
estron a/s

Industrivej 5, DK-8653 Silkeborg

Annual Report for 2022

CVR No. 18 21 20 99

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

Anne Kristine Jørsboe
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 Consolidated Financial Statements and Parent Company Financial Statements of estron a/s for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Consolidated Financial Statements and Parent Company Financial Statements be adopted at the Annual General Meeting.

Silkeborg, 26 April 2023

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 Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of estron a/s for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's report

Aarhus C, 26 April 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Christian Roding
State Authorised Public Accountant
mne33714

Company information

The Company	estron a/s Industrivej 5 DK-8653 Silkeborg 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
Board of Directors	Anders Schnettler Kristensen, chairman Thomas Marstrand, vice chairman Allan Sørrig Dodt Sune Lilbæk Kasper Sandø Jensen
Executive board	Peter Lyhne Uhrenholt
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 8000 Aarhus C

Financial Highlights

Seen over a 4-year period, the development of the Group is described by the following financial highlights:

	Group			
	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK
Key figures				
Profit/loss				
Profit/loss of ordinary primary operations	30,338	18,623	1,776	17,649
Profit/loss before financial income and expenses	30,338	18,623	1,776	18,973
Profit/loss of financial income and expenses	803	-704	-1,055	-491
Net profit/loss	22,877	15,374	5	14,333
Balance sheet				
Balance sheet total	74,367	67,206	66,596	49,053
Investment in property, plant and equipment	17,159	8,761	6,850	7,722
Equity	47,824	35,369	27,777	41,996
Number of employees	447	339	232	243
Ratios				
Return on assets	40.8%	27.7%	2.7%	38.7%
Solvency ratio	64.3%	52.6%	41.7%	85.6%
Return on equity	55.0%	48.7%	0.0%	38.0%

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 Group for 2022 shows a profit of DKK 22,877,134, and at 31 December 2022 the balance sheet of the Group shows positive equity of DKK 47,823,770.

Results for the year are considered more than satisfactory.

It has been a year in which the Covid-19 pandemic has been less restrictive on operations while there has been a catch-up by many customers to reduce their supply chain risk. The production in Vietnam has therefore been operating at maximum level to secure deliveries to customers, which has generated a significant onboarding of operators. In addition, estron has opened a new production site in Fresnillo, Mexico, which is in the phase of implementation and ramping up.

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 was closed 3 February 2023. Management continues unchanged while the Board of Directors has been changed.

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. Management has 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 2023, estron expects the gross profit to be lower compared to 2022, which is due to the global economic situation with high inflation rates and hence a reduced purchasing power from end-consumers. Further, 2022 was positively impacted by an out of the ordinary catch-up effect from many of the customers due to corona. End of year, it is though expected that the organisation will be ramping up again to meet expected growth in 2024.

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 lower gross profit, the net profit in 2023 is expected to be lower than 2022.

Material assumptions and uncertainties

Despite the Covid-19 pandemic no longer impacting business operations, new uncertainties have evolved with the energy crisis in Europe and very high inflation rates in both USA and Europe. In addition, with the war between Ukraine and Russia, there are significant uncertainties in 2023 and the visibility is low. In general, customers have shifted from focusing on stock-filling and securing deliveries to stock reduction and working capital.

Management's review

Intellectual capital resources

estron is a knowledge company relying on skilled, innovative employees. estron's continued positive development is as such conditional upon attracting knowledge resources as needed and retaining existing resources.

Employees

The Group is pleased to note great employee satisfaction. In 2022, estron has managed to recruit several new employees securing the right organisation and skills.

Attracting and retaining talented employees remains a top priority for Management. More technical resources and operators are expected to be recruited. Particularly, focus is on onboarding operators in Vietnam as well as in Mexico, which 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 strives to ensure gender diversification at all levels of the organisation, as Management believes that diversity provides the best working environment and thereby supports the vision of estron. Amongst the top management of the Group, 53% 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 2022 of the Group and the results of the activities and cash flows of the Group for the financial year for 2022 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	Group		Parent company	
		2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Gross profit		80,620,167	61,662,838	46,214,414	32,880,522
Staff expenses	1	-45,620,418	-39,054,716	-25,961,908	-21,574,359
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-4,661,525	-3,985,049	-2,368,348	-1,792,158
Profit/loss before financial income and expenses		30,338,224	18,623,073	17,884,158	9,514,005
Income from investments in subsidiaries		0	0	9,403,623	8,363,379
Financial income	3	4,468,220	1,167,726	2,559,697	969,975
Financial expenses	4	-3,665,186	-1,871,802	-3,189,528	-1,490,938
Profit/loss before tax		31,141,258	17,918,997	26,657,950	17,356,421
Tax on profit/loss for the year	5	-8,264,124	-2,544,754	-3,780,816	-1,982,178
Net profit/loss for the year	6	22,877,134	15,374,243	22,877,134	15,374,243

Balance sheet 31 December

Assets

	Note	Group		Parent company	
		2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Acquired patents		1,286,032	1,361,039	1,286,032	1,361,039
Intangible assets	7	1,286,032	1,361,039	1,286,032	1,361,039
Plant and machinery		9,759,517	8,650,259	4,628,643	3,595,802
Other fixtures and fittings, tools and equipment		126,769	0	126,769	0
Leasehold improvements		883,241	323,252	768,508	162,026
Property, plant and equipment in progress		601,883	1,850,970	601,883	1,850,970
Property, plant and equipment	8	11,371,410	10,824,481	6,125,803	5,608,798
Investments in subsidiaries	9	0	0	30,554,734	21,153,501
Deposits	10	429,687	570,534	0	0
Other receivables	10	97,500	97,500	97,500	97,500
Fixed asset investments		527,187	668,034	30,652,234	21,251,001
Fixed assets		13,184,629	12,853,554	38,064,069	28,220,838
Raw materials and consumables		15,609,787	12,021,757	11,882,839	7,770,454
Work in progress		8,951,056	5,799,397	5,019,379	2,610,334
Finished goods and goods for resale		8,601,405	5,118,608	8,409,647	5,056,739
Inventories		33,162,248	22,939,762	25,311,865	15,437,527

Balance sheet 31 December

Assets

	Note	Group		Parent company	
		2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Trade receivables		9,686,506	11,100,453	9,686,506	11,113,481
Other receivables		2,615,964	4,718,133	233,701	3,111,661
Deferred tax asset	12	250,658	0	250,658	0
Prepayments	11	1,355,664	1,706,704	597,314	514,354
Receivables		13,908,792	17,525,290	10,768,179	14,739,496
Cash at bank and in hand		14,111,257	13,887,012	6,215,612	12,524,353
Current assets		61,182,297	54,352,064	42,295,656	42,701,376
Assets		74,366,926	67,205,618	80,359,725	70,922,214

Balance sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Share capital		500,000	500,000	500,000	500,000
Reserve for net revaluation under the equity method		0	0	21,314,488	11,913,255
Reserve for hedging transactions		0	69,682	0	69,682
Reserve for exchange rate conversion		762,644	727,970	0	0
Retained earnings		46,561,126	23,571,670	26,009,282	12,386,385
Proposed dividend for the year		0	10,500,000	0	10,500,000
Equity		47,823,770	35,369,322	47,823,770	35,369,322
Provision for deferred tax	12	1,570,001	217,249	0	217,249
Provisions		1,570,001	217,249	0	217,249
Credit institutions		9,759,000	13,012,000	9,759,000	13,012,000
Other payables		1,359,572	2,596,473	1,359,572	2,596,473
Long-term debt	13	11,118,572	15,608,473	11,118,572	15,608,473
Credit institutions	13	3,253,000	3,253,000	3,253,000	3,253,000
Trade payables		3,806,105	6,209,708	3,700,434	6,084,364
Payables to group enterprises		1,029,119	392,472	10,726,728	5,387,014
Corporation tax		741,069	1,001,673	741,069	1,001,673
Other payables	13	5,025,290	5,153,721	2,996,152	4,001,119
Short-term debt		13,854,583	16,010,574	21,417,383	19,727,170
Debt		24,973,155	31,619,047	32,535,955	35,335,643
Liabilities and equity		74,366,926	67,205,618	80,359,725	70,922,214
Contingent assets, liabilities and other financial obligations	14				
Related parties	15				
Accounting Policies	16				

Statement of changes in equity

Group

	Share capital	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500,000	69,682	727,970	23,571,670	10,500,000	35,369,322
Ordinary dividend paid	0	0	0	0	-10,500,000	-10,500,000
Extraordinary dividend paid	0	0	0	-10,000,000	0	-10,000,000
Contribution from group	0	0	0	10,000,000	0	10,000,000
Exchange adjustments relating to foreign entities	0	0	34,674	0	0	34,674
Fair value adjustment of hedging instruments, beginning of year	0	-89,335	0	0	0	-89,335
Tax on adjustment of hedging instruments for the year	0	19,653	0	0	0	19,653
Other equity movements	0	0	0	112,322	0	112,322
Net profit/loss for the year	0	0	0	22,877,134	0	22,877,134
Equity at 31 December	500,000	0	762,644	46,561,126	0	47,823,770

Parent company

	Share capital	Reserve for net revaluation under the equity method	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500,000	11,913,255	69,682	12,386,385	10,500,000	35,369,322
Ordinary dividend paid	0	0	0	0	-10,500,000	-10,500,000
Extraordinary dividend paid	0	0	0	-10,000,000	0	-10,000,000
Contribution from group	0	0	0	10,000,000	0	10,000,000
Exchange adjustments relating to foreign entities	0	34,674	0	0	0	34,674
Fair value adjustment of hedging instruments, beginning of year	0	0	-89,335	0	0	-89,335
Tax on adjustment of hedging instruments for the year	0	0	19,653	0	0	19,653
Other equity movements	0	0	0	112,322	0	112,322
Net profit/loss for the year	0	9,366,559	0	13,510,575	0	22,877,134
Equity at 31 December	500,000	21,314,488	0	26,009,282	0	47,823,770

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
1. Staff Expenses				
Wages and salaries	36,838,174	32,372,113	21,919,984	18,335,096
Pensions	4,318,453	3,819,253	3,068,425	2,776,574
Other social security expenses	1,020,559	816,188	447,011	343,885
Other staff expenses	3,443,232	2,047,162	526,488	118,804
	45,620,418	39,054,716	25,961,908	21,574,359
Including remuneration to the Executive Board and Board of Directors	1,881,952	2,343,894	1,881,952	2,343,894
Average number of employees	447	339	65	32

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
2. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment				
Amortisation of intangible assets	416,894	342,713	416,894	342,713
Depreciation of property, plant and equipment	4,204,706	3,504,411	1,945,534	1,513,232
Gain and loss on disposal	39,925	137,925	5,920	-63,787
	4,661,525	3,985,049	2,368,348	1,792,158

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
3. Financial income				
Other financial income	15,545	2,951	12,357	240
Exchange adjustments	4,452,675	1,164,775	2,547,340	969,735
	4,468,220	1,167,726	2,559,697	969,975

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
4. Financial expenses				
Interest paid to group enterprises	81,569	109,973	81,569	109,973
Other financial expenses	1,147,950	802,031	702,956	756,746
Exchange adjustments, expenses	2,435,667	959,798	2,405,003	624,219
	3,665,186	1,871,802	3,189,528	1,490,938

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
5. Income tax expense				
Current tax for the year	7,067,509	2,549,968	4,248,723	1,987,392
Deferred tax for the year	1,196,615	-5,214	-467,907	-5,214
	8,264,124	2,544,754	3,780,816	1,982,178

	Parent company	
	2022	2021
	DKK	DKK
6. Profit allocation		
Extraordinary dividend paid	10,000,000	0
Proposed dividend for the year	0	10,500,000
Reserve for net revaluation under the equity method	9,366,559	7,747,058
Retained earnings	3,510,575	-2,872,815
	22,877,134	15,374,243

Notes to the Financial Statements

7. Intangible fixed assets

Group

	Acquired patents
	DKK
Cost at 1 January	5,474,827
Exchange adjustment	917
Additions for the year	1,317,464
Disposals for the year	<u>-1,124,257</u>
Cost at 31 December	<u>5,668,951</u>
Impairment losses and amortisation at 1 January	4,113,788
Exchange adjustment	917
Amortisation for the year	416,894
Reversal of amortisation of disposals for the year	<u>-148,680</u>
Impairment losses and amortisation at 31 December	<u>4,382,919</u>
Carrying amount at 31 December	<u>1,286,032</u>
Amortised over	<u>3-7 years</u>

Parent company

	Acquired patents
	DKK
Cost at 1 January	4,780,919
Additions for the year	1,317,464
Disposals for the year	<u>-975,577</u>
Cost at 31 December	<u>5,122,806</u>
Impairment losses and amortisation at 1 January	3,419,880
Amortisation for the year	<u>416,894</u>
Impairment losses and amortisation at 31 December	<u>3,836,774</u>
Carrying amount at 31 December	<u>1,286,032</u>

Notes to the Financial Statements

8. Property, plant and equipment

Group

	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	28,511,215	0	1,198,976	1,850,970
Exchange adjustment	724,483	0	0	0
Additions for the year	4,595,854	149,140	806,318	11,607,914
Disposals for the year	-986,955	0	0	-12,857,001
Cost at 31 December	32,844,597	149,140	2,005,294	601,883
Impairment losses and depreciation at 1 January	19,860,956	0	875,724	0
Exchange adjustment	238,723	-561	-3,014	0
Depreciation for the year	3,932,431	22,932	249,343	0
Reversal of impairment and depreciation of sold assets	-947,030	0	0	0
Impairment losses and depreciation at 31 December	23,085,080	22,371	1,122,053	0
Carrying amount at 31 December	9,759,517	126,769	883,241	601,883
Amortised over	3-5 years	4 years	4-5 years	

Parent company

	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	15,510,998	0	764,639	1,850,970
Additions for the year	2,753,631	149,140	801,227	11,607,914
Disposals for the year	-952,950	0	0	-12,857,001
Cost at 31 December	17,311,679	149,140	1,565,866	601,883
Impairment losses and depreciation at 1 January	11,915,196	0	602,613	0
Exchange adjustment	-9,973	-561	-3,014	0
Depreciation for the year	1,724,843	22,932	197,759	0
Reversal of impairment and depreciation of sold assets	-947,030	0	0	0
Impairment losses and depreciation at 31 December	12,683,036	22,371	797,358	0
Carrying amount at 31 December	4,628,643	126,769	768,508	601,883
Amortised over	3-5 years	4 years	4-5 years	

Notes to the Financial Statements

	<u>Parent company</u>	
	<u>2022</u>	<u>2021</u>
	DKK	DKK
9. Investments in subsidiaries		
Cost at 1 January	4,641,495	9,240,246
Disposals for the year	<u>0</u>	<u>-4,598,751</u>
Cost at 31 December	<u>4,641,495</u>	<u>4,641,495</u>
Value adjustments at 1 January	16,512,006	2,586,936
Disposals for the year	0	4,598,751
Exchange adjustment	34,674	1,579,261
Net profit/loss for the year	9,403,623	8,062,609
Dividend to the Parent Company	0	-232,493
Other adjustments	<u>-37,064</u>	<u>-83,058</u>
Value adjustments at 31 December	<u>25,913,239</u>	<u>16,512,006</u>
Carrying amount at 31 December	<u>30,554,734</u>	<u>21,153,501</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Vietnam Estron Company Ltd	Ho Chi Minh City	VND 16.068.855k	100%

Notes to the Financial Statements

10. Other fixed asset investments

Group

	Deposits	Other receivables
	DKK	DKK
Cost at 1 January	570,534	97,500
Disposals for the year	-140,847	0
Cost at 31 December	<u>429,687</u>	<u>97,500</u>
Carrying amount at 31 December	<u>429,687</u>	<u>97,500</u>

Parent company

	Other receivables
	DKK
Cost at 1 January	<u>97,500</u>
Cost at 31 December	<u>97,500</u>
Carrying amount at 31 December	<u>97,500</u>

11. Prepayments

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

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
12. Provision for deferred tax				
Deferred tax liabilities at 1 January	217,249	84,712	217,249	84,712
Amounts recognised in the income statement for the year	1,196,615	-5,214	-467,907	-5,214
Amounts recognised in equity for the year	-94,521	137,751	0	137,751
Deferred tax liabilities at 31 December	1,319,343	217,249	-250,658	217,249
Recognised in the balance sheet as follows:				
Assets	250,658	0	250,658	0
Provisions	1,570,001	217,249	0	217,249
	1,319,343	217,249	-250,658	217,249

13. Long-term debt

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

The debt falls due for payment as specified below:

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
Credit institutions				
After 5 years	0	0	0	0
Between 1 and 5 years	9,759,000	13,012,000	9,759,000	13,012,000
Long-term part	9,759,000	13,012,000	9,759,000	13,012,000
Within 1 year	0	0	0	0
Other short-term debt to credit institutions	3,253,000	3,253,000	3,253,000	3,253,000
Short-term part	3,253,000	3,253,000	3,253,000	3,253,000
	13,012,000	16,265,000	13,012,000	16,265,000
Other payables				
After 5 years	0	0	0	0
Between 1 and 5 years	1,359,572	2,596,473	1,359,572	2,596,473
Long-term part	1,359,572	2,596,473	1,359,572	2,596,473
Other short-term payables	5,025,290	5,153,721	2,996,152	4,001,119
	6,384,862	7,750,194	4,355,724	6,597,592

Notes to the Financial Statements

Group		Parent company	
2022	2021	2022	2021
DKK	DKK	DKK	DKK

14. Contingent assets, liabilities and other financial obligations

Charges and security

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	55,156	31,956	55,156	31,956
Between 1 and 5 years	47,890	74,506	47,890	74,506
	<u>103,046</u>	<u>106,462</u>	<u>103,046</u>	<u>106,462</u>

The Company has a rent obligation which includes an obligation of 2.0 years' rent, corresponding to DKK 1,310k, in case of termination.

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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.

The Group has a rent obligation which includes an obligation of 2.0 years' rent in case of termination. The annual obligation constitutes DKK 1,404k and the total obligation constitutes DKK 1,946k.

15. Related parties and disclosure of consolidated financial statements

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
EH 03-02-2023 A/S	Silkeborg

Notes to the Financial Statements

16. Accounting policies

The Annual Report of estron a/s for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

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

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 EH 03-02-2023 A/S, the Company has not prepared a cash flow statement.

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, estron 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.

Leases

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

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

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

Notes to the Financial Statements

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.

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

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 Group.

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

Expenses for raw materials and consumables

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

Other external expenses

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

Gross profit

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. The item is net of refunds made by public authorities.

Notes to the Financial Statements

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Income from investments in subsidiaries

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

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and 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.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Balance sheet

Intangible fixed assets

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use. Patents are amortised over the remaining patent period, and licences are amortised over the licence 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.

Notes to the Financial Statements

Impairment of fixed assets

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

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

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

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.

Notes to the Financial Statements

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.

Financial debts

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

Financial Highlights

Explanation of financial ratios

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