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# *Sealing System A/S*

Hedemarken 1, DK-7200 Grindsted

## Annual Report for 2023

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CVR No. 21 29 32 88

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 11/6 2024

Ole 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 Sealing System 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.

Grindsted, 11 June 2024

## Executive Board

Ole Jensen  
CEO

## Board of Directors

Ib Sand Nykjær  
Chairman

Rolf Tange

Ole Bjerre Christiansen

Allan Bach Pedersen

Kjeld Østergaard Jensen

# Independent Auditor's report

To the shareholder of Sealing System 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 Sealing System 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.

Herning, 11 June 2024

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jacob F Christiansen  
State Authorised Public Accountant  
mne18628

Daniel Mogensen  
State Authorised Public Accountant  
mne45831

## Company information

<b>The Company</b>	Sealing System A/S Hedemarken 1 7200 Grindsted  CVR No: 21 29 32 88 Financial period: 1 January - 31 December Municipality of reg. office: Grindsted
<b>Board of Directors</b>	Ib Sand Nykjær, chairman Rolf Tange Ole Bjerre Christiansen Allan Bach Pedersen Kjeld Østergaard Jensen
<b>Executive Board</b>	Ole Jensen
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Platanvej 4 DK-7400 Herning
<b>Bankers</b>	Danske Bank Strandbygade 2 6700 Esbjerg  Sydbank Peberlyk 4 6200 Abenraa

## 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	103,471	75,062	61,808	49,592	46,855
EBITDA	17,755	9,959	9,349	5,302	2,277
Normalised EBITDA	28,250	9,959	9,349	5,302	2,277
Profit/loss of primary operations	12,789	6,030	5,970	2,541	891
Profit/loss of financial income and expenses	-6,397	-1,330	-1,280	-44	-41
Net profit/loss for the year	4,564	3,537	3,457	1,938	653
<b>Balance sheet</b>					
Balance sheet total	176,883	109,160	122,530	88,489	72,313
Investment in property, plant and equipment	3,478	2,058	1,845	2,947	3,558
Equity	19,506	14,942	25,767	22,312	20,374
Number of employees	141	111	90	83	87
<b>Ratios</b>					
Return on assets	7.2%	5.5%	4.9%	2.9%	1.2%
Solvency ratio	11.0%	13.7%	21.0%	25.2%	28.2%
Return on equity	26.5%	17.4%	14.4%	9.1%	6.4%

The summary of key figures has not been adjusted for the 3rd-5th comparative financial year, where the practice for recognizing work in progress has changed.

# Management's review

## Key activities

As in previous years, the main activity has consisted of the sale of intelligent and complete, automated end-of-line and intralogistics solutions. The solutions are based on packaging and palletizing machines as well as robot technology built around the market's best technology portfolios.

## Development in the year

The income statement of the Company for 2023 shows a profit of TDKK 4,564, and at 31 December 2023 the balance sheet of the Company shows a positive equity of TDKK 19,506.

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

The Company continued to develop positively during 2023 and achieved both the highest revenue and EBITDA in the Company's history. Both revenue and normalized EBITDA were in line with the budget for the year.

During the year, the working capital of the Company has increased significantly due to a shift in project mix and the result of the project portfolio on average having a longer duration time than normal. The associated liquidity effects from the adverse development in working capital has been resolved by additional capital from owners and financing providers. Improvements in working capital is a focus area for 2024. As of 31st May 2023, Polaris Private Equity acquired the majority of the shares in the Company. As a result, the Group had a large number of one-off costs related to the transaction, which lowered the Company's result before tax for 2023. On a normalized basis, EBITDA for 2023 amounted to DKK 28m.

## Credit risks

The Group's maximum credit risk corresponds to the value of receivables, as shown in the balance sheet. Major customers are subject to credit assessment, and credit is only granted within the agreed credit limits.

## Liquidity risks

Management assesses that the Group has the necessary funds available to meet the continued development of its activities. Further, the Group's owner and financing providers are continuously assessing the liquidity sufficiency of the Group and are ready to support if required.

## Targets and expectations for the year ahead

The Company's focus in the coming year is to establish a solid foundation for future growth. This relates to both continued improvements in operational excellence, expansion into new adjacent geographies as well as further development of the current core segments in Europe. As a result of the many strategic initiatives, the Company is currently investing significantly in additional employees. Consequently, the Company is expected to continue the positive trajectory with continued revenue and EBITDA growth, although the latter is somewhat affected by the large short-term organizational investments.

## Research and development

The development costs incurred during the year include further development and strengthening of the product program within rail and transport systems, increased standardization of the program platform as well as solutions for data management and data collection. This has also resulted in a number of patent filings by the Group.

The newly developed products have already had a positive effect on sales in 2024 and are expected to contribute to positive development in activity and results in the coming years.



# Management's review

## External environment

The company follows applicable legislation in the area and has environmental approvals for the current activity.

It is the management's assessment that the company's activity does not have a significant impact on the environment, and the company works in accordance with current regulations on the working environment.

## Intellectual capital resources

The company's business foundation is based on the delivery of services and goods, which place great demands on the employees' knowledge resources and training.

In order to be able to continuously deliver the services, it is crucial that the company can recruit and retain employees with a high professional level.

A large proportion of the company's employees therefore regularly participate in continuing education both externally and internally in all forms of technology that the company needs.

## Branches abroad

The Company did not have any major activities abroad last year but has strengthened its activities in several existing and new markets within Europe.

## 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
		TDKK	TDKK
<b>Gross profit</b>		<b>103,471</b>	<b>75,063</b>
Staff expenses	1	-85,716	-65,243
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-4,966	-3,929
Other operating expenses		0	139
<b>Profit/loss before financial income and expenses</b>		<b>12,789</b>	<b>6,030</b>
Income from investments in subsidiaries	2	-1,695	-407
Financial income	3	657	554
Financial expenses	4	-5,359	-1,477
<b>Profit/loss before tax</b>		<b>6,392</b>	<b>4,700</b>
Tax on profit/loss for the year	5	-1,828	-1,163
<b>Net profit/loss for the year</b>	6	<b>4,564</b>	<b>3,537</b>

## Balance sheet 31 December

### Assets

	Note	2023	2022
		TDKK	TDKK
Completed development projects		16,308	17,083
Development projects in progress		8,298	0
<b>Intangible assets</b>	7	<b>24,606</b>	<b>17,083</b>
Other fixtures and fittings, tools and equipment		4,907	3,204
Leasehold improvements		172	0
<b>Property, plant and equipment</b>	8	<b>5,079</b>	<b>3,204</b>
Investments in subsidiaries	9	0	0
Receivables from group enterprises	10	0	400
Other receivables	10	1,556	156
<b>Fixed asset investments</b>		<b>1,556</b>	<b>556</b>
<b>Fixed assets</b>		<b>31,241</b>	<b>20,843</b>
<b>Inventories</b>	11	<b>40,378</b>	<b>33,512</b>
Trade receivables		32,210	15,448
Contract work in progress	12	62,080	15,539
Receivables from group enterprises		4,699	20,147
Other receivables		2,919	1,971
Prepayments	13	3,129	1,697
<b>Receivables</b>		<b>105,037</b>	<b>54,802</b>
<b>Cash at bank and in hand</b>		<b>227</b>	<b>4</b>
<b>Current assets</b>		<b>145,642</b>	<b>88,318</b>
<b>Assets</b>		<b>176,883</b>	<b>109,161</b>

## Balance sheet 31 December

### Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital	14	1,500	1,500
Reserve for development costs		19,193	13,324
Retained earnings		-1,187	118
<b>Equity</b>		<b>19,506</b>	<b>14,942</b>
Provision for deferred tax	15	4,773	2,945
<b>Provisions</b>		<b>4,773</b>	<b>2,945</b>
Other payables		3,466	3,466
<b>Long-term debt</b>	16	<b>3,466</b>	<b>3,466</b>
Credit institutions		60,148	40,181
Lease obligations		550	690
Trade payables		38,676	30,672
Contract work in progress	12	14,689	9,185
Payables to group enterprises		26,581	0
Other payables	16	8,494	7,080
<b>Short-term debt</b>		<b>149,138</b>	<b>87,808</b>
<b>Debt</b>		<b>152,604</b>	<b>91,274</b>
<b>Liabilities and equity</b>		<b>176,883</b>	<b>109,161</b>
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Accounting Policies	19		

## Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1,500	13,325	20,759	35,584
Net effect from change of accounting policy	0	0	-20,642	-20,642
Adjusted equity at 1 January	1,500	13,325	117	14,942
Development costs for the year	0	5,868	0	5,868
Net profit/loss for the year	0	0	-1,304	-1,304
<b>Equity at 31 December</b>	<b>1,500</b>	<b>19,193</b>	<b>-1,187</b>	<b>19,506</b>

# Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
<b>1. Staff Expenses</b>		
Wages and salaries	75,573	57,207
Pensions	9,372	7,189
Other staff expenses	771	847
	<b>85,716</b>	<b>65,243</b>
Including remuneration to the Executive Board and Board of Directors:		
Executive board	1,514	927
Board of directors	55	104
	<b>1,569</b>	<b>1,031</b>
Average number of employees	<b>141</b>	<b>111</b>
	2023	2022
	TDKK	TDKK
<b>2. Income from investments in subsidiaries</b>		
Share of losses	-1,695	-407
	<b>-1,695</b>	<b>-407</b>
	2023	2022
	TDKK	TDKK
<b>3. Financial income</b>		
Interest received from group enterprises	319	554
Other financial income	338	0
	<b>657</b>	<b>554</b>
	2023	2022
	TDKK	TDKK
<b>4. Financial expenses</b>		
Interest paid to group enterprises	859	0
Other financial expenses	4,500	1,477
	<b>5,359</b>	<b>1,477</b>

## Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
<b>5. Income tax expense</b>		
Deferred tax for the year	1,828	1,163
	<u>1,828</u>	<u>1,163</u>
	2023	2022
	TDKK	TDKK
<b>6. Profit allocation</b>		
Transfer for the year to other reserves	5,868	8,388
Retained earnings	-1,304	-4,851
	<u>4,564</u>	<u>3,537</u>
<b>7. Intangible fixed assets</b>		
	Completed development projects	Develop- ment projects in progress
	TDKK	TDKK
Cost at 1 January	24,568	0
Additions for the year	2,597	8,298
Cost at 31 December	<u>27,165</u>	<u>8,298</u>
Impairment losses and amortisation at 1 January	7,485	0
Amortisation for the year	3,372	0
Impairment losses and amortisation at 31 December	<u>10,857</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<u>16,308</u>	<u>8,298</u>
Amortised over	<u>5-10 years</u>	

## Notes to the Financial Statements

### 8. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	TDKK	TDKK
Cost at 1 January	9,809	0
Additions for the year	3,306	172
Disposals for the year	-1,182	0
Cost at 31 December	<u>11,933</u>	<u>172</u>
Impairment losses and depreciation at 1 January	6,605	0
Depreciation for the year	1,603	0
Reversal of impairment and depreciation of sold assets	-1,182	0
Impairment losses and depreciation at 31 December	<u>7,026</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>4,907</u></b>	<b><u>172</u></b>
Amortised over	<u>3-5 years</u>	<u>10 years</u>
Including assets under finance leases amounting to	<u>684</u>	<u>0</u>



## Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
<b>9. Investments in subsidiaries</b>		
Cost at 1 January	22	22
Cost at 31 December	22	22
Value adjustments at 1 January	-1,268	-861
Net profit/loss for the year	-1,695	-407
Value adjustments at 31 December	-2,963	-1,268
Equity investments with negative net asset value amortised over receivables	2,941	1,246
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>0</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Sealing System Norway AS	Oslo	100%

## 10. Other fixed asset investments

	Receivables from group enterprises	Other receivables
	TDKK	TDKK
Cost at 1 January	400	156
Additions for the year	0	1,000
Transfers for the year	-400	400
Cost at 31 December	0	1,556
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>1,556</b>

## Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
<b>11. Inventories</b>		
Raw materials and consumables	34,634	29,773
Work in progress	5,744	3,739
	<u>40,378</u>	<u>33,512</u>

	2023	2022
	TDKK	TDKK
<b>12. Contract work in progress</b>		
Selling price of work in progress	302,262	126,666
Payments received on account	-254,871	-120,312
	<u>47,391</u>	<u>6,354</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	62,080	15,539
Prepayments received recognised in debt	-14,689	-9,185
	<u>47,391</u>	<u>6,354</u>

### 13. Prepayments

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

### 14. Share capital

The share capital consists of 1,500 shares of a nominal value of TDKK 1000. No shares carry any special rights.

	2023	2022
	TDKK	TDKK
<b>15. Provision for deferred tax</b>		
Deferred tax liabilities at 1 January	2,945	1,782
Amounts recognised in the income statement for the year	1,828	1,163
Deferred tax liabilities at 31 December	<u>4,773</u>	<u>2,945</u>

## Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
<b>16. 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:		
<b>Other payables</b>		
After 5 years	0	0
Between 1 and 5 years	3,466	3,466
Long-term part	3,466	3,466
Other short-term payables	8,494	7,080
	<b>11,960</b>	<b>10,546</b>
	2023	2022
	TDKK	TDKK
<b>17. Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with bankers:		
Deed of indemnity (business mortgage) of a total of TDKK 15,046, which provides a mortgage on inventory, simple claims arising from the sale of goods and motor vehicles that are not or have previously been registered for a total accounting value of TDKK 72,589	72,589	48,959
<b>Rental and lease obligations</b>		
The Company has lease obligations (equipment) expiring no later than 31 august 2027. The residual lease obligation as per 31 december 2023 is TDKK 6,928.	6,928	4,064
The company has entered into lease contracts (rent) with an annual obligation of TDKK 3,308 and a total residual obligation per 31 December 2023 of DKK TDKK 28,168	28,168	19,809

# Notes to the Financial Statements

2023	2022
TDKK	TDKK

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

### Other contingent liabilities

The company has warranty obligations for work carried out for the amount TDKK 25,810

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 P-Sealing System 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.

## 18. Related parties and disclosure of consolidated financial statements

### Basis

#### Controlling interest

Polaris Private Equity V K/S

Copenhagen, ultimate owner

#### Transactions

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

#### Consolidated Financial Statements

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

Name	Place of registered office
Sealing System BidCo A/S	Hedemarken 1, 7200 Grindsted, Denmark
P-Sealing System A/S	Hedemarken 1, 7200 Grindsted, Denmark

The Group Annual Report of P-Sealing System A/S may be obtained at the company's address.

# Notes to the Financial Statements

## 19. Accounting policies

The Annual Report of Sealing System 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 TDKK.

### Changes in accounting policies

Some reclassifications have been made in the comparative figures. The reclassifications have no effect on the result, balance sheet or equity.

#### *Change in estimation method used on contract work in progress*

The driver of estimated stage of completion is changed to total salary cost. The changed method results in a change in the comparative figures for 2022. The change has effected last years result negative by TDKK 8.279, the balance contract work in progress has been reduced by TDKK 26.463 and equity reduced by TDKK 20.642.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of Sealing System BidCo A/S, the Company has not prepared consolidated financial statements.

### 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 Sealing System BidCo 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.

### 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.

# Notes to the Financial Statements

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

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

## 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.

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.

# Notes to the Financial Statements

## **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.

## **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.

## **Income from investments in subsidiaries**

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

## **Financial income and expenses**

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

## **Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with P-Sealing System A/S. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

# Notes to the Financial Statements

## Balance sheet

### Intangible fixed assets

#### *Development projects*

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

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

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

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

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5-10 year.

### 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
Leasehold improvements	5-10 years

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

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

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

### Investments in subsidiaries

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



# Notes to the Financial Statements

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.

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 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.

## 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 salary expenses incurred to date bear to the estimated total salary expenses. Where it is probable that total salary 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.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

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

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

## Current tax receivables and liabilities

Current tax 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

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