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# *estron a/s*

Industrivej 5, DK-8653 Them

## Annual Report for 2023

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CVR No. 18 21 20 99

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 26/3 2024

Kasper Sandø Jensen  
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 estron 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 give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company 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.

Them, 26 March 2024

## Executive Board

Peter Lyhne Uhrenholt  
CEO

## Board of Directors

Anders Schnettler Kristensen  
Chairman

Thomas Marstrand  
Vice chairman

Allan Sørrig Dodt

Sune Lilbæk

Kasper Sandø Jensen

# Independent Auditor's report

To the shareholder of estron a/s

## Opinion

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

We have audited the Financial Statements of estron 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 ("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, 26 March 2024

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Forthoft Lind

State Authorised Public Accountant

mne34169

Henrik Skriver Lykke

State Authorised Public Accountant

mne15094

## Company information

<b>The Company</b>	estron a/s Industrivej 5 DK-8653 Them  Telephone: 86848877 Email: info@estron.dk Website: www.estron.dk  CVR No: 18 21 20 99 Financial period: 1 January - 31 December Municipality of reg. office: Silkeborg
<b>Board of Directors</b>	Anders Schnettler Kristensen, chairman Thomas Marstrand, vice chairman Allan Sørrig Dodt Sune Lilbæk Kasper Sandø Jensen
<b>Executive Board</b>	Peter Lyhne Uhrenholt
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle
<b>Bankers</b>	Sydbank

## Financial Highlights

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

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit	39,866	46,214	32,928	25,118	40,654
Profit/loss of primary operations	13,926	17,884	9,514	2,737	9,872
Profit/loss of financial income and expenses	2,854	8,774	7,842	-2,282	6,599
Net profit/loss for the year	14,435	22,877	15,374	5	14,333
<b>Balance sheet</b>					
Balance sheet total	68,480	80,360	70,922	68,496	49,917
Investment in property, plant and equipment	1,482	15,312	5,818	7,077	9,984
Equity	53,416	47,824	35,369	27,777	41,996
Number of employees	33	36	32	32	31
<b>Ratios</b>					
Return on assets	20.3%	22.3%	13.4%	4.0%	19.8%
Solvency ratio	78.0%	59.5%	49.9%	40.6%	84.1%
Return on equity	28.5%	55.0%	48.7%	0.0%	68.3%

The financial year 2018/19 include 18 months.

# Management's review

## Key activities

The Group's main activity consists of design, development and production of wire solutions and connectors for the hearing aid industry as well as cables and sockets for the worldwide audio and security industries.

## Development in the year

The income statement of the Company for 2023 shows a profit of DKK 14,434,648, and at 31 December 2023 the balance sheet of the Company shows a positive equity of DKK 53,416,399.

Results for the year are considered satisfactory and in line with expectations.

In 2023 the focus of the global supply chain and customers has shifted from securing high buffer stock to reduce working capital and thereby reduce inventory levels. This is opposite the trend in 2022, where estron supported strong build-up of customer inventory levels. The shift in customer focus has been expected and is the primary reason for the lower result.

At the production site in Vietnam investments have continued which expanded the available capacity. As a consequence, all production from Mexico was transferred to Vietnam and the production site in Mexico were closed down. This transition and close-down of Mexico will improve the general cost structure going forward while having a one-off negative impact on the Group result in 2023.

estron has continued an unchanged level of investments in product development, production facilities and machinery to support all customers with the needed production capacity.

The shares of estron a/s were sold to the private equity fund Erhvervsinvest and the transaction were closed 3 February 2023.

## Special risks - operating risks and financial risks

### Financial risks

Since most of the Group's revenue and internal business are generated in foreign currencies, the Group is exposed to foreign exchange risks. The primary currencies used are EUR and USD which are well balanced. The Management have evaluated the risk to be low.

### Special risks

In Management's opinion, the Group has not assumed any special risks, besides ordinary business risks.

## Targets and expectations for the year ahead

In 2024, estron a/s expects the revenue to grow compared to 2023, which is due to a general completion of customers adjustment of inventory levels and expansion of product portfolio as well as customer base.

Demand for the Group's products and solutions is expected to grow steadily in the years to come. This applies to all the Group's segments/industries.

As a consequence of the anticipated revenue growth, the profit in 2024 is expected to be in the range of DKK 22-30 million.

## Material assumptions and uncertainties

The very high inflation rates in both USA and Europe have incurred a constant attention to cost focus. In addition, with the war between Ukraine and Russia there are still significant uncertainties in 2024.



# Management's review

## Employees

The Group is pleased to note great employee satisfaction. In 2023 estron have managed to recruit several new employees securing the right organisation and skills.

Attracting and retaining talented employees remain a top priority for the Group management. End of 2023 intensive recruitment activities were initiated in Vietnam to increase production capacity for expected growth. The onboarding program includes a comprehensive introduction program and training.

Moreover, employees develop their knowledge through internal and external courses, network, and relevant external seminars.

## Environment and working environment

estron's production constitutes a clean production process of small components. All estron's production units observe all existing environmental and working environment requirements, and the Company constantly works on protecting the surrounding environment as well as its employees. Further description of the corporate social responsibility is available on the Company's website.

## Statement on gender composition

estron strive to ensure gender diversification at all levels of the organisation as Management believes that the diversity provide the best working environment and thereby supports vision of estron. Amongst the top management of the Group 62% are female while the Board of Directors is 100% male.

## Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

## Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities and cash flows of the Company for the financial year for 2023 have not been affected by any unusual events.

## Subsequent events

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

## Income statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
<b>Gross profit</b>		<b>39,865,703</b>	<b>46,214,414</b>
Staff expenses	1	-23,367,666	-25,961,908
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-1,952,533	-2,368,348
Other operating expenses		-619,547	0
<b>Profit/loss before financial income and expenses</b>		<b>13,925,957</b>	<b>17,884,158</b>
Income from investments in subsidiaries		3,885,386	9,403,623
Financial income		3,277,849	2,559,697
Financial expenses	2	-4,309,160	-3,189,528
<b>Profit/loss before tax</b>		<b>16,780,032</b>	<b>26,657,950</b>
Tax on profit/loss for the year	3	-2,345,384	-3,780,816
<b>Net profit/loss for the year</b>	4	<b>14,434,648</b>	<b>22,877,134</b>

## Balance sheet 31 December

### Assets

	Note	2023	2022
		DKK	DKK
Acquired patents		1,230,413	1,286,032
<b>Intangible assets</b>	<b>5</b>	<b>1,230,413</b>	<b>1,286,032</b>
Plant and machinery		1,467,973	4,628,643
Other fixtures and fittings, tools and equipment		0	126,769
Leasehold improvements		12,905	768,508
Property, plant and equipment in progress		1,985,966	601,883
<b>Property, plant and equipment</b>	<b>6</b>	<b>3,466,844</b>	<b>6,125,803</b>
Investments in subsidiaries	7	19,377,169	30,554,734
Other receivables	8	22,500	97,500
<b>Fixed asset investments</b>		<b>19,399,669</b>	<b>30,652,234</b>
<b>Fixed assets</b>		<b>24,096,926</b>	<b>38,064,069</b>
Raw materials and consumables		9,974,164	11,882,839
Work in progress		4,753,929	5,019,379
Finished goods and goods for resale		9,153,755	8,409,647
<b>Inventories</b>		<b>23,881,848</b>	<b>25,311,865</b>
Trade receivables		11,493,406	9,686,506
Receivables from group enterprises		10,623	0
Other receivables		24,615	233,701
Deferred tax asset	9	321,471	250,658
Prepayments	10	462,693	597,314
<b>Receivables</b>		<b>12,312,808</b>	<b>10,768,179</b>
<b>Cash at bank and in hand</b>		<b>8,188,555</b>	<b>6,215,612</b>
<b>Current assets</b>		<b>44,383,211</b>	<b>42,295,656</b>
<b>Assets</b>		<b>68,480,137</b>	<b>80,359,725</b>

## Balance sheet 31 December

### Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital		500,000	500,000
Reserve for net revaluation under the equity method		10,136,923	21,314,488
Retained earnings		42,779,476	26,009,282
<b>Equity</b>		<b>53,416,399</b>	<b>47,823,770</b>
Credit institutions		0	9,759,000
Other payables		1,260,492	1,359,572
<b>Long-term debt</b>	11	<b>1,260,492</b>	<b>11,118,572</b>
Credit institutions	11	45,465	3,253,000
Trade payables		3,242,309	3,700,434
Payables to group enterprises		5,719,461	10,726,728
Corporation tax		2,930,757	741,069
Other payables	11	1,865,254	2,996,152
<b>Short-term debt</b>		<b>13,803,246</b>	<b>21,417,383</b>
<b>Debt</b>		<b>15,063,738</b>	<b>32,535,955</b>
<b>Liabilities and equity</b>		<b>68,480,137</b>	<b>80,359,725</b>
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## Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	500,000	21,314,488	26,009,282	47,823,770
Extraordinary dividend paid	0	0	-7,500,000	-7,500,000
Exchange adjustments relating to foreign entities	0	-1,342,019	0	-1,342,019
Net profit/loss for the year	0	-9,835,546	24,270,194	14,434,648
<b>Equity at 31 December</b>	<b>500,000</b>	<b>10,136,923</b>	<b>42,779,476</b>	<b>53,416,399</b>

# Notes to the Financial Statements

	2023	2022
	DKK	DKK
<b>1. Staff Expenses</b>		
Wages and salaries	19,663,522	21,919,984
Pensions	3,311,856	3,068,425
Other social security expenses	392,288	447,011
Other staff expenses	0	526,488
	<u>23,367,666</u>	<u>25,961,908</u>
Including remuneration to the Executive Board and Board of Directors	<u>2,283,003</u>	<u>1,881,952</u>
Average number of employees	<u>33</u>	<u>36</u>
	2023	2022
	DKK	DKK
<b>2. Financial expenses</b>		
Interest paid to group enterprises	436,338	81,569
Other financial expenses	501,706	702,956
Exchange adjustments, expenses	3,371,116	2,405,003
	<u>4,309,160</u>	<u>3,189,528</u>
	2023	2022
	DKK	DKK
<b>3. Income tax expense</b>		
Current tax for the year	2,930,757	4,248,723
Deferred tax for the year	-70,813	-467,907
Adjustment of tax concerning previous years	-514,560	0
	<u>2,345,384</u>	<u>3,780,816</u>

## Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>4. Profit allocation</b>		
Extraordinary dividend paid	7,500,000	10,000,000
Reserve for net revaluation under the equity method	-9,835,546	9,366,559
Retained earnings	16,770,194	3,510,575
	<u>14,434,648</u>	<u>22,877,134</u>

## 5. Intangible fixed assets

	<u>Acquired patents</u>
	DKK
Cost at 1. January	5,122,806
Additions for the year	214,313
Disposals for the year	-148,680
Cost at 31. December	<u>5,188,439</u>
Impairment losses and depreciation at 1. January	3,836,744
Depreciation for the year	269,962
Reversal of impairment and depreciation of sold assets	-148,680
Impairment losses and depreciation at 31. December	<u>3,958,026</u>
<b>Carrying amount at 31. December</b>	<u><b>1,230,413</b></u>
Amortised over	<u>3-7 years</u>

## Notes to the Financial Statements

### 6. Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 1. January	17,311,679	149,140	1,565,864	601,884
Additions for the year	73,396	0	0	1,408,615
Disposals for the year	-2,417,991	-149,140	-801,224	-24,533
Cost at 31. December	14,967,084	0	764,640	1,985,966
Impairment losses and depreciation at 1. January	12,683,036	22,371	797,358	0
Depreciation for the year	1,477,748	11,466	193,378	0
Reversal of impairment and depreciation of sold assets	-661,673	-33,837	-239,001	0
Impairment losses and depreciation at 31. December	13,499,111	0	751,735	0
<b>Carrying amount at 31. December</b>	<b>1,467,973</b>	<b>0</b>	<b>12,905</b>	<b>1,985,966</b>
Amortised over	3-5 years	4 years	4-5 years	0



## Notes to the Financial Statements

	2023	2022
	DKK	DKK
<b>7. Investments in subsidiaries</b>		
Cost at 1 January	4,641,495	4,641,495
Cost at 31 December	4,641,495	4,641,495
Value adjustments at 1 January	25,913,239	16,512,006
Exchange adjustment	-1,342,019	34,674
Net profit/loss for the year	3,885,386	9,403,623
Dividend to the Parent Company	-13,407,655	0
Other adjustments	-313,277	-37,064
Value adjustments at 31 December	14,735,674	25,913,239
<b>Carrying amount at 31 December</b>	<b>19,377,169</b>	<b>30,554,734</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Vietnam Estron Company Ltd	Ho Chi Minh City	VNDk 16,068,855	100%

## 8. Other fixed asset investments

	Other receivables
	DKK
Cost at 1. January	97,500
Disposals for the year	-75,000
Cost at 31. December	22,500
<b>Carrying amount at 31. December</b>	<b>22,500</b>

## Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>9. Deferred tax asset</b>		
Deferred tax asset at 1 January	250,658	-217,249
Amounts recognised in the income statement for the year	70,813	467,907
<b>Deferred tax asset at 31 December</b>	<u><b>321,471</b></u>	<u><b>250,658</b></u>

## 10. Prepayments

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

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>11. Long-term debt</b>		

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:

### Credit institutions

After 5 years	0	0
Between 1 and 5 years	0	9,759,000
Long-term part	0	9,759,000
Other short-term debt to credit institutions	45,465	3,253,000
	<u><b>45,465</b></u>	<u><b>13,012,000</b></u>

### Other payables

After 5 years	0	0
Between 1 and 5 years	1,260,492	1,359,572
Long-term part	1,260,492	1,359,572
Other short-term payables	1,865,254	2,996,152
	<u><b>3,125,746</b></u>	<u><b>4,355,724</b></u>

# Notes to the Financial Statements

2023	2022
DKK	DKK

## 12. Contingent assets, liabilities and other financial obligations

### Charges and security

The following assets have been placed as security with bankers:

As security for balance with a credit institution, a company charge of DKK 1,000k has been provided with a charge on ordinary claims relating to trade receivables, inventories, intellectual property rights as well as operating fixtures and equipment and machinery and equipment.

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	55,156	55,156
Between 1 and 5 years	15,978	47,890
	<u>71,134</u>	<u>103,046</u>

The Company has entered into tenancy agreements with a period of notice of up to 6 months. The obligation amounts to DKK 247.646 (2022: DKK 228.023)

### Other contingent liabilities

The Danish 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 Estron Investment A/S, which is the management company of the joint taxation purposes. Moreover, the Danish 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.

## 13. Related parties and disclosure of 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
Estron Investment A/S	Charlottenlund

# Notes to the Financial Statements

## 14. Accounting policies

The Annual Report of estron a/s for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2023 are presented in DKK.

### Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

### 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 , the Company has not prepared a cash flow statement.

### Recognition and measurement

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

Leases in terms of which the Company 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 Company.

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. 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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on 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.

## 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 Company.

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 as well as office expenses, etc.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

### 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.

### 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.

# Notes to the Financial Statements

## 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 comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

## Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for 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 Estron Investment A/S. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

## Balance sheet

### Intangible fixed assets

Patent and licenses 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, and licences are amortised over the license period; however not exceeding 7 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

### 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:

Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	4 years
Leasehold improvements	4-5 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.

# Notes to the Financial Statements

## 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.

## Other fixed asset investments

Other fixed asset investments consist of deposits.

## 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.

## 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 Dividend item.

### Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

# Notes to the Financial Statements

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

## Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

## Financial liabilities

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.

## Financial Highlights

### Explanation of financial ratios

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	$\text{Net profit for the year} \times 100 / \text{Average equity}$