
Grafisk Maskinfabrik A/S

Klintehøj Vænge 12, DK-3460 Birkerød

Annual Report for 1 January - 31 December 2020

CVR No 15 15 52 99

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
5 /5 2021

Jepp Rasmussen
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 Grafisk Maskinfabrik A/S for the financial year 1 January - 31 December 2020.

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 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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.

Birkerød, 5 May 2021

Executive Board

Uffe Nielsen
CEO

Board of Directors

Jeppe Rasmussen
Chairman

Uffe Nielsen

Randi Villads Nielsen

Frederik Edward Aackermann

Independent Auditor's Report

To the Shareholders of Grafisk Maskinfabrik 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 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Grafisk Maskinfabrik A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion

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

Independent Auditor's Report

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

Independent Auditor's Report

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.

Hellerup, 5 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jesper Bo Winther
statsautoriseret revisor
mne26864

Qasam Hussain
statsautoriseret revisor
mne44159

Company Information

The Company

Grafisk Maskinfabrik A/S
Klintehøj Vænge 12
DK-3460 Birkerød

CVR No: 15 15 52 99
Financial period: 1 January - 31 December
Municipality of reg. office: Birkerød

Board of Directors

Jeppe Rasmussen, Chairman
Uffe Nielsen
Randi Villads Nielsen
Frederik Edward Aackermann

Executive Board

Uffe Nielsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	Group				
	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	18,449	27,594	25,322	30,732	29,510
Operating profit/loss	4,906	11,693	10,333	18,972	14,693
Net financials	-34	94	-55	-63	89
Net profit/loss for the year	7,024	9,101	8,173	14,427	11,233
Balance sheet					
Balance sheet total	104,864	95,884	87,817	71,699	64,867
Equity	67,409	60,560	54,411	52,142	41,927
Cash flows					
Cash flows from:					
including investment in property, plant and equipment	8,010	8,789	5,724	106	633
- operating activities	7,536	8,008	6,843	N/A	-610
- investing activities	7,976	-8,764	-5,600	N/A	-528
- financing activities	-2,491	-3,123	-6,176	N/A	-1,392
Ratios					
Solvency ratio	64.3%	63.2%	62.0%	72.7%	64.6%
Return on equity	11.0%	15.8%	15.3%	30.7%	30.1%

In connection with changes to accounting policies, the comparative figures back to 2016 have not been restated. See the description under accounting policies.

Management's Review

Primary activities

The Company develops advanced technology for the industrial and scientific printing industry. This includes both manufacturing of standard line machinery for self-adhesive labels and highly custom machinery for research in thin film technology, printed electronics, fuel cells, touch screen films and organic solar cells. The predominant part of the revenue comes from export markets.

Development in the year

The income statement of the Group for 2020 shows a profit of DKK 7,024,205, and at 31 December 2020 the balance sheet of the Group shows equity of DKK 67,409,204.

The profit for the year is less than expected even with the move of the factory considered.

Outlook

An increase in the overall demand for GM machinery and a reduction in the operational cost and increase in efficiency is expected in 2021.

Particular risks

The Company's operational risks are linked to the market conditions in general under which the company operates on the domestic market as well as the export markets. As a result of the Company's operations, investments and financing, the Company is exposed to changes in exchange rates and interest-rate level. The Company's policy is not to engage in active speculations in financial risks. Also, the interest-bearing debt is considered not to have a material impact on future earnings.

Research and development

In addition to the Company's machines intended for the industrial label printing industry, the Company continuously seeks to further develop special machines for functional materials.

Intellectual capital resources

The Company's development and production of new products and technology is based on our highly knowledgeable employees and extensive experience. The company has a large R&D department that employs a significant part of the total work force.

Unusual events

The Covid-19 has led to a drop in the overall order intake, but long-term projects are running unaffected by the situation. No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income Statement 1 January - 31 December

	Note	Group		Parent	
		2020 DKK	2019 DKK	2020 DKK	2019 DKK
Gross profit/loss		18,449,060	27,594,408	16,130,052	26,765,491
Distribution expenses	1	-5,355,735	-7,304,448	-5,299,372	-7,099,544
Administrative expenses	1	-8,187,226	-8,596,755	-7,459,247	-7,846,369
Operating profit/loss		4,906,099	11,693,205	3,371,433	11,819,578
Other operating income		3,915,017	0	3,915,017	0
Other operating expenses		-81,841	0	-74,000	0
Profit/loss before financial income and expenses		8,739,275	11,693,205	7,212,450	11,819,578
Income from investments in subsidiaries	2	0	0	1,176,854	-173,460
Financial income		29,536	157,910	23,102	151,734
Financial expenses		-63,172	-64,191	-63,172	-64,074
Profit/loss before tax		8,705,639	11,786,924	8,349,234	11,733,778
Tax on profit/loss for the year	3	-1,681,434	-2,686,106	-1,325,029	-2,632,960
Net profit/loss for the year		7,024,205	9,100,818	7,024,205	9,100,818

Balance Sheet 31 December

Assets

	Note	Group		Parent	
		2020 DKK	2019 DKK	2020 DKK	2019 DKK
Land and buildings		0	9,748,405	0	9,748,405
Other fixtures and fittings, tools and equipment		9,254,076	7,741,526	9,211,810	7,643,766
Leasehold improvements		331,029	59,027	301,246	59,027
Property, plant and equipment in progress		0	639,834	0	639,834
Property, plant and equipment	4	9,585,105	18,188,792	9,513,056	18,091,032
Investments in subsidiaries	5	0	0	2,895,893	1,894,499
Fixed asset investments		0	0	2,895,893	1,894,499
Fixed assets		9,585,105	18,188,792	12,408,949	19,985,531
Inventories	6	53,403,215	48,371,004	52,574,634	47,757,081
Trade receivables		24,330,633	20,142,247	21,639,716	19,653,814
Receivables from group enterprises		0	0	0	539,154
Other receivables		2,377,189	3,197,418	2,368,792	3,187,700
Corporation tax		682,006	974,948	0	0
Prepayments	7	984,393	1,463,222	873,760	1,325,661
Receivables		28,374,221	25,777,835	24,882,268	24,706,329
Cash at bank and in hand		13,501,039	3,546,184	10,701,466	2,115,413
Currents assets		95,278,475	77,695,023	88,158,368	74,578,823
Assets		104,863,580	95,883,815	100,567,317	94,564,354

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent	
		2020 DKK	2019 DKK	2020 DKK	2019 DKK
Share capital	8	500,000	500,000	500,000	500,000
Reserve for net revaluation under the equity method		0	0	2,895,893	1,894,499
Retained earnings		46,409,204	60,060,459	43,513,311	58,165,960
Proposed dividend for the year		20,500,000	0	20,500,000	0
Equity		67,409,204	60,560,459	67,409,204	60,560,459
Provision for deferred tax	9	396,029	999,000	396,029	999,000
Provisions		396,029	999,000	396,029	999,000
Mortgage loans		0	2,312,948	0	2,312,948
Other payables		4,993,373	1,891,661	4,993,373	1,891,661
Long-term debt	10	4,993,373	4,204,609	4,993,373	4,204,609
Mortgage loans	10	0	177,672	0	177,672
Credit institutions		303,901	3,066,010	0	3,065,710
Prepayments received from customers		13,153,571	10,759,628	9,799,575	10,592,730
Trade payables		8,717,457	9,147,895	7,018,969	8,096,917
Payables to group enterprises		0	0	1,211,520	0
Corporation tax		1,500,662	948,063	1,380,466	926,260
Other payables	10	8,389,383	6,020,479	8,358,181	5,940,997
Short-term debt		32,064,974	30,119,747	27,768,711	28,800,286
Debt		37,058,347	34,324,356	32,762,084	33,004,895
Liabilities and equity		104,863,580	95,883,815	100,567,317	94,564,354
Distribution of profit	11				
Contingent assets, liabilities and other financial obligations	14				
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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500,000	0	60,060,459	0	60,560,459
Exchange adjustments	0	0	-175,460	0	-175,460
Net profit/loss for the year	0	0	-13,475,795	20,500,000	7,024,205
Equity at 31 December	500,000	0	46,409,204	20,500,000	67,409,204

Parent

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500,000	1,894,499	58,165,960	0	60,560,459
Exchange adjustments relating to foreign entities	0	-175,460	0	0	-175,460
Net profit/loss for the year	0	1,176,854	-14,652,649	20,500,000	7,024,205
Equity at 31 December	500,000	2,895,893	43,513,311	20,500,000	67,409,204

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2020 DKK	2019 DKK
Net profit/loss for the year		7,024,205	9,100,818
Adjustments	12	3,061,451	4,066,753
Change in working capital	13	-1,568,337	-3,927,883
Cash flows from operating activities before financial income and expenses		8,517,319	9,239,688
Financial income		29,536	155,924
Financial expenses		-63,172	-62,205
Cash flows from ordinary activities		8,483,683	9,333,407
Corporation tax paid		-948,063	-1,277,318
Cash flows from operating activities		7,535,620	8,056,089
Sale/purchase of property, plant and equipment		8,010,116	-8,789,161
Sale of property, plant and equipment		0	25,000
Other adjustments		-34,251	-48,478
Cash flows from investing activities		7,975,865	-8,812,639
Repayment of mortgage loans		-2,490,620	0
Repayment of loans from credit institutions		0	-122,536
Dividend paid		0	-3,000,000
Cash flows from financing activities		-2,490,620	-3,122,536
Change in cash and cash equivalents		13,020,865	-3,879,086
Cash and cash equivalents at 1 January		480,174	4,340,242
Exchange adjustment of current asset investments		0	19,018
Cash and cash equivalents at 31 December		13,501,039	480,174
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		13,501,039	3,546,184
Overdraft facility		0	-3,066,010
Cash and cash equivalents at 31 December		13,501,039	480,174

Notes to the Financial Statements

	Group		Parent	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK
1 Staff				
Wages and Salaries	53,291,895	48,899,055	51,466,078	47,683,145
Pensions	3,847,565	3,711,159	3,847,565	3,711,159
Other social security expenses	857,982	886,415	857,982	886,415
Other staff expenses	1,824,996	2,134,588	1,824,996	2,134,588
	59,822,438	55,631,217	57,996,621	54,415,307
Average number of employees	111	113	107	109

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

	Parent			
	2020	2019		
	DKK	DKK		
2 Income from investments in subsidiaries				
Net result of subsidiaries	1,176,854	0		
Share of losses of subsidiaries	0	-173,460		
	1,176,854	-173,460		
3 Tax on profit/loss for the year				
Current tax for the year	1,311,953	1,809,406	955,548	1,756,260
Deferred tax for the year	369,481	876,700	369,481	876,700
	1,681,434	2,686,106	1,325,029	2,632,960

Notes to the Financial Statements

4 Property, plant and equipment

Group

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK	Total DKK
Cost at 1 January	11,072,612	9,833,886	253,414	639,834	21,799,746
Exchange adjustment	0	38,598	0	0	38,598
Additions for the year	0	7,416,108	321,044	0	7,737,152
Disposals for the year	-11,072,612	-5,629,839	0	-366,870	-17,069,321
Transfers for the year	0	272,964	0	-272,964	0
Cost at 31 December	0	11,931,717	574,458	0	12,506,175
Depreciation at 1 January	1,324,207	2,147,854	164,604	0	3,636,665
Depreciation for the year	221,447	1,221,569	78,825	0	1,521,841
Reversal of depreciation of sold assets	-1,545,654	-691,782	0	0	-2,237,436
Depreciation at 31 December	0	2,677,641	243,429	0	2,921,070
Carrying amount at 31 December	0	9,254,076	331,029	0	9,585,105
Depreciated over	25 years	3-5 years	5 years		

Notes to the Financial Statements

4 Property, plant and equipment (continued)

Parent

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	DKK	DKK	DKK	DKK	DKK
Cost at 1 January	11,072,612	9,783,167	223,631	639,834	21,719,244
Exchange adjustment	0	38,598	0	0	38,598
Additions for the year	0	7,416,108	321,044	0	7,737,152
Disposals for the year	-11,072,612	-5,629,839	0	-366,870	-17,069,321
Transfers for the year	0	272,964	0	-272,964	0
Kostpris at 31 December	0	11,880,998	544,675	0	12,425,673
Depreciation at 1 January	1,324,207	2,139,401	164,604	0	3,628,212
Depreciation for the year	221,447	1,221,569	78,825	0	1,521,841
Reversal of depreciation of sold assets	-1,545,654	-691,782	0	0	-2,237,436
Depreciation at 31 December	0	2,669,188	243,429	0	2,912,617
Carrying amount at 31 December	0	9,211,810	301,246	0	9,513,056
Depreciated over	25 years	3-5 years	5 years		

Notes to the Financial Statements

	Parent	
	2020 DKK	2019 DKK
5 Investments in subsidiaries		
Cost at 1 January	2,019,482	2,019,482
Cost at 31 December	2,019,482	2,019,482
Value adjustments at 1 January	-124,983	0
Exchange adjustment	-175,460	48,477
Net profit/loss for the year	1,176,854	-173,460
Value adjustments at 31 December	876,411	-124,983
Carrying amount at 31 December	2,895,893	1,894,499

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Grafisk Maskinfabrik - America LLC	Illinois	USD 1.000	100%

	Group		Parent	
	2020 DKK	2019 DKK	2020 DKK	2019 DKK
6 Inventories				
Raw materials and consumables	39,401,260	35,785,040	38,572,679	35,171,117
Work in progress	6,245,004	5,613,414	6,245,004	5,613,414
Finished goods and goods for resale	7,756,951	6,972,550	7,756,951	6,972,550
	53,403,215	48,371,004	52,574,634	47,757,081

7 Prepayments

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

Notes to the Financial Statements

8 Equity

The share capital consists of 500,000 shares of a nominal value of DKK 1. No shares carry any special rights.

	Group		Parent	
	2020 DKK	2019 DKK	2020 DKK	2019 DKK
9 Provision for deferred tax				
Provision for deferred tax at 1 January	999,000	122,300	999,000	122,300
Amounts recognised in the income statement for the year	-369,481	876,700	-369,481	876,700
Provision for deferred tax at 31 December	396,029	999,000	396,029	999,000

10 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:

Mortgage loans

Between 1 and 5 years	0	2,312,948	0	2,312,948
Long-term part	0	2,312,948	0	2,312,948
Within 1 year	0	177,672	0	177,672
	0	2,490,620	0	2,490,620

Other payables

Between 1 and 5 years	4,993,373	1,891,661	4,993,373	1,891,661
Long-term part	4,993,373	1,891,661	4,993,373	1,891,661
Other short-term payables	8,389,383	6,020,479	8,358,181	5,940,997
	13,382,756	7,912,140	13,351,554	7,832,658

Notes to the Financial Statements

	Parent	
	2020	2019
	DKK	DKK
11 Distribution of profit		
Proposed dividend for the year	20,500,000	0
Reserve for net revaluation under the equity method	1,176,854	-173,460
Retained earnings	-14,652,649	9,274,278
	7,024,205	9,100,818

	Group	
	2020	2019
	DKK	DKK
12 Cash flow statement - adjustments		
Financial income	-29,536	-155,924
Financial expenses	63,172	62,205
Depreciation including losses and gains on sales	1,521,841	1,425,889
Tax on profit/loss for the year	1,681,434	2,686,106
Other adjustments	-175,460	48,477
	3,061,451	4,066,753

13 Cash flow statement - change in working capital		
Change in inventories	-5,032,212	-242,842
Change in receivables	-2,889,328	-2,590,708
Change in trade payables, etc	6,353,203	-1,094,333
	-1,568,337	-3,927,883

Notes to the Financial Statements

14 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

The company have a rental obligation with a period of non-terminability. The rental amount in the non-terminability period amounts to TDKK 9.287.

Guarantee obligations

The Group has guaranteed a loan for the company GM Ejendomme 2019 ApS regarding a short term credit facility with GM Ejendomme 2019 ApS credit institution. The credit facility amounts to TDKK 18.400.

15 Related parties

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.

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

IU IV Invest 10 ApS

Uffe Nielsen Holding ApS

Randi & Erik Nielsen Holding ApS

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Grafisk Maskinfabrik A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020 are presented in DKK.

Recognition and measurement

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

Assets 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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Grafisk Maskinfabrik 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Translation policies

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

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

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

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.

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

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and cost of sales.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Notes to the Financial Statements

16 Accounting Policies (continued)

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

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.

Balance Sheet

Property, plant and equipment

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

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

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

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:

Notes to the Financial Statements

16 Accounting Policies (continued)

Production buildings	25 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

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.

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.

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.

Notes to the Financial Statements

16 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.

Prepayments

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

Equity

Dividend

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

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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial debts

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

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

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

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

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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