QUPAQ ApS

Erhvervsparken 16, DK-9700 Brønderslev

Annual Report for 2023

CVR No. 24 21 17 70

The Annual Report was presented and adopted at the Annual General Meeting of the company on 27/6 2024

Janni Rasmussen
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of QUPAQ ApS 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.

Brønderslev, 27 June 2024

Executive Board

Christian Bols
CEO

Board of Directors

Thomas Voss Chairman	Denis Viet-Jacobsen	Pernille Wichmann
Katja Nowak Nielsen	Pia Rybenfeldt	

Independent Auditor's report

To the shareholder of QUPAQ ApS

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 QUPAQ ApS 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.

Hellerup, 27 June 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F Christiansen	Daniel Mogensen
State Authorised Public Accountant	State Authorised Public Accountant
mne18628	mne45831

Company information

The Company	QUPAQ ApS Erhvervsparken 16 9700 Brønderslev
	CVR No: 24 21 17 70
	Financial period: 1 January - 31 December
	Municipality of reg. office: Brønderslev
Board of Directors	Thomas Voss, chairman Denis Viet-Jacobsen Pernille Wichmann Katja Nowak Nielsen Pia Rybenfeldt
Executive Board	Christian Bols
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

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
Key figures					
Profit/loss					
Gross profit	46,300	41,997	75,115	53,280	71,815
Profit/loss of primary operations	1,389	-7,400	28,760	16,779	31,243
Profit/loss of financial income and expenses	-2,156	1,485	1,328	-1,137	771
Net profit/loss for the year	-533	-4,046	23,799	12,088	25,119
Balance sheet					
Balance sheet total	100,471	104,689	121,159	74,901	80,471
Investment in property, plant and equipment	231	517	536	822	1,604
Equity	19,765	20,299	57,935	41,527	52,538
Ratios					
Solvency ratio	19.7%	19.4%	47.8%	55.4%	65.3%
Return on equity	-2.7%	-10.3%	47.9%	25.7%	95.6%

Financial higlights are defined and calculated in accordance with the current verision of "Recommendations & Ratios" issued by the CFA Society Denmark.

Management's review

Key activities

QUPAQ is the trusted partner for reliable and hygienic tray denesting and handling solutions for producers, integrators, and resellers globally – enabling safe, simple, and profitable operations. With market leading technology & application know-how that caters for the customer's need to reduce manual labour with automated solutions.

Development in the year

The income statement of the Company for 2023 shows a loss of DKK 533,131, and at 31 December 2023 the balance sheet of the Company shows a positive equity of DKK 19,765,492.

Market conditions have been challenging, but QUPAQ demonstrated resilience by increasing the order intake compared to 2022 and enhancing the collaboration with both customers, partners, and suppliers.

Throughout the year the focus has been on product development, product improvements and increasing the value creation for customers. QUPAQ set a world record in tray denesting with 1.094 trays denested in only 60 seconds, in the spring of 2023 providing a strong foundation for the future.

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

The expectations for 2023 was improved profitability which were exceeded with a net profit increase of TDKK 4,141.

QUPAQ also undertook a comprehensive assessment of the product portfolio to identify opportunities for standardization and automation, resulting in an update of several products and processes.

Special risks - operating risks and financial risks

Operating risks

QUPAQ's most significant operating risks relate to its ability to gain and retain client relations, key employees and always to be at the forefront of technological development within the Company's business areas.

Financial risks

The Group engages in purchases and sales in various currencies, exposing it to fluctuations in exchange rates. It is the Group's policy to hedge commercial exchange rate risks when assessed significant.

This is primarily done through foreign exchange contracts based on forecasted sales and purchases. However, the Group does not hedge the currency rate between Danish Kroner (DKK) and the Euro (EUR) as this rate is fixed.

Currency adjustments of investments in subsidiaries which are independent entities are recognised directly in the equity. As a main rule, related currency risks related to the investment in subsidiaries are not hedged, as the Group regards these as long-term strategic investments which not affected by short term fluctuations in currency rates.

Targets and expectations for the year ahead

A year over year improvement of profitability is anticipated, with a continued focus on developing and improving the product portfolio and retain and attract knowledgeable employees.

Research and development

QUPAQ's products and solutions undergo continuous development, adapting to changing customer and market needs.

A continued focus on innovative technologies, new products and improvements is key to future growth and in 2023 another patent application was submitted.

Management's review

External environment

QUPAQ is committing to a sustainable future and in 2023 invested in identify drivers, setting ambitious goals to reduce emissions, enhancing energy efficiency, and promoting a circular economy.

In 2023 the double materiality assessment identified areas to improve and based on these, targets were set and the work to create a baseline was initiated.

Intellectual capital resources

QUPAQ business objective is to develop and supply high-technology products that enable safe, simple, and profitable operations.

A continued focus on new technologies, new products and improvements is key to the future growth and in 2023 another application for a patent was applied.

Branches abroad

QUPAQ is represented in Chicago, USA and Handewitt, Germany. The entities are managed by QUPAQ headquarter in Brønderslev. External advisors provide support on matters such as payroll, VAT, tax etc.

Uncertainty relating to recognition and measurement

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

Unusual events

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

Subsequent events

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

Income statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
Gross profit		**46,299,520**	**41,997,198**
Staff expenses	1	-42,413,754	-48,228,756
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-2,496,823	-1,168,309
Profit/loss before financial income and expenses		**1,388,943**	**-7,399,867**
Income from investments in subsidiaries		74,521	2,579,289
Financial income	2	1,687,540	263,863
Financial expenses	3	-3,918,458	-1,357,785
Profit/loss before tax		**-767,454**	**-5,914,500**
Tax on profit/loss for the year	4	234,323	1,868,634
Net profit/loss for the year	5	**-533,131**	**-4,045,866**

Balance sheet 31 December

Assets

	Note	2023	2022
		DKK	DKK
Acquired patents		18,173,708	18,633,167
Intangible assets	6	**18,173,708**	**18,633,167**
Plant and machinery		140,897	70,835
Other fixtures and fittings, tools and equipment		1,337,225	1,779,354
Property, plant and equipment	7	**1,478,122**	**1,850,189**
Investments in subsidiaries	8	6,002,500	5,322,131
Deposits	9	1,498,710	1,498,710
Fixed asset investments		**7,501,210**	**6,820,841**
Fixed assets		**27,153,040**	**27,304,197**
Raw materials and consumables		18,082,359	24,295,887
Work in progress		2,092,085	2,295,782
Finished goods and goods for resale		5,815,400	8,611,844
Prepayments for goods		0	326,728
Inventories		**25,989,844**	**35,530,241**
Trade receivables		16,970,600	19,290,974
Contract work in progress	10	3,934,868	1,943,984
Receivables from group enterprises		20,220,342	13,254,576
Other receivables		1,660,077	4,893,873
Deferred tax asset	11	885,673	0
Prepayments	12	937,293	882,331
Receivables		**44,608,853**	**40,265,738**
Cash at bank and in hand		**2,719,060**	**1,588,405**
Current assets		**73,317,757**	**77,384,384**
Assets		**100,470,797**	**104,688,581**

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital	13	501,000	501,000
Reserve for net revaluation under the equity method		3,558,728	2,825,612
Retained earnings		15,705,764	16,972,011
Equity		**19,765,492**	**20,298,623**
Provision for deferred tax	11	0	111,011
Other provisions	14	489,331	1,018,264
Provisions		**489,331**	**1,129,275**
Lease obligations		28,112	72,288
Other payables		930,223	903,478
Long-term debt	15	**958,335**	**975,766**
Credit institutions		17,791	1,832
Lease obligations	15	48,192	48,192
Prepayments received from customers		373,918	0
Trade payables		7,404,488	8,979,439
Contract work in progress	10	3,786,188	9,493,055
Payables to group enterprises		59,981,304	56,007,473
Payables to group enterprises relating to corporation tax		3,077,889	2,315,528
Other payables	15	4,567,869	5,439,398
Short-term debt		**79,257,639**	**82,284,917**
Debt		**80,215,974**	**83,260,683**
Liabilities and equity		**100,470,797**	**104,688,581**
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Subsequent events	18		
Accounting Policies	19		

Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	501,000	2,825,612	16,972,011	20,298,623
Net profit/loss for the year	0	733,116	-1,266,247	-533,131
Equity at 31 December	**501,000**	**3,558,728**	**15,705,764**	**19,765,492**

Notes to the Financial Statements

		2023	2022
		DKK	DKK
1.	**Staff Expenses**		
	Wages and salaries	40,381,674	44,881,653
	Pensions	1,981,236	2,945,257
	Other social security expenses	50,844	401,846
		42,413,754	**48,228,756**
	Including remuneration to the Executive Board and Board of Directors	**3,966,110**	**3,502,898**
	Average number of employees	**65**	**70**

		2023	2022
		DKK	DKK
2.	**Financial income**		
	Interest received from group enterprises	1,097,846	203,052
	Other financial income	159,158	60,811
	Exchange adjustments	430,536	0
		1,687,540	**263,863**

		2023	2022
		DKK	DKK
3.	**Financial expenses**		
	Interest paid to group enterprises	3,869,685	1,137,307
	Other financial expenses	48,773	220,478
		3,918,458	**1,357,785**

		2023	2022
		DKK	DKK
4.	**Income tax expense**		
	Current tax for the year	798,534	2,279,355
	Deferred tax for the year	-996,684	-4,147,989
	Adjustment of tax concerning previous years	-36,173	0
		-234,323	**-1,868,634**

Notes to the Financial Statements

		2023	2022
		DKK	DKK

5. Profit allocation

	2023	2022
	DKK	DKK
Reserve for net revaluation under the equity method	733,116	806,853
Transfer to/from reserves in accordance with the Articles of Asociation	0	-468,000
Retained earnings	-1,266,247	-4,384,719
	-533,131	**-4,045,866**

6. Intangible fixed assets

	Acquired patents
	DKK
Cost at 1 January	19,354,537
Additions for the year	1,447,204
Cost at 31 December	20,801,741
Impairment losses and amortisation at 1 January	721,370
Amortisation for the year	1,906,663
Impairment losses and amortisation at 31 December	2,628,033
Carrying amount at 31 December	**18,173,708**
Amortised over	5-10 years

Notes to the Financial Statements

7. Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK
Cost at 1 January	2,957,976	8,146,227
Additions for the year	106,200	125,179
Disposals for the year	-275,470	-345,490
Cost at 31 December	2,788,706	7,925,916
Impairment losses and depreciation at 1 January	2,887,141	6,366,873
Depreciation for the year	34,443	552,308
Reversal of impairment and depreciation of sold assets	-273,775	-330,490
Impairment losses and depreciation at 31 December	2,647,809	6,588,691
Carrying amount at 31 December	**140,897**	**1,337,225**
Amortised over	5-10 years	2-5 years
Including assets under finance leases amounting to	0	90,007

8. Investments in subsidiaries

	2023	2022
	DKK	DKK
Cost at 1 January	2,496,519	17,996,519
Disposals for the year	0	-15,500,000
Cost at 31 December	2,496,519	2,496,519
Value adjustments at 1 January	2,553,048	2,018,759
Disposals for the year	0	-3,400,707
Net profit/loss for the year	74,521	3,938,337
Amortisation of goodwill	0	-3,341
Value adjustments at 31 December	2,627,569	2,553,048
Equity investments with negative net asset value amortised over receivables	878,412	272,564
Carrying amount at 31 December	**6,002,500**	**5,322,131**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Damgaard Automatik A/S	Jammerbugt, Denmark	100%
Intech International GmbH	Handewitt, Germany	100%
Intech International Norge AS	Aalesund, Norway	100%
Intech Food Pack Systems Inv.	Chicago, USA	100%

9. Other fixed asset investments

	Deposits
	DKK
Cost at 1 January	1,498,710
Cost at 31 December	1,498,710
Carrying amount at 31 December	**1,498,710**

Notes to the Financial Statements

10. Contract work in progress

	2023	2022
	DKK	DKK
Selling price of work in progress	11,070,847	6,896,759
Payments received on account	-10,922,167	-14,445,830
	148,680	**-7,549,071**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	3,934,868	1,943,984
Prepayments received recognised in debt	-3,786,188	-9,493,055
	148,680	**-7,549,071**

11. Deferred tax asset

	2023	2022
	DKK	DKK
Deferred tax asset at 1 January	-111,011	-4,946,000
Disposals on demerger	0	687,000
Amounts recognised in the income statement for the year	996,684	4,147,989
Deferred tax asset at 31 December	**885,673**	**-111,011**

12. Prepayments

Prepayments comprise prepaid expenses for subscriptions, licenses, insurance, etc.

13. Share capital

The share capital consists of 501 shares of a nominal value of DKK 501,000. No shares carry any special rights.

14. Other provisions

The Company provides warranties of 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 489,331 (2022: DKK 1.018.264) have been recognised for expected warranty claims.

	2023	2022
	DKK	DKK

15. 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:

	2023	2022
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	28,112	72,288
Long-term part	28,112	72,288
Within 1 year	48,192	48,192
	76,304	**120,480**
Other payables		
After 5 years	930,223	903,478
Long-term part	930,223	903,478
Other short-term payables	4,567,869	5,439,398
	5,498,092	**6,342,876**

	2023	2022
	DKK	DKK

16. Contingent assets, liabilities and other financial obligations

	2023	2022
Rental and lease obligations		
Liabilities under rental or lease agreements until maturity in total	20,660,156	24,466,250

Other contingent liabilities

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 Carsoe Group 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.

Notes to the Financial Statements

17. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Carsoe Holdco A/S, Denmark	Owns all shares in the Entity, thus exercising control.
Carsoe Group A/S, Denmark	Owns all shares in Carsoe Holdco A/S, thus exercising control.
Plemont Co-Investment No.1 Seperate Limited Partnership, Jersey	Owns shares in Carsoe Group A/S, thus exercising control.

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
Carsoe Group A/S	Aalborg

18. Subsequent events

No events have occured after the balance sheet date to this date, which would influence the evaluation of this annual report.

19. Accounting policies

The Annual Report of QUPAQ ApS 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

Salary reimbursement is included under other operating income this year, where it was previously included under staff expenses. This year TDKK 470, last year TDKK 455.

Other staff expenses is included under other external expenses this year, where it was previously included under staff expenses. This year TDKK 289, last year TDKK 282.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of Carsoe Group 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 Carsoe Group 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.

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; 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

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.

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

Expenses for raw materials and consumables

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

Other external expenses

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

Gross profit

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 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.

The Company is jointly taxed with Carsoe Group A/S. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Patents are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 5-10 years.

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 are not recognised in cost during construction and reconstruction periods.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	2-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

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

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

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

Other fixed asset investments

Other fixed asset investments consist of

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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.

Prepayments

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

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 1-5 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.

Notes to the Financial Statements

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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.

Financial Highlights

Explanation of financial ratios

Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity