SH GROUP A/S

Kuopiovej 20, DK-5700 Svendborg

Annual Report for 2023

CVR No. 12 76 27 04

The Annual Report was presented and adopted at the Annual General Meeting of the company on 3/4 2024

Morten Brian Nielsen
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SH GROUP A/S for the financial year 1 January - 31 December 2023.

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 2023 of the Company and the Group and of the results of the Company and Group operations for 2023.

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, 3 April 2024

Executive Board

Kaare Vang Jensen
CEO

Board of Directors

Jacob Østergaard Bergenholtz
Chairman

Knud Andersen

Peter Liu Johansen

Lars Præst

Jeppe Løkkegaard Sonne

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 2023 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2023 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 2023, 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 Financial Statements Act.

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

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group´s and the Parent Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

Auditor’s responsibilities for the audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s and the Parent Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's report

Odense M, 3 April 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Line Hedam	Brian Petersen
State Authorised Public Accountant	State Authorised Public Accountant
mne27768	mne33722

Company information

The Company	SH GROUP A/S Kuopiovej 20 DK-5700 Svendborg Telephone: + 45 62 21 78 10 CVR No: 12 76 27 04 Financial period: 1 January - 31 December Municipality of reg. office: Svendborg
Board of Directors	Jacob Østergaard Bergenholtz, chairman Knud Andersen Peter Liu Johansen Lars Præst Jeppe Løkkegaard Sonne
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 5-year period, the development of the Group is described by the following financial highlights:

	Group				
	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	657,640	595,383	450,853	430,718	478,854
Gross profit	321,828	254,608	206,602	216,000	236,214
Profit/loss of primary operations	47,277	24,439	1,963	14,486	21,883
Profit/loss of financial income and expenses	-10,173	-5,593	-3,380	-2,417	-5,001
Net profit/loss for the year	27,717	14,168	-664	8,754	12,099
Balance sheet					
Balance sheet total	373,303	399,896	309,582	314,250	340,903
Investment in property, plant and equipment	4,528	4,595	1,141	1,543	14,300
Equity	152,292	124,738	110,348	111,044	103,122
Number of employees	359	311	296	306	308
Ratios					
Gross margin	48.9%	42.8%	45.8%	50.1%	49.3%
Profit margin	7.2%	4.1%	0.4%	3.4%	4.6%
Return on assets	12.7%	6.1%	0.6%	4.6%	6.4%
Solvency ratio	40.8%	31.2%	35.6%	35.3%	30.2%
Return on equity	20.0%	12.1%	-0.6%	8.2%	12.4%
EBITDA	68,433	41,907	17,373	33,621	40,731
EBITDA-margin	10.4%	7.0%	3.9%	7.8%	8.5%

Management's review

Key activities

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

Development in the year

The consolidated income statement for 2023 shows revenue of DKK 657,640k compared to DKK 595,383k in 2022 as well as consolidated EBITDA of DKK 68,433k compared to DKK 41,907k in 2022.

The Group achieved revenue growth of more than 10% and saw profit from operating activities improve significantly in 2023. The strong growth was achieved in the Group's core areas, including Defense.

The positive development for the year was foreseen in the Annual Report for 2022. Due to the expected increased in revenue in the core areas, profit from operating activities was, likewise, expected to increase substantially.

Targets and expectations for the year ahead

The Group expects a positive development in revenue of more than 10% for 2024. Due to the increased revenue, profit from operating activities is expected to increase further in 2024.

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 continuously consider establishing subsidiaries in other countries.

Capital resources

Regularly, management assesses whether the Group's capital structure is adequate, while the Board of Directors assesses 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.

As of 31 December 2023, the Group's interest-bearing debt totals DKK 65 million, net (DKK 59 million as of 31 December 2022), which is viewed as low.

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

Management's review

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 Aps. A number of current and former employees as well as previous controlling shareholders hold the remaining ownership share.

At the end of the year, 28. JUNI 2012 II A/S owned a total of 63,002 own shares at a nominal value of DKK 63,002.

No shares were purchased 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).

Board of Directors and Executive Board

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

Kaare Vang Jensen is the CEO of SH Group A/S.

The Board of Directors has set up a special Audit Committee that monitors the financial reporting process, internal control systems and risk management systems. Every year, four to six board meetings and two Audit Committee meetings 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:

Management's review

Board of Directors

Name	Jacob Østergaard Bergenholtz (Formand)	Knud Andersen	Lars Præst	Jeppe Løkkegaard Sonne	Peter Liu Johansen
Position	Managing Partner - BWB Partners	Direktør - Klosterdal ApS	Teknisk direktør - SH Group	Strategisk rådgiver - 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 ERHVERVS WEBDESIGN ApS MC Pluto Holding ApS	28. JUNI 2012 II A/S, TOPPAC A/S, Hans Aa A/S Hans Aa Group Holding ApS, Hans Aa Group Holding II ApS	28. JUNI 2012 II 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, Mentha Capital Denmark P/S
Managerial post	ANPARTSSELSKABET AF 31. OKTOBER 2007, ANPARTSSELSKABET AF 1. DECEMBER 2011, ANPARTSSELSKABET AF 28. JUNI 2012, ANPARTSSELSKABET AF 7. JUNI 2007, BWB Partners GP ApS, BWBP CIV GP ApS, JB1 ApS, Mentha Capital Denmark P/S MC Pluto Holding ApS MC NewCo I ApS	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, CAVIAN ApS, BWB Partners GB ApS, BWBP CIV GP ApS, JB Partners ApS, Cavian III ApS MC NewCo I ApS MC NewCo II 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 GP 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

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 continuously assesses 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.

Besides board meetings, telephone meetings are held with the Chairman at which the reporting is being discussed. Key staff members participate when needed.

Special risks – operating risks and financial risks

Operating risks

The Group is not exposed to any particular operating risks.

Currency risk

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

Market risk

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.

Interest rate risk

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 risk

The Group continuously 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.

Management's review

Research and development

In 2023, the Group developed a new Cube module as well as a deck skidding system which form part of the patented Cube system for the management of flexible modules to the defence industry.

Strategy and objectives

Strategy

The Group's strategy is to develop, produce and deliver high-quality products and services resulting in continuous 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.

Corporate social responsibility report

The Group actively strives to be a socially responsible enterprise. The CSR policies lay down the guidelines for the 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, data ethics and anti-corruption

The Group believes that we should treat each other with mutual respect. The Group does not discriminate based on gender, age, origin, religious beliefs, or any other factor. The Group does not want to cooperate with enterprises that are corrupt or do not respect human rights. It is the Group's policy that the use and collection of data must not take place at the expense of people's fundamental and legal rights. Consequently, the Group only collects, stores and uses data where deemed necessary. The Group assesses the risk of human rights violations and corruption as low. The Group has introduced 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 data ethical issues nor attempts at corruption were recorded in 2023. In future, the Group will continue to monitor compliance with human rights, data ethics and corruption policies.

Social and employee matters

The Group values a positive working environment with healthy 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 specialized tasks in a sound and safe manner.

An important part of a good working environment is the development of employees' skills, which is continuously prioritized, for example through training and employee performance reviews. The Group employs a considerable number of apprentices and trainees and emphasizes their training and skill development.

In 2023, 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 2023. The Group will continue to prioritize training and skills enhancement. This will be done through courses and training of current employees and by employing trainees, apprentices, students and for internships.

Environment and climate

The Group is committed to minimizing the environmental and climate effects of its operations. However, it is assessed that there is a limited risk of impacting the environment and climate in connection with the Group's production. The Group works continuously to limit its energy consumption and use materials that have the least possible impact on the environment. The Group monitors the area closely and prepares an environmental statement. 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 2023, 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.

Our goal is to control and reduce the impact of chemicals on the environment and our employees as much as possible. We do this by choosing products that are safer but still effective.

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 continuosly seeks to reduce its energy consumption, most recently through the implementation of recommendations from energy consultants. In 2023, the Group continued its work on converting from gas to a heat pump in parts of the facilities. The Group expects to be able to continue this work in 2024.

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 NO_X by reducing energy consumption and waste. In 2023, 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.

Report on gender representation

Purpose

The Group focuses on increasing the share of the underrepresented gender in its management and considers it part of its social responsibility to contribute to gender equality in the labour market.

Basis of preparation

The Group has adopted target figures for the percentage of the underrepresented gender on the Board of Directors, which is the Group's supreme governing body, and a policy for the purpose of increasing the share of the underrepresented gender at the other management levels.

The target figure is considered ambitious as, without exception, there is a significant predominance of men not only in the industry but also from the educational programmes primarily providing candidates for the Group.

Management's review

Engineering and crafts have historically been described as traditional male occupations, and the forecasts do not seem to change, neither now nor in the near future.

Target figures for the Board of Directors

The Group's goal is that the share of female board members should constitute 20 per cent as of 31 December 2025. In order to achieve the target figure, the number of women on the Board must be increased from 0 to 1 female board member by the end of 2025.

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.

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

The Group has set a target of having 10 per cent female managers at its other management levels by 31 December 2025. To reach this goal, the Group needs to raise the number of women at its other management levels from 0 to 1 by the end of 2025.

Target figures for the supreme governing body and other management.

Overview			
Supreme governing body	**2023**	**Other Management levels**	**2023**
No. of supreme governing body members	5	No. of members in other management	11
Underrepresented gender as a percentage	0%	Underrepresented gender as a percentage	0%
Target figures as a percentage	20%	Target figures as a percentage	10%
Year of achievement of target figures	2025	Year of achievement of target figures	2025

Initiatives and measures taken in 2023 to increase the share of the underrepresented gender in the supreme governing body and other management.

In order to achieve the target figure of the share of women in management and improve the gender distribution, the Group has initiated a number of concrete initiatives and measures:

Recruitment

- Wherever possible, all positions are advertised both internally and externally.
- All genders are equally represented (visually) in job advertisements
- All employees are encouraged to apply regardless of gender.
- When filling positions, we make targeted assessments of the diversity among applicants, and alternative candidates are considered if the applicant field is too uniform.

Learning and development

- To ensure equal opportunities for both genders, the Group makes no distinction between them when offering additional training and personal development.
- Before commencement of the courses on management development, diversity among the participants is specifically assessed, and alternative participants are found if the participant group is too uniform.

Employer branding

- To put even greater emphasis on encouraging more women to join the industry and come work for the Group, the company regularly conducts employer branding campaigns aimed at women.

Follow-up on selected areas

In order to track the development in gender composition of the Group's management positions, as well as other relevant diversity issues, the HR department follows up on diversity in selected areas, for instance:

- Recruitment of new managers at all levels, including the number of candidates for management positions.
- Share of applicants and candidates interviewed.
- General turnover of managers (external inflow and departure).
- Gender representation at all management levels.

As a minimum, the follow-up covers diversity in relation to gender and age, and other parameters are included according to relevance in the individual area.

The results of the follow-up are reported by the responsible decision-makers and accompanied by proposals for initiatives if there are signs of negative developments. In addition, the initiatives taken are subject to a follow-up to ensure focus on the topic and to assess their effect.

Management's review

Employees

During the year, the Group has seen an inflow of skilled and experienced employees who have reinforced its knowledge and skills base. The increase in employees will help drive the increased activities of the Group. The average number of full-time employees of the Group for 2023 was 359 (2022: 311).

The development in the number of employees (including part-time employees) from the beginning of 2023 to the end of 2023 was as follows:

	Total	Denmark	Rest of the world
Number of employees, beginning of 2023	367	362	5
Net inflow/outflow	+16	+16	0
Number of employees, end of 2023	383	378	5

Active Owners Denmark 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 our opinion, the Company complies with Active Owners Denmark's recommendations.

The Annual Report for 2023 is not available at the Group's website but may be found at cvr.dk.

Uncertainty relating to recognition and measurement

In 2020, the customer of two of the Company's projects had its contracts with the end user terminated. The contracts between the customer and the Group have not been terminated, and both parties have fulfilled their contractual obligations. Based on the outlook for the global energy markets, Management believes both projects will be completed. However, should the customer choose to terminate the two contracts with the Group, this may, with respect to one of the contracts, have a negative accounting effect in the future. There is no liquidity impact from termination. During 2023, there has been no significant developments in the matter. Final settlement is pending clarification between the customer and the end user.

Unusual circumstances

The Group's assets, liabilities and financial position as of 31 December 2023 as well as the results of the Group's operations for 2023 are not affected by any unusual circumstances.

Subsequent events after the balance sheet date

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		Parent company	
		2023	2022	2023	2022
		TDKK	TDKK	TDKK	TDKK
Revenue	2	657,640	595,383	655,130	595,383
Work on own account recognised in assets		1,919	4,294	1,919	4,294
Other operating income		3,370	108	55	5
Expenses for raw materials and consumables		-289,597	-298,219	-288,027	-298,219
Other external expenses		-51,504	-46,958	-51,939	-50,496
Gross profit		**321,828**	**254,608**	**317,138**	**250,967**
Staff expenses	3	-253,395	-212,701	-248,994	-209,454
Earnings Before Interest Taxes Depreciation and Amortization		**68,433**	**41,907**	**68,144**	**41,513**
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	4	-20,722	-17,468	-16,840	-13,556
Other operating expenses		-434	0	-434	0
Profit/loss before financial income and expenses		**47,277**	**24,439**	**50,870**	**27,957**
Income from investments in subsidiaries		0	0	-3,514	-3,537
Financial income	5	267	1,279	246	1,277
Financial expenses	6	-10,440	-6,872	-10,498	-6,851
Profit/loss before tax		**37,104**	**18,846**	**37,104**	**18,846**
Tax on profit/loss for the year	7	-9,387	-4,678	-9,387	-4,678
Net profit/loss for the year	8	**27,717**	**14,168**	**27,717**	**14,168**

Balance sheet 31 December

Assets

	Note	Group		Parent company	
		2023	2022	2023	2022
		TDKK	TDKK	TDKK	TDKK
Completed development projects		12,355	19,906	12,355	19,906
Acquired patents		1,098	311	1,098	311
Software		0	15	0	15
Goodwill		56,689	62,827	23,915	26,307
Development projects in progress		4,867	0	4,867	0
Intangible assets	9	**75,009**	**83,059**	**42,235**	**46,539**
Land and buildings		31,687	33,634	31,687	33,634
Plant and machinery		10,716	9,173	10,716	9,171
Other fixtures and fittings, tools and equipment		829	1,136	723	886
Leasehold improvements		1,404	2,983	1,404	2,983
Property, plant and equipment in progress		0	211	0	211
Property, plant and equipment	10	**44,636**	**47,137**	**44,530**	**46,885**
Investments in subsidiaries	11	0	0	34,062	37,695
Fixed asset investments		**0**	**0**	**34,062**	**37,695**
Fixed assets		**119,645**	**130,196**	**120,827**	**131,119**
Inventories	12	**24,029**	**26,515**	**24,029**	**26,515**
Trade receivables		125,344	105,707	125,344	105,707
Contract work in progress	13	93,015	126,191	93,015	126,191
Receivables from group enterprises		4,718	1,200	4,718	1,200
Other receivables		966	1,013	884	1,013
Deferred tax asset	15	92	0	0	0
Corporation tax		200	200	200	200
Prepayments	14	2,338	2,318	2,338	2,272
Receivables		**226,673**	**236,629**	**226,499**	**236,583**

Balance sheet 31 December

Assets

		Group		Parent company	
	Note	2023	2022	2023	2022
		TDKK	TDKK	TDKK	TDKK
Cash at bank and in hand		**2,956**	**6,556**	**2,223**	**6,137**
Current assets		**253,658**	**269,700**	**252,751**	**269,235**
Assets		**373,303**	**399,896**	**373,578**	**400,354**

Balance sheet 31 December

Liabilities and equity

		Group		Parent company	
	Note	2023	2022	2023	2022
		TDKK	TDKK	TDKK	TDKK
Share capital		1,000	1,000	1,000	1,000
Reserve for development costs		0	0	9,637	15,527
Reserve for hedging transactions		0	-286	0	-286
Reserve for exchange rate conversion		-384	0	-384	0
Retained earnings		151,676	124,024	142,039	108,497
Equity		**152,292**	**124,738**	**152,292**	**124,738**
Provision for deferred tax	15	29,473	20,018	29,473	20,116
Other provisions	16	1,455	447	1,455	447
Provisions		**30,928**	**20,465**	**30,928**	**20,563**
Mortgage loans		7,701	8,740	7,701	8,740
Credit institutions		79	1,321	79	1,321
Lease obligations		5,686	3,644	5,686	3,644
Other payables		19,015	18,416	19,015	18,416
Long-term debt	17	**32,481**	**32,121**	**32,481**	**32,121**
Mortgage loans	17	1,071	1,089	1,071	1,089
Credit institutions	17	49,145	43,683	49,145	43,683
Lease obligations	17	1,429	1,016	1,429	1,016
Trade payables		53,496	100,182	53,394	100,105
Contract work in progress	13	18,308	42,332	18,308	42,332
Payables to group enterprises		0	288	1,006	1,258
Other payables	17	34,153	33,982	33,524	33,449
Short-term debt		**157,602**	**222,572**	**157,877**	**222,932**
Debt		**190,083**	**254,693**	**190,358**	**255,053**
Liabilities and equity		**373,303**	**399,896**	**373,578**	**400,354**

Balance sheet 31 December

Liabilities and equity

		Group		Parent company	
	Note	2023	2022	2023	2022
		TDKK	TDKK	TDKK	TDKK
Uncertainty relating to recognition and measurement	1				
Contingent assets, liabilities and other financial obligations	18				
Related parties	19				
Fee to auditors appointed at the general meeting	20				
Subsequent events	21				
Accounting Policies	22				

Statement of changes in equity

Group

	Share capital	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1,000	-286	0	124,024	124,738
Exchange adjustments	0	0	-55	0	-55
Fair value adjustment of hedging instruments, beginning of year	0	-55	0	0	-55
Tax on adjustment of hedging instruments for the year	0	12	0	0	12
Other equity movements	0	0	0	-65	-65
Transfers, reserves	0	329	-329	0	0
Net profit/loss for the year	0	0	0	27,717	27,717
Equity at 31 December	**1,000**	**0**	**-384**	**151,676**	**152,292**

Parent company

	Share capital	Reserve for development costs	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1,000	15,527	-286	0	108,497	124,738
Exchange adjustments	0	0	0	-55	0	-55
Fair value adjustment of hedging instruments, beginning of year	0	0	-55	0	0	-55
Tax on adjustment of hedging instruments for the year	0	0	12	0	0	12
Other equity movements	0	0	0	0	-65	-65
Transfers, reserves	0	0	329	-329	0	0
Depreciation, amortisation and impairment for the year	0	-5,890	0	0	5,890	0
Net profit/loss for the year	0	0	0	0	27,717	27,717
Equity at 31 December	**1,000**	**9,637**	**0**	**-384**	**142,039**	**152,292**

Notes to the Financial Statements

1. Uncertainty relating to recognition and measurement

In 2020, the customer of two of the Company's projects had its contracts with the end user terminated. The contracts between the customer and the Group have not been terminated, and both parties have fulfilled their contractual obligations. Based on the outlook for the global energy markets, Management believes both projects will be completed. However, should the customer choose to terminate the two contracts with the Group, this may, with respect to one of the contracts, have a negative accounting effect in the future. There is no liquidity impact from termination. During 2023, there has been no significant developments in the matter. Final settlement is pending clarification between the customer and the end user.

2. Revenue

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Geographical segments				
Denmark	364,510	319,345	364,872	319,345
North	74,093	105,085	71,465	105,085
Europe	126,021	83,019	125,881	83,019
Asia	22,730	36,978	22,705	36,978
America	66,807	45,888	66,733	45,888
Other	3,479	5,068	3,474	5,068
	657,640	**595,383**	**655,130**	**595,383**
Activity				
Product	291,397	254,090	288,793	254,090
Service	366,243	341,293	366,337	341,293
	657,640	**595,383**	**655,130**	**595,383**

Notes to the Financial Statements

3. Staff Expenses

	Group 2023 TDKK	Group 2022 TDKK	Parent company 2023 TDKK	Parent company 2022 TDKK
Wages and salaries	215,270	181,667	211,849	178,744
Pensions	26,786	22,113	26,759	22,113
Other social security expenses	5,570	4,454	5,108	4,369
Other staff expenses	5,769	4,467	5,278	4,228
	253,395	**212,701**	**248,994**	**209,454**
Including remuneration to the Executive Board and Board of Directors	**2,056**	**1,941**	**2,056**	**1,941**
Average number of employees	**359**	**311**	**355**	**307**

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

	Group 2023 TDKK	Group 2022 TDKK	Parent company 2023 TDKK	Parent company 2022 TDKK
Amortisation of intangible assets	13,860	10,297	10,114	6,551
Depreciation of property, plant and equipment	6,862	7,171	6,726	7,005
	20,722	**17,468**	**16,840**	**13,556**

5. Financial income

	Group 2023 TDKK	Group 2022 TDKK	Parent company 2023 TDKK	Parent company 2022 TDKK
Interest received from group enterprises	41	0	41	0
Other financial income	226	1,279	205	1,277
	267	**1,279**	**246**	**1,277**

Notes to the Financial Statements

6. Financial expenses

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Interest paid to group enterprises	0	24	11	30
Other financial expenses	10,440	6,848	10,487	6,821
	10,440	**6,872**	**10,498**	**6,851**

7. Income tax expense

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Deferred tax for the year	8,951	3,854	8,951	3,854
Adjustment of tax concerning previous years	18	14	18	14
Adjustment of deferred tax concerning previous years	406	973	406	973
	9,375	**4,841**	**9,375**	**4,841**
thus distributed:				
Income tax expense	9,387	4,678	9,387	4,678
Tax on equity movements	-12	163	-12	163
	9,375	**4,841**	**9,375**	**4,841**

8. Profit allocation

	Parent company	
	2023	2022
	TDKK	TDKK
Retained earnings	27,717	14,168
	27,717	**14,168**

Notes to the Financial Statements

9. Intangible fixed assets

Group

	Completed development projects	Acquired patents	Software	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1. January	35,200	1,684	17,566	123,709	0
Additions for the year	0	943	0	0	4,867
Cost at 31. December	35,200	2,627	17,566	123,709	4,867
Impairment losses and depreciation at 1. January	15,294	1,373	17,551	60,882	0
Depreciation for the year	7,551	156	15	6,138	0
Impairment losses and depreciation at 31. December	22,845	1,529	17,566	67,020	0
Carrying amount at 31. December	**12,355**	**1,098**	**0**	**56,689**	**4,867**

Development projects in the financial year are related to the development of a patented flexible module and skid system as part of the CUBE system.

Parent company

	Completed development projects	Acquired patents	Software	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1. January	35,200	1,684	17,566	47,886	0
Additions for the year	0	943	0	0	4,867
Cost at 31. December	35,200	2,627	17,566	47,886	4,867
Impairment losses and depreciation at 1. January	15,294	1,373	17,551	21,579	0
Depreciation for the year	7,551	156	15	2,392	0
Impairment losses and depreciation at 31. December	22,845	1,529	17,566	23,971	0
Carrying amount at 31. December	**12,355**	**1,098**	**0**	**23,915**	**4,867**

Development projects in the financial year are related to the development of a patented flexible module and skid system as part of the CUBE system.

Notes to the Financial Statements

10. 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
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1. January	73,023	42,121	16,066	21,064	211
Exchange adjustment	0	-26	-38	0	0
Additions for the year	0	4,235	293	0	0
Disposals for the year	0	-421	-608	-551	0
Transfers for the year	0	211	-4,255	4,255	-211
Cost at 31. December	73,023	46,120	11,458	24,768	0
Impairment losses and depreciation at 1. January	39,389	32,948	14,930	18,081	0
Exchange adjustment	0	-24	-30	0	0
Depreciation for the year	1,947	2,900	592	1,423	0
Impairment and depreciation of sold assets for the year	0	-420	-608	-395	0
Transfers for the year	0	0	-4,255	4,255	0
Impairment losses and depreciation at 31. December	41,336	35,404	10,629	23,364	0
Carrying amount at 31. December	**31,687**	**10,716**	**829**	**1,404**	**0**
Including assets under finance leases amounting to	0	7,017	0	0	0

Notes to the Financial Statements

Parent company

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1. January	73,023	41,736	15,248	21,064	211
Exchange adjustment	0	0	0	0	0
Additions for the year	0	4,235	293	0	0
Disposals for the year	0	-421	-608	-551	0
Transfers for the year	0	211	-4,255	4,255	-211
Cost at 31. December	73,023	45,761	10,678	24,768	0
Impairment losses and depreciation at 1. January	39,389	32,565	14,362	18,081	0
Exchange adjustment	0	0	0	0	0
Depreciation for the year	1,947	2,900	456	1,423	0
Impairment and depreciation of sold assets for the year	0	-420	-608	-395	0
Transfers for the year	0	0	-4,255	4,255	0
Impairment losses and depreciation at 31. December	41,336	35,045	9,955	23,364	0
Carrying amount at 31. December	**31,687**	**10,716**	**723**	**1,404**	**0**
Including assets under finance leases amounting to	0	7,017	0	0	0

Notes to the Financial Statements

	Parent company	
	2023	2022
	TDKK	TDKK

11. Investments in subsidiaries

	2023 TDKK	2022 TDKK
Cost at 1 January	77,349	77,349
Cost at 31 December	77,349	77,349
Value adjustments at 1 January	-39,654	-35,760
Exchange adjustment	-55	3
Net profit/loss for the year	230	208
Amortisation of goodwill	-3,745	-3,745
Other adjustments	-63	-360
Value adjustments at 31 December	-43,287	-39,654
Carrying amount at 31 December	**34,062**	**37,695**
Remaining positive difference included in the above carrying amount at	32,774	36,519

Investments in subsidiaries are specified as follows:

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

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK

12. Inventories

	Group 2023 TDKK	Group 2022 TDKK	Parent company 2023 TDKK	Parent company 2022 TDKK
Raw materials and consumables	3,444	3,792	3,444	3,792
Work in progress	1,385	1,260	1,385	1,260
Finished goods and goods for resale	19,200	21,463	19,200	21,463
	24,029	**26,515**	**24,029**	**26,515**

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
13. Contract work in progress				
Selling price of work in progress	418,571	338,824	418,571	338,824
Payments received on account	-343,864	-254,965	-343,864	-254,965
	74,707	**83,859**	**74,707**	**83,859**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	93,015	126,191	93,015	126,191
Prepayments received recognised in debt	-18,308	-42,332	-18,308	-42,332
	74,707	**83,859**	**74,707**	**83,859**

14. Prepayments

Prepayments consist of prepaid expenses.

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
15. Provision for deferred tax				
Deferred tax liabilities at 1 January	20,018	15,178	20,116	15,289
Amounts recognised in the income statement for the year	9,375	3,704	9,369	3,691
Amounts recognised in equity for the year	-12	1,136	-12	1,136
Deferred tax liabilities at 31 December	**29,381**	**20,018**	**29,473**	**20,116**
Recognised in the balance sheet as follows:				
Assets	92	0	0	0
Provisions	-29,473	-20,018	-29,473	-20,116
	29,381	**20,018**	**29,473**	**20,116**

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

16. Other provisions

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK

The Company provides warranties of on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of TDKK 1.455 (2022: TDKK 447) have been recognised for expected warranty claims.

	Group 2023 TDKK	Group 2022 TDKK	Parent company 2023 TDKK	Parent company 2022 TDKK
Warranty provisions at 1 January	447	182	447	182
Adjustments for the year	1,008	265	1,008	265
	1,455	**447**	**1,455**	**447**

17. Long-term debt

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK

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 2023 TDKK	Group 2022 TDKK	Parent company 2023 TDKK	Parent company 2022 TDKK
Mortgage loans				
After 5 years	5,002	5,508	5,002	5,508
Between 1 and 5 years	2,699	3,232	2,699	3,232
Long-term part	7,701	8,740	7,701	8,740
Within 1 year	1,071	1,089	1,071	1,089
	8,772	**9,829**	**8,772**	**9,829**

	Group 2023 TDKK	Group 2022 TDKK	Parent company 2023 TDKK	Parent company 2022 TDKK
Credit institutions				
After 5 years	0	0	0	0
Between 1 and 5 years	79	1,321	79	1,321
Long-term part	79	1,321	79	1,321
Within 1 year	1,240	1,240	1,240	1,240
Other short-term debt to credit institutions	47,905	42,443	47,905	42,443
	49,224	**45,004**	**49,224**	**45,004**

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
17. Long-term debt				
Lease obligations				
After 5 years	2,191	0	2,191	0
Between 1 and 5 years	3,495	3,644	3,495	3,644
Long-term part	5,686	3,644	5,686	3,644
Within 1 year	1,429	1,016	1,429	1,016
	7,115	**4,660**	**7,115**	**4,660**
Other payables				
After 5 years	0	0	0	0
Between 1 and 5 years	19,015	18,416	19,015	18,416
Long-term part	19,015	18,416	19,015	18,416
Other short-term payables	34,153	33,982	33,524	33,449
	53,168	**52,398**	**52,539**	**51,865**

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
18. Contingent assets, liabilities and other financial obligations				
Charges and security				
The following assets have been placed as security with mortgage credit institutes:				
Land and buildings with a carrying amount of	7,673	8,176	7,673	8,176
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	7,673	8,176	7,673	8,176
Business mortgage on nom. 35 million in the company's simple claims	239,659	240,181	239,659	240,181
Shares in SH Group Norway AS	0	0	33,414	37,063

	Group		Parent company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
18. Contingent assets, liabilities and other financial obligations				
Rental and lease obligations				
Rent obligations, non-cancellation period 3-24 months	7,862	9,440	7,785	9,386
Lease obligations, 1-80 months	5,871	5,708	5,131	5,564
Other contingent liabilities				
Work guarantees in connection with concluded agreements on	28,693	39,605	28,693	39,605
Payment guarantees in connection with leases entered into	9,386	6,244	9,386	6,244

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.

19. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Anpartsselskabet af 28. Juni 2012	Ultimate owner

Transactions

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

Consolidated Financial Statements

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

Name	Place of registered office
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. Fee to auditors appointed at the general meeting

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.

21. Subsequent events

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

Notes to the Financial Statements

22. Accounting policies

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

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2023 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 has 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.

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.

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.

Notes to the Financial Statements

Basis of consolidation

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

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

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

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.

Notes to the Financial Statements

Hedge accounting

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

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

Segment information on revenue

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

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 the consolidated revenue for the year.

Other external expenses

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

Staff expenses

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

Notes to the Financial Statements

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Income from investments in subsidiaries

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

Financial income and expenses

Financial income and expenses 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 subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 20 years, determined on the basis of Management's experience with the individual business areas. The amortization period is usually 20 years for strategically acquired companies with a strong market position.

Development projects

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

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

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

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

Other intangible fixed assets

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

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.

Impairment of fixed assets

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

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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

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

Receivables

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

Contract work in progress

Contract work in progress 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, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities 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.

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 liabilities

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.

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit/loss of ordinary primary operations x 100 / Revenue
Return on assets	Profit/loss of ordinary primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity
EBITDA-margin	EBITDA x 100 / Revenue