
Eltronic A/S

Kilde Alle 4, DK-8722 Hedensted

Annual Report for 1 November 2022 - 31 October 2023

CVR No. 17 02 42 80

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 16/1 2024

Jens Jørgen Madsen
Chair of the general
meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of ELTRONIC A/S for the financial year 1 November 2022 - 31 October 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 October 2023 of the Company and of the results of the Company operations and cash flows for 2022/23.

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.

Hedensted, 16 January 2024

Executive Board

Morten Nordmand Svendsen
CEO

Board of Directors

Jens Jørgen Madsen
Chair

Lars Jensen

Lene Andreassen

Henrik Amsinck

Christian Møller Christensen

Sune van der Loo
Employee representative

Claus Norring Jensen
Employee representative

Independent Auditor's report

To the shareholder of Eltronic A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 October 2023 and of the results of the Company's operations and cash flows for the financial year 1 November 2022 - 31 October 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Eltronic A/S for the financial year 1 November 2022 - 31 October 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Trekantområdet, 16 January 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Lars Almskou Ohmeyer

State Authorised Public Accountant

mne24817

Heidi Bonde

State Authorised Public Accountant

mne42815

Company information

The Company

Eltronic A/S
Kilde Alle 4
DK-8722 Hedensted

Telephone: +45 7674 0101

Email: info@eltronic.dk

Website: www.eltronic.dk

CVR No: 17 02 42 80

Financial period: 1 November 2022 - 31 October 2023

Municipality of reg. office: Hedensted

Board of Directors

Jens Jørgen Madsen, chair
Lars Jensen
Lene Andreasen
Henrik Amsinck
Christian Møller Christensen
Sune van der Loo, employee representative
Claus Norring Jensen, employee representative

Executive Board

Morten Nordmand Svendsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Financial Highlights

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

	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	351,078	238,708	157,389	134,343	342,297
Gross profit/loss	168,690	115,815	88,675	95,745	173,904
EBITDA	27,900	15,432	10,936	7,893	18,992
Depreciation, amortisation and impairment	-4,214	-245	-51	-2,305	-7,278
Profit/loss of ordinary primary operations	23,686	15,187	10,885	5,588	11,714
Profit/loss of financial income and expenses	-910	-189	113	769	3,091
Profit/loss before tax	22,776	14,998	10,998	6,357	14,805
Tax on profit/loss for the year	-5,014	-2,488	-2,420	-1,416	-2,608
Net profit/loss	17,761	12,510	8,578	4,941	12,197
Balance sheet					
Balance sheet total	187,249	137,714	74,904	100,810	176,113
Investment in property, plant and equipment	754	265	540	0	25
Equity	42,042	34,281	27,771	19,140	48,189
Cash flows					
Cash flows from:					
- operating activities	24,702	-14,375	-18,196	19,301	-1,427
- investing activities	-609	-12,813	4,686	205	-1,467
- financing activities	-29,500	32,213	10,747	-16,942	3,149
Change in cash and cash equivalents for the year	-5,407	5,025	-2,763	2,564	255
Number of employees	208	157	119	143	236
Ratios					
Gross margin	48.0%	48.5%	56.3%	71.3%	50.8%
Profit margin	6.7%	6.4%	6.9%	4.2%	3.4%
Return on assets	12.6%	11.0%	14.5%	5.5%	6.7%
Solvency ratio	22.5%	24.9%	37.1%	19.0%	27.4%
Return on equity	46.5%	40.3%	36.6%	14.7%	50.6%

Management's review

Key activities

Eltronic is a knowledge company that develops, produces and services production technology and platforms globally for: the life science, food and manufacturing industries.

Eltronic's customer portfolio includes leading Scandinavian companies.

Development in the year

The income statement of the Company for 2022/23 shows a profit of DKK 17,761,499, and at 31 October 2023 the balance sheet of the Company shows positive equity of DKK 42,042,287.

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

In the fiscal year, Eltronic has continued to focus on developing, manufacturing, delivering and servicing advanced production facilities, products, processes, and digitalization for its Danish and international customers.

The result for the year is in line with expectations.

The Group's management tools are being strengthened and adjusted, and in 2022, they have been integrated into the IT management platform, which has extensively digitized the company. The goal is to enhance the performance culture throughout the organization in order to create the greatest possible value for customers in the future.

Operating risks

The Company's activities cover development, manufacturing, and delivery of large and complex production solutions to the industry, which imply both technical and contractual risks.

In Management's assessment, however, the Company currently has internal systems and procedures to ensure that the activities for the year may be carried out without any significant technical and contractual risks

Foreign exchange risks

Most of the turnover is in DKK and EUR. As a result, the company runs a low risk of exchange rate fluctuations. The exchange rate uncertainties are hedged, as far as possible, by reducing net positions, and alternatively by means of financial instruments in the event of considerable risks.

Credit risks

The Group's customer portfolio primarily comprises major well-reputed enterprises assessed to have a good financial standing. Customers are regularly subject to credit ratings, and risks are sought minimized through payment terms that reduce exposure.

Targets and expectations for the year ahead

Next year, we will turn our attention to organic growth within the organization, still focusing on the Company's current services and customer segments.

We expect a strong demand for the Company's core business and to realize a satisfactory profit for 2023/24 with an increase in turnover of 10% to 30% and a result EBT that is 20% to 40% higher than in 22/23.

Research and development

Development activities include product maturing of supply platforms for increased recycling, development, and integration of the Company's processes for managing all tasks across the Company.

Management's review

External environment

The Company is aware of its responsibilities in relation to both the external and the internal environment and shows the necessary consideration when performing individual assignments and with respect to the environment in its services and supplies to customers. Thus, the UN Sustainable Development Goals (SDG) form the basis for the Company's strategic direction, with the clear objective of contributing with technological solutions which reduce the environmental impact. The Company has obtained the ISO 14001 environmental certification, and its environmental impact is considered to be low.

Intellectual capital resources

The Company is a knowledge-based business, and its key resources are the competencies and the knowledge possessed by its employees. Competence development and knowledge sharing are key words. Initiatives for the retention of employees are given high priority.

Income statement 1 November 2022 - 31 October 2023

	Note	2022/23 DKK	2021/22 DKK
Revenue		351,078,100	238,708,311
Other operating income		1,224,957	1,029,596
Expenses for raw materials and consumables		-147,553,570	-95,053,767
Other external expenses		-36,059,830	-28,869,615
Gross profit		168,689,657	115,814,525
Staff expenses	1	-140,679,282	-100,383,501
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-4,214,420	-244,251
Other operating expenses		-110,000	0
Profit/loss before financial income and expenses		23,685,955	15,186,773
Financial income	2	58,064	274,176
Financial expenses	3	-968,193	-463,344
Profit/loss before tax		22,775,826	14,997,605
Tax on profit/loss for the year	4	-5,014,327	-2,488,084
Net profit/loss for the year	5	17,761,499	12,509,521

Balance sheet 31 October 2023

Assets

	Note	2022/23 DKK	2021/22 DKK
Completed development projects		8,265,264	3,998,000
Development projects in progress		0	8,200,000
Intangible assets	6	8,265,264	12,198,000
Other fixtures and fittings, tools and equipment		449,566	529,016
Leasehold improvements		351,982	0
Property, plant and equipment	7	801,548	529,016
Deposits	8	711,639	680,012
Fixed asset investments		711,639	680,012
Fixed assets		9,778,451	13,407,028
Inventories	9	56,018,732	23,977,071
Trade receivables		90,554,836	60,811,218
Contract work in progress	10	30,480,887	25,489,615
Receivables from group enterprises		361,040	3,130,901
Other receivables		36,160	68,683
Corporation tax receivable from group enterprises		0	5,244,654
Prepayments	11	8,359	168,271
Receivables		121,441,282	94,913,342
Cash at bank and in hand		10,118	5,416,781
Current assets		177,470,132	124,307,194
Assets		187,248,583	137,714,222

Balance sheet 31 October 2023

Liabilities and equity

	Note	2022/23 DKK	2021/22 DKK
Share capital	12	1,200,000	1,200,000
Reserve for development costs		6,446,906	9,514,440
Retained earnings		34,395,381	13,566,348
Proposed dividend for the year		0	10,000,000
Equity		42,042,287	34,280,788
Provision for deferred tax	13	5,819,626	8,537,362
Provisions		5,819,626	8,537,362
Lease obligations		169,472	0
Other payables		8,615,740	8,600,892
Long-term debt	14	8,785,212	8,600,892
Credit institutions		196,237	94,473
Lease obligations	14	47,840	0
Prepayments received from customers		43,209,728	0
Trade payables		35,757,047	27,017,016
Contract work in progress	10	10,120,002	18,853,379
Payables to group enterprises		3,636,035	26,239,432
Payables to group enterprises relating to corporation tax		5,881,639	0
Other payables	14	31,752,930	14,090,880
Short-term debt		130,601,458	86,295,180
Debt		139,386,670	94,896,072
Liabilities and equity		187,248,583	137,714,222
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Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 November	1,200,000	9,514,440	13,566,348	10,000,000	34,280,788
Ordinary dividend paid	0	0	0	-10,000,000	-10,000,000
Depreciation, amortisation and impairment for the year	0	-3,067,534	3,067,534	0	0
Net profit/loss for the year	0	0	17,761,499	0	17,761,499
Equity at 31 October	1,200,000	6,446,906	34,395,381	0	42,042,287

Cash flow statement 1 November 2022 - 31 October 2023

	Note	2022/23 DKK	2021/22 DKK
Result of the year		17,761,499	12,509,521
Adjustments	15	10,161,876	2,921,503
Change in working capital	16	-5,705,684	-27,804,611
Cash flow from operations before financial items		22,217,691	-12,373,587
Financial income		58,064	274,177
Financial expenses		-968,193	-463,346
Cash flows from ordinary activities		21,307,562	-12,562,756
Corporation tax paid		3,394,230	-1,812,560
Cash flows from operating activities		24,701,792	-14,375,316
Purchase of intangible assets		0	-12,198,000
Purchase of property, plant and equipment		-754,216	-265,000
Fixed asset investments made etc		-31,627	-350,347
Sale of property, plant and equipment		177,000	0
Cash flows from investing activities		-608,843	-12,813,347
Repayment of loans from credit institutions		101,764	40,562
Reduction of lease obligations		-12,663	0
Repayment of payables to group enterprises		-19,833,536	38,172,736
Repayment of other long-term debt		14,848	0
Lease obligations incurred		229,975	0
Dividend paid		-10,000,000	-6,000,000
Cash flows from financing activities		-29,499,612	32,213,298
Change in cash and cash equivalents		-5,406,663	5,024,635
Cash and cash equivalents at 1 November		5,416,781	392,146
Cash and cash equivalents at 31 October		10,118	5,416,781
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		10,118	5,416,781
Cash and cash equivalents at 31 October		10,118	5,416,781

Notes to the Financial Statements

	2022/23 DKK	2021/22 DKK
1. Staff Expenses		
Wages and salaries	124,452,672	87,884,007
Pensions	14,946,832	11,577,492
Other social security expenses	1,279,778	922,002
	140,679,282	100,383,501
Including remuneration to the Executive Board and Board of Directors	2,044,004	1,574,124
Average number of employees	208	157

The incentive scheme offered to the company's employees provides the option of issuing new shares, in the period up to 30 October 2025, of up to 3.3% of the current share capital at a subscription price of DKK 41.67 at a nominal price of DKK 1. A hurdle rate of 8% per year is added to the subscription price until the warrants are exercised. There have not been granted new warrants during the year and the outstanding warrant number at 31 October 2023 is 40,000. Incentive programmes are not recognised in the Financial Statements.

	2022/23 DKK	2021/22 DKK
2. Financial income		
Interest received from group enterprises	0	203,290
Exchange gains	58,064	70,886
	58,064	274,176

	2022/23 DKK	2021/22 DKK
3. Financial expenses		
Interest paid to group enterprises	434,942	0
Other financial expenses	409,519	280,222
Exchange loss	123,732	183,122
	968,193	463,344

Notes to the Financial Statements

4. Income tax expense

	2022/23 DKK	2021/22 DKK
Current tax for the year	5,881,639	-5,244,654
Deferred tax for the year	-867,312	7,737,418
Adjustment of tax concerning previous years	1,850,424	-275,924
Adjustment of deferred tax concerning previous years	-1,850,424	271,244
	5,014,327	2,488,084

5. Profit allocation

	2022/23 DKK	2021/22 DKK
Proposed dividend for the year	0	10,000,000
Retained earnings	17,761,499	2,509,521
	17,761,499	12,509,521

6. Intangible fixed assets

	Completed development projects DKK	Develop- ment projects in progress DKK
Cost at 1 November	3,998,000	8,200,000
Transfers for the year	8,200,000	-8,200,000
Cost at 31 October	12,198,000	0
Impairment losses and amortisation at 1 November	0	0
Amortisation for the year	3,932,736	0
Impairment losses and amortisation at 31 October	3,932,736	0
Carrying amount at 31 October	8,265,264	0
Amortised over	2-3 years	

Development projects relate to the development of robot-cells regarding the handling of sustainable packaging alternatives in the product environment.

Notes to the Financial Statements

7. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 November	805,000	0
Additions for the year	402,234	351,982
Disposals for the year	-540,000	0
Cost at 31 October	667,234	351,982
Impairment losses and depreciation at 1 November	275,984	0
Depreciation for the year	281,684	0
Impairment and depreciation of sold assets for the year	-340,000	0
Impairment losses and depreciation at 31 October	217,668	0
Carrying amount at 31 October	449,566	351,982
Amortised over	3-5 years	5-10 years

8. Other fixed asset investments

	Deposits
	DKK
Cost at 1 November	680,012
Additions for the year	31,627
Cost at 31 October	711,639
Carrying amount at 31 October	711,639

9. Inventories

	2022/23	2021/22
	DKK	DKK
Inventories - Raw materials and consumables	27,199,479	14,279,143
Inventories - Work in progress	28,041,678	5,862,360
Inventories - Finished goods and goods for resale	777,575	3,835,568
	56,018,732	23,977,071

Notes to the Financial Statements

	2022/23	2021/22
	DKK	DKK
10. Contract work in progress		
Selling price of work in progress	216,382,840	144,253,852
Payments received on account	-196,021,955	-137,617,616
	<u>20,360,885</u>	<u>6,636,236</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	30,480,887	25,489,615
Prepayments received recognised in debt	-10,120,002	-18,853,379
	<u>20,360,885</u>	<u>6,636,236</u>

11. Prepayments

Prepayments consist of prepaid expenses concerning licenses etc.

12. Share capital

The share capital consists of 1,200 shares of a nominal value of DKK 1,000. No shares carry any special rights.

	2022/23	2021/22
	DKK	DKK
13. Provision for deferred tax		
Deferred tax liabilities at 1 November	8,537,362	528,700
Amounts recognised in the income statement regarding previous years	-1,850,424	271,244
Amounts recognised in the income statement for the year	-867,312	7,737,418
Deferred tax liabilities at 31 October	<u>5,819,626</u>	<u>8,537,362</u>

Notes to the Financial Statements

14. 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:

	2022/23	2021/22
	DKK	DKK
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	169,472	0
Long-term part	169,472	0
Within 1 year	47,840	0
	<u>217,312</u>	<u>0</u>
Other payables		
After 5 years	8,292,163	8,309,364
Between 1 and 5 years	323,577	291,528
Long-term part	8,615,740	8,600,892
Within 1 year	142,582	17,332
Other short-term payables	31,610,348	14,073,548
	<u>40,368,670</u>	<u>22,691,772</u>

	2022/23	2021/22
	DKK	DKK
15. Cash flow statement - Adjustments		
Financial income	-58,064	-274,176
Financial expenses	968,193	463,344
Depreciation, amortisation and impairment losses, including losses and gains on sales	4,237,420	244,251
Tax on profit/loss for the year	5,014,327	2,488,084
	<u>10,161,876</u>	<u>2,921,503</u>

Notes to the Financial Statements

	2022/23	2021/22
	DKK	DKK
16. Cash flow statement - Change in working capital		
Change in inventories	-32,041,661	-21,285,022
Change in receivables	-34,542,455	-36,936,935
Change in trade payables, etc	60,878,432	30,417,346
	<u>-5,705,684</u>	<u>-27,804,611</u>

	2022/23	2021/22
	DKK	DKK

17. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

As security for the cashpool scheme within the group, an indemnity letter of DKK 50,000k has been created on trade receivables, inventories, intangible rights and other fixtures and fittings, tools and equipment at a total carrying amount of DKK 155,288k.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1,979,876	1,505,878
Between 1 and 5 years	3,448,965	1,690,691
	<u>5,428,841</u>	<u>3,196,569</u>

At the balance sheet date, the Company has entered rental commitments at total DKK 2,550k in the irrevocable period.

Other contingent liabilities

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 Eltronic Group A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

18. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Eltronic Group A/S	Principal shareholder

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:

<u>Name</u>	<u>Place of registered office</u>
Eltronic Group A/S	DK-8722 Hedensted

19. Subsequent events

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

Notes to the Financial Statements

20. Accounting policies

The Annual Report of Eltronic A/S for 2022/23 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 Financial Statements for 2022/23 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.

Leases

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

Translation policies

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.

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

Income statement

Net sales

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 Company.

Notes to the Financial Statements

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 Company. 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 Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Expenses for raw materials and consumables

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

Other external expenses

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

Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

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 Danish group companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

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

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

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

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

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 2-3 years.

Property, plant and equipment

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

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

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

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

Other fixtures and fittings, tools and equipment	3-5 years
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Leasehold improvements	5-10 years
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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.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Notes to the Financial Statements

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.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

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 licenses etc.

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, 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.

Notes to the Financial Statements

Current tax receivables and liabilities

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

Financial debts

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

Cash Flow Statement

The cash flow statement shows the Company'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 Company'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.

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$