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# *Syntegon Technology A/S*

Elmevej 9, DK-4262 Sandved

## Annual Report for 2023

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CVR No. 21 51 19 43

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 26/6 2024

Dipl. -Ing. Dr. tech.  
Jérôme Freissmuth  
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 Syntegon Technology 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 and cash flows 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.

Sandved, 26 June 2024

## Executive Board

Sven Klotz  
CEO

## Board of Directors

Dipl. -Ing. Dr. tech. Jérôme  
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 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 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 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for Opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

## Management's responsibilities for the Financial Statements

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

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

# Independent Auditor's report

## Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

Hellerup, 26 June 2024

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Morten Jørgensen  
State Authorised Public Accountant  
mne32806

Gösta Gauffin  
State Authorised Public Accountant  
mne45821

## Company information

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

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	267,767	216,514	157,073	211,411	149,583
Profit/loss of primary operations	22,161	2,321	-20,133	5,085	9,742
Profit/loss of financial income and expenses	-6,875	-4,321	-1,474	-1,129	-104
Net profit/loss for the year	11,888	-1,566	-16,854	3,085	7,507
<b>Balance sheet</b>					
Balance sheet total	188,203	204,756	138,388	167,870	114,372
Investment in property, plant and equipment	3,853	3,667	-1,242	-1,621	-1,097
Equity	18,119	6,227	7,793	27,733	32,155
<b>Ratios</b>					
Profit margin	8.3%	1.1%	-12.8%	2.4%	6.5%
Return on assets	11.8%	1.1%	-14.5%	3.0%	8.5%
Solvency ratio	9.6%	3.0%	5.6%	16.5%	28.1%

In connection with changes to accounting policies, the comparative figures for 2019, 2020 and 2021 have not been restated. See the description under accounting policies.

# 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 2023 shows a profit of DKK 11,887,768, and at 31 December 2023 the balance sheet of the Company shows a positive equity of DKK 18,119,405.

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

During the financial year, the Company had a satisfactory increase of revenue and result with a good order backlog by year end.

## 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

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 2024 the Company expectations are that revenues will be higher than the level of 2023 with a result between DKK 12-15 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.

## 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.



# Management's review

## 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	2023	2022
		DKK	DKK
Revenue		267,766,755	216,514,168
Production expenses	2	-200,227,527	-174,689,107
<b>Gross profit</b>		<b>67,539,228</b>	<b>41,825,061</b>
Distribution expenses	2	-12,836,159	-12,314,936
Administrative expenses	2	-32,542,395	-27,188,820
<b>Profit/loss before financial income and expenses</b>		<b>22,160,674</b>	<b>2,321,305</b>
Financial income	3	138,406	9,287
Financial expenses	4	-7,013,770	-4,329,922
<b>Profit/loss before tax</b>		<b>15,285,310</b>	<b>-1,999,330</b>
Tax on profit/loss for the year	5	-3,397,542	433,717
<b>Net profit/loss for the year</b>	6	<b>11,887,768</b>	<b>-1,565,613</b>

## Balance sheet 31 December

### Assets

	Note	2023	2022
		DKK	DKK
Completed development projects		180,433	342,906
<b>Intangible assets</b>	7	<b>180,433</b>	<b>342,906</b>
Land and buildings		27,307,431	28,755,774
Plant and machinery		5,117,135	3,173,704
Other fixtures and fittings, tools and equipment		1,008,273	744,915
<b>Property, plant and equipment</b>	8	<b>33,432,839</b>	<b>32,674,393</b>
<b>Fixed assets</b>		<b>33,613,272</b>	<b>33,017,299</b>
Raw materials and consumables		16,642,475	11,121,263
Work in progress		0	548,970
<b>Inventories</b>		<b>16,642,475</b>	<b>11,670,233</b>
Trade receivables		18,545,494	65,903,164
Contract work in progress	9	96,969,007	52,348,970
Receivables from group enterprises		4,542,375	3,347,326
Other receivables		4,041,375	0
<b>Receivables</b>		<b>124,098,251</b>	<b>121,599,460</b>
<b>Cash at bank and in hand</b>		<b>13,849,089</b>	<b>38,469,181</b>
<b>Current assets</b>		<b>154,589,815</b>	<b>171,738,874</b>
<b>Assets</b>		<b>188,203,087</b>	<b>204,756,173</b>

## Balance sheet 31 December

### Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital		2,300,000	2,300,000
Reserve for development costs		140,738	267,467
Retained earnings		15,678,667	3,659,700
<b>Equity</b>		<b>18,119,405</b>	<b>6,227,167</b>
Provision for deferred tax	10	5,579,277	2,181,735
Other provisions	11	6,816,750	4,693,080
<b>Provisions</b>		<b>12,396,027</b>	<b>6,874,815</b>
Trade payables		31,126,994	46,274,784
Contract work in progress	9	89,465,266	29,058,570
Payables to group enterprises		18,031,939	100,187,506
Other payables		19,063,456	16,133,331
<b>Short-term debt</b>		<b>157,687,655</b>	<b>191,654,191</b>
<b>Debt</b>		<b>157,687,655</b>	<b>191,654,191</b>
<b>Liabilities and equity</b>		<b>188,203,087</b>	<b>204,756,173</b>
Going concern	1		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Subsequent events	15		
Accounting Policies	16		

## 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	267,467	3,659,700	6,227,167
Net effect from change of accounting policy	0	0	4,470	4,470
Adjusted equity at 1 January	2,300,000	267,467	3,664,170	6,231,637
Development costs for the year	0	-126,729	126,729	0
Net profit/loss for the year	0	0	11,887,768	11,887,768
<b>Equity at 31 December</b>	<b>2,300,000</b>	<b>140,738</b>	<b>15,678,667</b>	<b>18,119,405</b>

## Cash flow statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
Result of the year		11,887,768	-1,565,613
Adjustments	12	13,534,453	6,763,676
Change in working capital		42,841,668	7,598,465
<b>Cash flow from operations before financial items</b>		<b>68,263,889</b>	<b>12,796,528</b>
Financial income		138,406	9,287
Financial expenses		-7,013,770	-4,329,922
<b>Cash flows from operating activities</b>		<b>61,388,525</b>	<b>8,475,893</b>
Purchase of intangible assets		162,473	-218,769
Purchase of property, plant and equipment		-4,015,523	-2,994,177
<b>Cash flows from investing activities</b>		<b>-3,853,050</b>	<b>-3,212,946</b>
Reduction of lease obligations		0	-642,851
Repayment of payables to group enterprises		-82,155,567	0
Raising of payables to group enterprises		0	21,265,349
<b>Cash flows from financing activities</b>		<b>-82,155,567</b>	<b>20,622,498</b>
<b>Change in cash and cash equivalents</b>		<b>-24,620,092</b>	<b>25,885,445</b>
Cash and cash equivalents at 1 January		38,469,181	12,583,736
<b>Cash and cash equivalents at 31 December</b>		<b>13,849,089</b>	<b>38,469,181</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		13,849,089	38,469,181
<b>Cash and cash equivalents at 31 December</b>		<b>13,849,089</b>	<b>38,469,181</b>

# 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 2023. On the basis of this, Management considers the capital resources to be sufficient.

## 2. Staff

	<u>2023</u>	<u>2022</u>
	DKK	DKK
Wages and salaries	76,890,857	63,305,386
Pensions	6,102,310	4,525,023
Other social security expenses	<u>1,214,623</u>	<u>1,099,012</u>
	<b><u>84,207,790</u></b>	<b><u>68,929,421</u></b>

Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:

Production expenses	64,271,597	54,864,707
Distribution expenses	4,158,421	5,584,422
Administrative expenses	<u>15,777,772</u>	<u>8,480,292</u>
	<b><u>84,207,790</u></b>	<b><u>68,929,421</u></b>

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	<u>114</u>	<u>99</u>
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## 3. Financial income

	<u>2023</u>	<u>2022</u>
	DKK	DKK
Interest received from group enterprises	68,137	9,287
Other financial income	<u>70,269</u>	<u>0</u>
	<b><u>138,406</u></b>	<b><u>9,287</u></b>

## Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>4. Financial expenses</b>		
Interest paid to group enterprises	6,788,666	4,123,362
Other financial expenses	225,104	206,560
	<u>7,013,770</u>	<u>4,329,922</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>5. Income tax expense</b>		
Deferred tax for the year	3,397,542	-433,717
	<u>3,397,542</u>	<u>-433,717</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>6. Profit allocation</b>		
Retained earnings	11,887,768	-1,565,613
	<u>11,887,768</u>	<u>-1,565,613</u>
<b>7. Intangible fixed assets</b>		
		Completed development projects
		DKK
Cost at 1 January		8,083,745
Cost at 31 December		<u>8,083,745</u>
Impairment losses and amortisation at 1 January		7,740,839
Amortisation for the year		162,473
Impairment losses and amortisation at 31 December		<u>7,903,312</u>
Carrying amount at 31 December		<u>180,433</u>



## 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	52,897,516	14,424,410	4,359,932
Additions for the year	213,117	2,792,630	847,303
Cost at 31 December	<u>53,110,633</u>	<u>17,217,040</u>	<u>5,207,235</u>
Impairment losses and depreciation at 1 January	24,141,742	11,250,706	3,615,016
Impairment losses for the year	1,661,460	849,199	583,946
Impairment losses and depreciation at 31 December	<u>25,803,202</u>	<u>12,099,905</u>	<u>4,198,962</u>
<b>Carrying amount at 31 December</b>	<b><u>27,307,431</u></b>	<b><u>5,117,135</u></b>	<b><u>1,008,273</u></b>
Amortised over	<u>5-33 år years</u>	<u>3-10 år years</u>	<u>3-10 år years</u>
		<u>2023</u>	<u>2022</u>
		DKK	DKK

### 9. Contract work in progress

Selling price of work in progress	420,530,112	194,665,468
Payments received on account	-413,026,371	-171,375,068
	<u>7,503,741</u>	<u>23,290,400</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	96,969,007	52,348,970
Prepayments received recognised in debt	-89,465,266	-29,058,570
	<u>7,503,741</u>	<u>23,290,400</u>

### 10. Provision for deferred tax

Deferred tax liabilities at 1 January	2,181,735	2,615,452
Amounts recognised in the income statement for the year	3,397,542	-433,717
Deferred tax liabilities at 31 December	<u>5,579,277</u>	<u>2,181,735</u>

## Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>11. Other provisions</b>		
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. The provision, for warranties is based on previous experience in respect of the level of repairs and returns, The provision, for onerous contracts, covers the unavoidable costs for loss-making contracts.		
Provision for warranties	1,698,600	1,243,650
Provision for onerous contracts	5,118,150	3,449,430
	<u>6,816,750</u>	<u>4,693,080</u>
The provisions are expected to mature as follows:		
Within 1 year	0	4,071,255
Between 1 and 5 years	0	621,825
After 5 years	6,816,750	0
	<u>6,816,750</u>	<u>4,693,080</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>12. Cash flow statement - Adjustments</b>		
Financial income	-138,406	-9,287
Financial expenses	7,013,770	4,329,922
Depreciation, amortisation and impairment losses, including losses and gains on sales	3,257,077	2,877,161
Tax on profit/loss for the year	3,397,542	-433,717
Other adjustments	4,470	-403
	<u>13,534,453</u>	<u>6,763,676</u>

## Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>13. Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	236,328	236,328
Between 1 and 5 years	192,174	428,502
	<u>428,502</u>	<u>664,830</u>

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

	<u>Basis</u>
<b>Controlling interest</b>	
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.

### Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
Syntegon Holding GmbH	Germany

The Group Annual Report of Syntegon Holding GmbH may be obtained at the following address:

## 15. Subsequent events

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

# Notes to the Financial Statements

## 16. Accounting policies

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

The Financial Statements for 2023 are presented in DKK.

### Changes in accounting policies

The company has chosen to recognize leasing payments directly in the income statement, as opposed to treating leasing according to IFRS16 in previous years. The change in accounting practices has reduced the value of other fixtures and fittings, tools and equipment and leasing debt by DKK 476,954 in 2023 and DKK 435,989 in 2022. Rental and lease obligations is presented in the note, Contingent assets, liabilities and other financial obligations.

The result of the year has been reduced with DKK 4,066 in 2023 and DKK 404 2022 due to to this change in accounting practice.

### Consolidated financial statements

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

### Recognition and measurement

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

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

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

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

### Leases

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

### Translation policies

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; however, see the section on hedge accounting.

# Notes to the Financial Statements

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 for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- 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-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.

### 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.

# Notes to the Financial Statements

## 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:

# Notes to the Financial Statements

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.

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.

# Notes to the Financial Statements

## 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 liabilities

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.

## 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.



# Notes to the Financial Statements

## *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 .

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

## **Financial Highlights**

### **Explanation of financial ratios**

Profit margin	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$