	0	0	34
Additions for the year	0	2,846	1,076	462	211	4,595
Disposals for the year	0	0	-353	0	0	-353
Transfers for the year	0	382	-20,059	20,602	0	925
Cost at 31 December	73,023	42,121	16,066	21,064	211	152,485
Impairment losses and depreciation at 1 January	37,434	30,154	29,916	0	0	97,504
Exchange adjustment	0	1	30	0	0	31
Depreciation for the year	1,955	2,411	572	2,234	0	7,172
Impairment and depreciation of sold assets for the year	0	0	-284	0	0	-284
Transfers for the year	0	382	-15,304	15,847	0	925
Impairment losses and depreciation at 31 December	39,389	32,948	14,930	18,081	0	105,348
Carrying amount at 31 December	**33,634**	**9,173**	**1,136**	**2,983**	**211**	**47,137**
Including assets under finance leases amounting to	0	4,802	0	0	0	4,802

Notes to the Financial Statements

9 Property, plant and equipment (continued)

Parent company

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	73,023	38,890	35,288	0	0	147,201
Additions for the year	0	2,846	675	462	211	4,194
Disposals for the year	0	0	-113	0	0	-113
Transfers for the year	0	0	-20,602	20,602	0	0
Kostpris at 31 December	73,023	41,736	15,248	21,064	211	151,282
Impairment losses and depreciation at 1 January	37,434	30,154	29,916	0	0	97,504
Depreciation for the year	1,955	2,411	406	2,234	0	7,006
Impairment and depreciation of sold assets for the year	0	0	-113	0	0	-113
Transfers for the year	0	0	-15,847	15,847	0	0
Impairment losses and depreciation at 31 December	39,389	32,565	14,362	18,081	0	104,397
Carrying amount at 31 December	**33,634**	**9,171**	**886**	**2,983**	**211**	**46,885**
Including assets under finance leases amounting to	0	4,802	0	0	0	4,802

Notes to the Financial Statements

10 Investments in subsidiaries

	Parent company 2022	Parent company 2021
	TDKK	TDKK
Cost at 1 January	77,349	77,349
Cost at 31 December	77,349	77,349
Value adjustments at 1 January	-35,760	-18,376
Exchange adjustment	3	829
Net profit/loss for the year	208	84
Dividend to the Parent Company	0	-14,552
Amortisation of goodwill	-3,745	-3,745
Other adjustments	-360	0
Value adjustments at 31 December	-39,654	-35,760
Carrying amount at 31 December	**37,695**	**41,589**
Remaining positive difference included in the above carrying amount at 31 December	36,519	40,264

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
SH Group Norway AS	Sandnæs, Norge	TNOK 100	100%
SH Group US Corporation	Delaware, USA	TUSD 100	100%

11 Inventories

	Group 2022	Group 2021	Parent company 2022	Parent company 2021
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	3,792	2,651	3,792	2,651
Work in progress	1,260	1,012	1,260	1,012
Finished goods and goods for resale	21,463	14,976	21,463	14,976
	26,515	**18,639**	**26,515**	**18,639**

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
12 Contract work in progress				
Selling price of work in progress	338,824	225,003	338,824	225,003
Payments received on account	-254,965	-160,794	-254,965	-160,794
	83,859	**64,209**	**83,859**	**64,209**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	126,191	82,769	126,191	82,769
Prepayments received recognised in debt	-42,332	-18,560	-42,332	-18,560
	83,859	**64,209**	**83,859**	**64,209**

13 Prepayments

Prepayments consist of prepaid expenses.

	Parent company	
	2022	2021
	TDKK	TDKK
14 Distribution of profit		
Retained earnings	14,168	-664
	14,168	**-664**

	Group 2022 TDKK	Group 2021 TDKK	Parent company 2022 TDKK	Parent company 2021 TDKK
15 Provision for deferred tax				
Provision for deferred tax at 1 January	15,178	16,394	15,289	16,287
Amounts recognised in the income statement for the year	3,704	-755	3,691	-755
Amounts recognised in equity for the year	1,136	-461	1,136	-243
Provision for deferred tax at 31 December	**20,018**	**15,178**	**20,116**	**15,289**

Deferred tax is 22%, corresponding to the current tax rate. Deferred tax primarily relates to fixed assets, accruals, receivables from sales and work in progress.

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK

16 Other provisions

The group provides a guarantee on certain products and undertakes to repair or replace products that are not satisfactory. Warranty provisions of TDKK 447 have been recognized for expected warranty claims based on previous years' experience for the level of repairs.

	Group 2022	Group 2021	Parent company 2022	Parent company 2021
Warranty provisions at 1 January	182	247	182	247
Adjustments for the year	265	-65	265	-65
	447	**182**	**447**	**182**

Notes to the Financial Statements

17 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
After 5 years	5,508	5,803	5,508	5,803
Between 1 and 5 years	3,232	3,991	3,232	3,991
Long-term part	8,740	9,794	8,740	9,794
Within 1 year	1,089	1,222	1,089	1,222
	9,829	**11,016**	**9,829**	**11,016**
Credit institutions				
Between 1 and 5 years	1,321	2,431	1,321	2,431
Long-term part	1,321	2,431	1,321	2,431
Within 1 year	1,240	1,384	1,240	1,384
Other short-term debt to credit institutions	42,443	20,798	42,443	20,798
Short-term part	43,683	22,182	43,683	22,182
	45,004	**24,613**	**45,004**	**24,613**
Lease obligations				
After 5 years	0	1,549	0	1,549
Between 1 and 5 years	3,644	3,111	3,644	3,111
Long-term part	3,644	4,660	3,644	4,660
Within 1 year	1,016	996	1,016	996
	4,660	**5,656**	**4,660**	**5,656**
Other payables				
Between 1 and 5 years	18,416	18,000	18,416	18,000
Long-term part	18,416	18,000	18,416	18,000
Other short-term payables	33,982	53,713	33,449	53,342
	52,398	**71,713**	**51,865**	**71,342**

Notes to the Financial Statements

18 Contingent assets, liabilities and other financial obligations

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Charges and security				
The following assets have been placed as security with mortgage credit institutes:				
Land and buildings with an accounting value of	8,176	8,686	8,176	8,686
The following assets have been placed as security with bankers:				
Owner mortgage deeds and indemnification deeds totaling TDKK 17,125, which give mortgages on land and buildings for a total accounting value of	8,176	8,686	8,176	8,686
The following assets have been placed as security with bankforbindelser:				
Business mortgage on nom. 35 million in the company's simple claims	156,322	97,675	156,322	97,675
Shares in SH Group Norway AS	0	0	37,063	41,072
Rental and lease obligations				
Rent obligations, non-cancellation period 3-24 months	9,440	9,034	9,386	9,034
Lease obligations, 1-60 months	5,708	5,213	5,564	5,213
Other contingent liabilities				
Work guarantees in connection with concluded agreements on	39,605	13,113	39,605	13,113
Payment guarantees in connection with leases entered into	6,244	3,068	6,244	3,068

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK

18 Contingent assets, liabilities and other financial obligations (continued)

The 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 Anpartsselskabet af 28. juni 2012, which is the management company of the joint taxation purposes. Moreover, the 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.

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
Anpartsselskabet af 28. Juni 2012	Ultimate owner

Consolidated Financial Statements

The company is included in the group report for the parent company

Name	Place of registered office
Anpartsselskabet af 28. Juni 2012	Avderødvej 27 C, 2980 Kokkedal
28. Juni 2012 II A/S	Kuopiovej 20, 5700 Svendborg

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of SH Group A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class large C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2022 are presented in TDKK.

Consolidated Financial Statement

With reference to section 96(3) of the Danish Financial Statements Act and the informations included in the consolidated financial statements of Anpartsselskabet af 28. juni 2012, the Company and the Group have not Prepared informations about auditor fees.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of 28. Juni 2012 II A/S, the Company and the Group have not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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

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

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

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

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Notes to the Financial Statements

20 Accounting Policies (continued)

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, SH Group A/S koncern, 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.

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

Leases

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

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

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

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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.

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, see below.

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 retained earnings 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.

Revenue

Information on geographical segments based on the Group´s risks and returns and its internal financial reporting system. Geographical segments are regarded as the primary segments.

Notes to the Financial Statements

20 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract 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 contract.

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.

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Notes to the Financial Statements

20 Accounting Policies (continued)

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

Tax on profit/loss for the year

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

The Company is jointly taxed with group sub si di a ries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects, patents and licences

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 Group 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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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 5 years.

Patents and licences 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 years. Software licences are amortised over the period of the agreement, which is 5 years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 20 years. The amortization period is usually 20 years for strategically acquired companies with a strong market position.

Property, plant and equipment

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

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

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

Production buildings	20-30	years
Plant and machinery	5-15	years
Other fixtures and fittings, tools and equipment	3-7	years

The fixed assets’ residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

20 Accounting Policies (continued)

Impairment of fixed assets

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

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

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.

Inventories

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

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

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

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

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial years.

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.

Deferred tax assets and liabilities

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

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

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Current tax receivables and liabilities

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

Financial debts

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

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$

Notes to the Financial Statements

20 Accounting Policies (continued)

EBITDA-margin	$\frac{\text{EBITDA x 100}}{\text{Revenue}}$