Syntegon Technology A/S

Elmevej 9, DK-4262 Sandved

Annual Report for 2022

CVR No. 21 51 19 43

The Annual Report was presented and adopted at the Annual General Meeting of the company on 16/6 2023

Dipl. -Ing. Dr. tech.
Jérome Freissmuth
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Syntegon Technology 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 give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations and cash flows 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 Financial Statements be adopted at the Annual General Meeting.

Sandved, 16 June 2023

Executive Board

Sven Klotz
CEO

Board of Directors

Dipl. -Ing. Dr. tech. Jérome Freissmuth Chairman	Sven Klotz	Per Fodslette Møller

Independent Auditor's report

To the shareholder of Syntegon Technology 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 2022 and of the results of the Company´s operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Syntegon Technology A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies (”the Financial Statements”).

Basis for Opinion

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

Statement on Management’s Review

Management is responsible for Management’s Review.

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

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

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

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

Management’s responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor’s responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 16 June 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Morten Jørgensen	Gösta Gauffin
State Authorised Public Accountant	State Authorised Public Accountant
mne32806	mne45821

Company information

The Company	Syntegon Technology A/S Elmevej 9 DK-4262 Sandved CVR No: 21 51 19 43 Financial period: 1 January - 31 December Municipality of reg. office: Næstved
Board of Directors	Dipl. -Ing. Dr. tech. Jérome Freissmuth, chairman Sven Klotz Per Fodslette Møller
Executive Board	Sven Klotz
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup
Lawyers	Kromann Reumert Sundskrogsgade 5 DK-2100 København Ø
Bankers	Danske Bank Holmens Kanal 2 DK-1092 København K

Financial Highlights

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

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	216,514	157,073	211,411	149,583	123,013
Profit/loss before financial income and expenses	2,321	-20,133	5,085	9,742	4,435
Profit/loss of financial income and expenses	-4,321	-1,474	-1,129	-104	-166
Net profit/loss	-1,566	-16,854	3,085	7,507	3,321
Balance sheet					
Balance sheet total	205,192	138,406	167,870	114,372	88,626
Investment in property, plant and equipment	3,879	-1,242	-1,621	-1,097	-1,683
Equity	6,228	7,793	27,733	32,155	24,648
Ratios					
Profit margin	1.1%	-12.8%	2.4%	6.5%	3.6%
Return on assets	1.1%	-14.5%	3.0%	8.5%	5.0%
Solvency ratio	3.0%	5.6%	16.5%	28.1%	27.8%

Management's review

Key activities

The Company’s primary business area comprises marketing, development, construction, production, installation and servicing of assembly - and packaging machines. The Company’s machines are characterized by a high degree of automation and are designed for the customers’ exact needs and specifications.

Syntegon Technology A/S’ primary targets are enterprises within the pharmaceutical and healthcare industry.

The Company is fully owned by Syntegon Technology GmbH.

Development in the year

The income statement of the Company for 2022 shows a loss of DKK 1,565,613, and at 31 December 2022 the balance sheet of the Company shows positive equity of DKK 6,227,571.

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

During the financial year, the Company had a satisfactory revenue but the result for the year was below expectations.

The main reasons for the lower-than-expected result are increase cost due to the global supply chain situation, which has coursed increased cost and delays.
Furthermore, several problematic customer projects from prior years were completed and delivered with extra cost as a consequence.

Operating risks

Syntegon Technology A/S cooperates closely with sub-suppliers and a minor operating risk is attached to the dependency that may arise on individual suppliers. The Company is determined to reduce this dependency; e.g. by dividing the cooperation on several suppliers.

It is our assessment that there are no significant financial risks.

Targets and expectations for the year ahead

After several years of restructuring and adaptation to the constantly increasing competition the Company expects continued increased revenue and improved result.

Earnings are though still expected to be under pressure due to increased competition in the international market.

As part of Syntegon there is visible evidence of positive synergies which together with the Company ´s improved competitiveness gives an expectation of increased activity and earnings in the coming years.

By continuous focusing on adaptation to the increasing competition the Company expects increased revenues and improved result. Higher focus in After Market sales is also expected to contribute to higher profitability.

For the financial year 2023 the Company expectations are that revenues will be around the same level as 2022 with a result between DKK 10-12 Mio.
As part of Syntegon there is in general visible evidence of positive synergies which together with the Company´s improved competitiveness gives an expectation of increased activity and earnings in the coming years.

Research and development

During the year, the Company further developed special assembly and packing equipment. Existing standard machines are being developed on a current basis.

Management's review

External environment

In 2007 Syntegon Technology A/S received environmental approval from the local environmental authorities. The working environment and safety is approved according to ISO 14001:2015 and ISO 45001:2018.

Intellectual capital resources

The construction of special machines with a high automation degree to Syntegon Technology A/S' customers means that the Company is in possession of specialist knowledge of pharmaceutical production, including the production of machines according to GAMP rules/machine validation.

This knowledge is highly vested in the Company's employees, and it is therefore crucial that the Company has a stable workforce and a low rate of employee turnover. It is therefore satisfactory to be able to ascertain that Syntegon Technology A/S' workforce is stable and that the rate of employee turnover is low.

Syntegon Technology A/S' quality system is ISO 9001:2015 certified. This standard contributes to ensuring a structured working process and collection of knowledge.

Uncertainty relating to recognition and measurement

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

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	2022	2021
		DKK	DKK
Revenue		216,514,168	157,073,181
Production expenses	2	-174,689,107	-143,570,244
Gross profit		**41,825,061**	**13,502,937**
Distribution expenses	2	-12,314,936	-11,827,405
Administrative expenses	2	-27,188,820	-21,808,748
Profit/loss before financial income and expenses		**2,321,305**	**-20,133,216**
Financial income	3	9,287	75,291
Financial expenses	4	-4,329,922	-1,549,164
Profit/loss before tax		**-1,999,330**	**-21,607,089**
Tax on profit/loss for the year	5	433,717	4,752,732
Net profit/loss for the year	6	**-1,565,613**	**-16,854,357**

Balance sheet 31 December

Assets

	Note	2022	2021
		DKK	DKK
Completed development projects		342,906	124,137
Intangible assets	7	**342,906**	**124,137**
Land and buildings		28,755,774	30,255,874
Plant and machinery		3,173,704	1,071,997
Other fixtures and fittings, tools and equipment		1,180,904	664,702
Property, plant and equipment	8	**33,110,382**	**31,992,573**
Fixed assets		**33,453,288**	**32,116,710**
Raw materials and consumables		11,121,263	6,866,918
Work in progress		548,970	719,545
Inventories		**11,670,233**	**7,586,463**
Trade receivables		65,903,164	18,527,620
Contract work in progress	9	52,348,970	63,128,115
Receivables from group enterprises		3,347,326	3,559,074
Other receivables		0	904,061
Receivables		**121,599,460**	**86,118,870**
Cash at bank and in hand		**38,469,181**	**12,583,738**
Current assets		**171,738,874**	**106,289,071**
Assets		**205,192,162**	**138,405,781**

Balance sheet 31 December

Liabilities and equity

	Note	2022	2021
		DKK	DKK
Share capital		2,300,000	2,300,000
Reserve for development costs		267,467	96,827
Retained earnings		3,660,104	5,396,356
Equity		**6,227,571**	**7,793,183**
Provision for deferred tax	10	2,181,735	2,615,452
Other provisions	11	4,693,080	1,243,650
Provisions		**6,874,815**	**3,859,102**
Lease obligations		242,970	46,828
Long-term debt	12	**242,970**	**46,828**
Lease obligations	12	192,615	31,219
Trade payables		46,274,784	10,558,297
Contract work in progress	9	29,058,570	21,809,876
Payables to group enterprises		100,187,506	78,922,157
Other payables		16,133,331	15,385,119
Short-term debt		**191,846,806**	**126,706,668**
Debt		**192,089,776**	**126,753,496**
Liabilities and equity		**205,192,162**	**138,405,781**

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Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	2,300,000	96,827	5,396,357	7,793,184
Development costs for the year	0	170,640	-170,640	0
Net profit/loss for the year	0	0	-1,565,613	-1,565,613
Equity at 31 December	**2,300,000**	**267,467**	**3,660,104**	**6,227,571**

Cash flow statement 1 January - 31 December

	Note	2022	2021
		DKK	DKK
Result of the year		-1,565,613	-16,854,357
Adjustments	13	6,764,079	-618,620
Change in working capital		7,598,464	20,362,837
Cash flow from operations before financial items		**12,796,930**	**2,889,860**
Financial income		9,287	75,291
Financial expenses		-4,329,922	-1,549,164
Cash flows from ordinary activities		**8,476,295**	**1,415,987**
Corporation tax paid		0	-591,017
Cash flows from operating activities		**8,476,295**	**824,970**
Purchase of intangible assets		-218,769	0
Purchase of property, plant and equipment		-3,412,587	-1,241,784
Cash flows from investing activities		**-3,631,356**	**-1,241,784**
Reduction of lease obligations		-224,845	-104,286
Raising of payables to group enterprises		21,265,349	1,292,542
Dividend paid		0	-3,084,989
Cash flows from financing activities		**21,040,504**	**-1,896,733**
Change in cash and cash equivalents		**25,885,443**	**-2,313,547**
Cash and cash equivalents at 1 January		12,583,738	14,897,285
Cash and cash equivalents at 31 December		**38,469,181**	**12,583,738**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		38,469,181	12,583,738
Cash and cash equivalents at 31 December		**38,469,181**	**12,583,738**

Notes to the Financial Statements

1. Going concern

The parent company has confirmed that it is its intention to provide the Company with the necessary financial support. Letter of support is effective for a period of at least 12 months from the date of approval of the financial statements for the year ended 31 December 2022. On the basis of this, Management considers the capital resources to be sufficient.

	2022	2021
	DKK	DKK

2. Staff

Wages and salaries	63,305,386	64,376,303
Pensions	4,525,023	4,654,846
Other social security expenses	1,099,012	1,113,296
	68,929,421	**70,144,445**
Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Production expenses	54,864,707	54,092,492
Distribution expenses	5,584,422	6,849,708
Administrative expenses	8,480,292	9,202,245
	68,929,421	**70,144,445**

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

Average number of employees	**99**	**108**

	2022	2021
	DKK	DKK

3. Financial income

Interest received from group enterprises	9,287	0
Other financial income	0	75,291
	9,287	**75,291**

Notes to the Financial Statements

4. Financial expenses

	2022	2021
	DKK	DKK
Interest paid to group enterprises	4,123,362	1,464,745
Other financial expenses	206,560	84,419
	4,329,922	**1,549,164**

5. Income tax expense

	2022	2021
	DKK	DKK
Deferred tax for the year	-433,717	-4,752,732
	-433,717	**-4,752,732**

6. Profit allocation

	2022	2021
	DKK	DKK
Retained earnings	-1,565,613	-16,854,357
	-1,565,613	**-16,854,357**

7. Intangible fixed assets

	Completed development projects
	DKK
Cost at 1 January	7,774,433
Additions for the year	309,312
Cost at 31 December	8,083,745
Impairment losses and amortisation at 1 January	7,650,296
Amortisation for the year	90,543
Impairment losses and amortisation at 31 December	7,740,839
Carrying amount at 31 December	**342,906**

Notes to the Financial Statements

8. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK	DKK
Cost at 1 January	52,769,620	11,835,272	4,708,452
Additions for the year	127,896	2,589,138	1,161,988
Disposals for the year	0	0	-402,278
Cost at 31 December	52,897,516	14,424,410	5,468,162
Impairment losses and depreciation at 1 January	22,513,746	10,763,276	4,471,435
Depreciation for the year	1,627,996	487,430	243,507
Impairment and depreciation of sold assets for the year	0	0	-427,684
Impairment losses and depreciation at 31 December	24,141,742	11,250,706	4,287,258
Carrying amount at 31 December	**28,755,774**	**3,173,704**	**1,180,904**
Amortised over	5-33 år years	3-10 år years	3-10 år years
Including assets under finance leases amounting to	0	0	435,988

9. Contract work in progress

	2022	2021
	DKK	DKK
Selling price of work in progress	194,665,468	215,432,964
Payments received on account	-171,375,068	-174,114,725
	23,290,400	**41,318,239**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	52,348,970	63,128,115
Prepayments received recognised in debt	-29,058,570	-21,809,876
	23,290,400	**41,318,239**

Notes to the Financial Statements

	2022	2021
	DKK	DKK

10. Provision for deferred tax

	2022	2021
Deferred tax liabilities at 1 January	2,615,452	7,368,184
Amounts recognised in the income statement for the year	-433,717	-4,752,732
Deferred tax liabilities at 31 December	**2,181,735**	**2,615,452**

11. Other provisions

The Company provides warranties of 1 to 2 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of DKK 1,243,650 (2021: DKK 1,243,650) have been recognised for expected warranty claims. The provision, for onerous contracts, covers the unavoidable costs for loss-making contracts.

	2022	2021
	DKK	DKK
Provision for warranties	1,243,650	1,243,650
Provision for onerous contracts	3,449,430	0
	4,693,080	**1,243,650**

The provisions are expected to mature as follows:

	2022	2021
Within 1 year	4,071,255	621,825
Between 1 and 5 years	621,825	621,825
After 5 years	0	0
	4,693,080	**1,243,650**

Notes to the Financial Statements

12. Long-term debt

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

The debt falls due for payment as specified below:

	2022	2021
	DKK	DKK
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	242,970	46,828
Long-term part	242,970	46,828
Within 1 year	192,615	31,219
	435,585	**78,047**

13. Cash flow statement - Adjustments

	2022	2021
	DKK	DKK
Financial income	-9,287	-75,291
Financial expenses	4,329,922	1,549,164
Depreciation, amortisation and impairment losses, including losses and gains on sales	2,877,161	2,660,239
Tax on profit/loss for the year	-433,717	-4,752,732
	6,764,079	**-618,620**

14. Contingent assets, liabilities and other financial obligations

There are no security and contingent liabilities at 31 December 2022.

Notes to the Financial Statements

15. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Syntegon Technology GmbH, Germany	Shareholder

Transactions

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

Apart from the above, there have been no transactions with the Board of Directors, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Ownership

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

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
Syntegon Holding GmbH	Germany

Notes to the Financial Statements

16. Accounting policies

The Annual Report of Syntegon Technology 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.

Changes have been made in regards to classification of comparative and current year figures. The accounting policies applied remain unchanged compared to last year. The reclassification relates to classification between reserve for development costs and retained earnings in equity. Changes to classification have no effect on the Company's profit or total equity in comparative and current year.

The Financial Statements for 2022 are presented in DKK.

Recognition and measurement

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

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

The Company is applying IFRS 16 as its base of interpretation for both recognition and classification of leases.

A lease asset and a corresponding lease liability are recognised in the balance sheet when a lease has been concluded and the lease asset has been made available.

The lease asset is initially measured at cost equivalent to the value of the lease liability added prepaid lease payments. The lease liability is initially measured at the net present value of future lease payments discounted at the interest rate implicit in the lease or the Company’s incremental borrowing rate if the interest rate implicit in the lease is not available.

Subsequently, the asset is measured at cost less accumulated depreciation and impairment losses. The lease asset is depreciated over the lease term. Depreciation is recognised on a straight-line basis in the income statement.

Leases with terms of less than 12 months are not recognised in the balance sheet. This also applies to leases of low-value assets. Lease payments are instead recognised in the income statement on a straightline basis over the lease term. No leases subject to variable payments have been concluded.

When assessing the expected lease term, the non-cancellable lease term is identified. If the lease includes an extension option which Management is reasonably certain to exercise, this is added to the non-cancellable 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. Gains and losses 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.

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.

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

Net sales

The enterprise is applying IFRS 15 as its basis of interpretation for the recognition of revenue. Revenue from contracts with customers is recognised on the basis of transfer of control, which according to IFRS 15 takes place at the time when control of the product or service delivered passes to the customer. Control is considered passed to the customer when:

- a binding sales agreement has been made
- delivery has been made before year end
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

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-ofcompletion 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.

Production expenses

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

Production expenses also include amortisation of goodwill to the extent that goodwill relates to production activities.

Distribution expenses

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

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

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.

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

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 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:

Production buildings	5-33 years
Other buildings	5-33 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-10 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.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

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.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

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

Notes to the Financial Statements

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.

Equity

Dividend

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-2 years. Provisions are measured and recognised based on experience with guarantee work.

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.

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 debts

Loans 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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Notes to the Financial Statements

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

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

Financial Highlights

Explanation of financial ratios

Profit margin	Profit before financials x 100 / Revenue
Return on assets	Profit before financials x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end