



## Ibsen Photonics A/S

Ryttermarken 17  
3520 Farum  
CVR No. 26284066

## Annual report 2023

The Annual General Meeting adopted the annual report on 19.03.2024

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**Kim Vejlbj Hansen**

Chairman of the General Meeting

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# Entity details

## Entity

Ibsen Photonics A/S

Ryttermarken 17

3520 Farum

Business Registration No.: 26284066

Registered office: Furesø

Financial year: 01.01.2023 - 31.12.2023

## Board of Directors

Kim Vejlby Hansen, Chairman

Michael Gustav Brock

Lars Bo Madsen

Rasmus Egmont Foss

Julia la Cour Krups

## Executive Board

Henrik Skov Andersen

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Ibsen Photonics A/S for the financial year 01.01.2023 - 31.12.2023.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Farum, 19.03.2024

## Executive Board

**Henrik Skov Andersen**

## Board of Directors

**Kim Vejlby Hansen**  
Chairman

**Michael Gustav Brock**

**Lars Bo Madsen**

**Rasmus Egmont Foss**

**Julia la Cour Krups**

# Independent auditor's report

## To the shareholders of Ibsen Photonics A/S

### Opinion

We have audited the financial statements of Ibsen Photonics A/S for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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.

### 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

#### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 19.03.2024

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Nikolaj Thomsen**

State Authorised Public Accountant  
Identification No (MNE) mne33276

**Kasper Ørtoft**

State Authorised Public Accountant  
Identification No (MNE) mne49073

# Management commentary

## Financial highlights

|   | 2023    | 2022    | 2021    | 2020    | 2019    |
|---|---------|---------|---------|---------|---------|
|   | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| <b>Key figures</b>                              |         |         |         |         |         |
| Gross profit/loss                               | 64,623  | 92,353  | 70,986  | 54,589  | 43,093  |
| Operating profit/loss                           | 4,179   | 35,648  | 25,026  | 17,420  | 11,732  |
| Net financials                                  | (594)   | (129)   | 1,105   | (1,139) | 77      |
| Profit/loss for the year                        | 2,701   | 28,566  | 21,084  | 13,233  | 10,848  |
| Total assets                                    | 76,610  | 88,942  | 66,659  | 53,844  | 39,914  |
| Investments in property,<br>plant and equipment | 681     | 3,003   | 3,796   | 1,303   | 0       |
| Equity  | 45,554  | 55,386  | 43,687  | 33,190  | 23,427  |
| <b>Ratios</b>                                   |         |         |         |         |         |
| Return on equity (%)                            | 5.35    | 57.67   | 54.85   | 46.75   | 54.98   |
| Equity ratio (%)                                | 59.46   | 62.27   | 65.54   | 61.64   | 58.69   |

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

### Return on equity (%):

Profit/loss for the year \* 100

Average equity

### Equity ratio (%):

Equity \* 100

Total assets



### Primary activities

Ibsen Photonics A/S develops, produces and markets optical and optoelectronic components and modules to large industrial solution providers around the world.

### Development in activities and finances

The Company realised a gross profit of DKK 64,623k in 2023, which is a decrease of DKK 27,730k compared to 2022. Profit for the year is DKK 2,701k, and equity amounts to DKK 45,554k. The Company's liquidity and solvency are strong.

### Profit/loss for the year in relation to expected developments

The realised profit for the year did not live up to the positive expectations going into 2023, due to a decline in sales and a negative product mix. The decline in sales was driven by the macroeconomic situation and customer inventory reductions.

Customer satisfaction continues to be high and the decline in sales is considered temporary. Given the decline in sales and product mix, the positive result is considered satisfactory.

### Uncertainty relating to recognition and measurement

There is no significant uncertainty related to the annual report according to the Management.

### Outlook

The outlook for 2024 shows a decline in gross profit of approximately 3% compared to 2023. A positive result of DKK 500-1,000k is expected for the year.

A strong project pipeline with both new and existing customers is expected to have a positive impact on sales in late 2024 and into 2025, but the growth rate continues to be influenced by uncertainty related to the short term development of each market and timing of key growth initiatives.

The Company works in different markets in order to reduce the dependency on any one individual market. The Company is able to use the same technology in different markets, and thus the technological synergy is material.

### Knowledge resources

Development, production and marketing of high technology solutions demand highly skilled employees and it is important for Ibsen to maintain the extensive specialist knowledge and other competencies, which are deeply rooted in the organisation. This is ensured through ongoing development and education as well as recruiting of competent and dynamic employees on all levels. Considerable resources are spent in order to create an internal environment, which makes this possible.

### Environmental performance

Ibsen believes in acting responsibly and ethically wherever we conduct business. A Sustainability team, with members from across the organisation, has focus on the environmental impact of our operations. Initiatives include internal reporting on CO2 emissions, tracking of green turnover (sales of components to applications that support environmental goals) and implementation of sustainability projects.

### Research and development activities

Efforts within Research & Development to generate new products and improve existing products is an important part of our value generation. A number of new products are constantly being developed to both new and existing customer segments.

### **Events after the balance sheet date**

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

# Income statement for 2023

|  | Notes | 2023<br>DKK       | 2022<br>DKK       |
|--|-------|-------------------|-------------------|
| <b>Gross profit/loss</b>                         |       | <b>64,622,523</b> | <b>92,352,638</b> |
| Staff costs                                      | 2     | (57,892,257)      | (54,269,832)      |
| Depreciation, amortisation and impairment losses | 3     | (2,550,866)       | (2,434,926)       |
| <b>Operating profit/loss</b>                     |       | <b>4,179,400</b>  | <b>35,647,880</b> |
| Other financial income                           | 4     | 3,778,998         | 2,958,596         |
| Other financial expenses                         | 5     | (4,372,995)       | (3,087,583)       |
| <b>Profit/loss before tax</b>                    |       | <b>3,585,403</b>  | <b>35,518,893</b> |
| Tax on profit/loss for the year                  | 6     | (884,014)         | (6,953,294)       |
| <b>Profit/loss for the year</b>                  | 7     | <b>2,701,389</b>  | <b>28,565,599</b> |

# Balance sheet at 31.12.2023

## Assets

|  | Notes | 2023<br>DKK       | 2022<br>DKK       |
|--|-------|-------------------|-------------------|
| Acquired patents                                 |       | 0                 | 0                 |
| <b>Intangible assets</b>                         | 8     | <b>0</b>          | <b>0</b>          |
| Plant and machinery                              |       | 7,803,618         | 3,393,284         |
| Other fixtures and fittings, tools and equipment |       | 238,801           | 685,448           |
| Leasehold improvements                           |       | 173,434           | 558,980           |
| Property, plant and equipment in progress        |       | 440,576           | 6,711,002         |
| <b>Property, plant and equipment</b>             | 9     | <b>8,656,429</b>  | <b>11,348,714</b> |
| Other receivables                                |       | 100,000           | 100,000           |
| <b>Financial assets</b>                          | 10    | <b>100,000</b>    | <b>100,000</b>    |
| <b>Fixed assets</b>                              |       | <b>8,756,429</b>  | <b>11,448,714</b> |
| Raw materials and consumables                    |       | 34,372,744        | 30,561,185        |
| Manufactured goods and goods for resale          |       | 11,796,169        | 12,409,944        |
| <b>Inventories</b>                               |       | <b>46,168,913</b> | <b>42,971,129</b> |
| Trade receivables                                |       | 17,893,217        | 28,488,696        |
| Receivables from group enterprises               |       | 1,817,228         | 4,482,289         |
| Other receivables                                |       | 523,659           | 175,020           |
| Prepayments                                      | 11    | 1,437,440         | 1,351,207         |
| <b>Receivables</b>                               |       | <b>21,671,544</b> | <b>34,497,212</b> |
| <b>Cash</b>                                      |       | <b>13,309</b>     | <b>24,703</b>     |
| <b>Current assets</b>                            |       | <b>67,853,766</b> | <b>77,493,044</b> |
| <b>Assets</b>                                    |       | <b>76,610,195</b> | <b>88,941,758</b> |

**Equity and liabilities**

|  | <b>Notes</b> | <b>2023<br/>DKK</b> | <b>2022<br/>DKK</b> |
|--|--------------|---------------------|---------------------|
| Contributed capital  | 12           | 6,857,143           | 6,857,143           |
| Retained earnings  |              | 36,535,758          | 35,995,480          |
| Proposed dividend  |              | 2,161,111           | 12,533,160          |
| <b>Equity</b>  |              | <b>45,554,012</b>   | <b>55,385,783</b>   |
| Deferred tax   | 13           | 563,999             | 298,721             |
| <b>Provisions</b>  |              | <b>563,999</b>      | <b>298,721</b>      |
| Lease liabilities  |              | 3,096,539           | 3,329,976           |
| <b>Non-current liabilities other than provisions</b>             | 14           | <b>3,096,539</b>    | <b>3,329,976</b>    |
| Current portion of non-current liabilities other than provisions | 14           | 716,631             | 718,251             |
| Prepayments received from customers                              |              | 0                   | 429,570             |
| Trade payables   |              | 9,667,644           | 14,296,898          |
| Payables to group enterprises                                    |              | 9,869,458           | 285,000             |
| Tax payable  |              | 630,719             | 7,029,791           |
| Other payables   |              | 5,958,170           | 6,831,933           |
| Deferred income  | 15           | 553,023             | 335,835             |
| <b>Current liabilities other than provisions</b>                 |              | <b>27,395,645</b>   | <b>29,927,278</b>   |
| <b>Liabilities other than provisions</b>                         |              | <b>30,492,184</b>   | <b>33,257,254</b>   |
| <b>Equity and liabilities</b>                                    |              | <b>76,610,195</b>   | <b>88,941,758</b>   |
| Events after the balance sheet date                              | 1            |                     |                     |
| Unrecognised rental and lease commitments                        | 16           |                     |                     |
| Contingent liabilities   | 17           |                     |                     |
| Group relations  | 18           |                     |                     |

# Statement of changes in equity for 2023

|                           | Contributed<br>capital<br>DKK | Retained<br>earnings<br>DKK | Proposed<br>dividend<br>DKK | Total<br>DKK      |
|---------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------|
| Equity beginning of year  | 6,857,143                     | 35,995,480                  | 12,533,160                  | 55,385,783        |
| Ordinary dividend paid    | 0                             | 0                           | (12,533,160)                | (12,533,160)      |
| Profit/loss for the year  | 0                             | 540,278                     | 2,161,111                   | 2,701,389         |
| <b>Equity end of year</b> | <b>6,857,143</b>              | <b>36,535,758</b>           | <b>2,161,111</b>            | <b>45,554,012</b> |

# Notes

## 1 Events after the balance sheet date

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

## 2 Staff costs

|                                       | 2023<br>DKK       | 2022<br>DKK       |
|---------------------------------------|-------------------|-------------------|
| Wages and salaries                    | 55,162,485        | 51,191,093        |
| Other social security costs           | 770,658           | 842,255           |
| Other staff costs                     | 1,959,114         | 2,236,484         |
|                                       | <b>57,892,257</b> | <b>54,269,832</b> |
| Average number of full-time employees | <b>90</b>         | <b>82</b>         |

|  | Remuneration<br>of<br>Management<br>2023<br>DKK | Remuneration<br>of<br>Management<br>2022<br>DKK |
|--|---|---|
| Total amount for management categories | 3,056,690                                       | 2,823,340                                       |
|  | <b>3,056,690</b>                                | <b>2,823,340</b>                                |

## 3 Depreciation, amortisation and impairment losses

|   | 2023<br>DKK      | 2022<br>DKK      |
|---|------------------|------------------|
| Depreciation of property, plant and equipment | 2,550,866        | 2,434,926        |
|   | <b>2,550,866</b> | <b>2,434,926</b> |

## 4 Other financial income

|                           | 2023<br>DKK      | 2022<br>DKK      |
|---------------------------|------------------|------------------|
| Other interest income     | 276,060          | 128,276          |
| Exchange rate adjustments | 3,502,938        | 2,830,320        |
|                           | <b>3,778,998</b> | <b>2,958,596</b> |

## 5 Other financial expenses

|                           | 2023<br>DKK      | 2022<br>DKK      |
|---------------------------|------------------|------------------|
| Other interest expenses   | 408,447          | 46,799           |
| Exchange rate adjustments | 3,869,482        | 2,939,694        |
| Other financial expenses  | 95,066           | 101,090          |
|                           | <b>4,372,995</b> | <b>3,087,583</b> |

## 6 Tax on profit/loss for the year

|                                      | 2023<br>DKK    | 2022<br>DKK      |
|--------------------------------------|----------------|------------------|
| Current tax                          | 348,752        | 7,029,791        |
| Change in deferred tax               | 265,278        | (51,400)         |
| Adjustment concerning previous years | 269,984        | (25,097)         |
|                                      | <b>884,014</b> | <b>6,953,294</b> |

## 7 Proposed distribution of profit and loss

|  | 2023<br>DKK      | 2022<br>DKK       |
|--|------------------|-------------------|
| Ordinary dividend for the financial year | 2,161,111        | 12,533,160        |
| Retained earnings                        | 540,278          | 16,032,439        |
|  | <b>2,701,389</b> | <b>28,565,599</b> |

## 8 Intangible assets

|   | Acquired<br>patents<br>DKK |
|---|----------------------------|
| Cost beginning of year                                | 3,015,403                  |
| <b>Cost end of year</b>                               | <b>3,015,403</b>           |
| Amortisation and impairment losses beginning of year  | (3,015,403)                |
| <b>Amortisation and impairment losses end of year</b> | <b>(3,015,403)</b>         |
| <b>Carrying amount end of year</b>                    | <b>0</b>                   |



## 9 Property, plant and equipment

|   | Plant and<br>machinery<br>DKK | Other fixtures<br>and fittings,<br>tools and<br>equipment<br>DKK | Leasehold<br>improvements<br>DKK | Property,<br>plant and<br>equipment in<br>progress<br>DKK |
|---|-------------------------------|--|----------------------------------|---|
| Cost beginning of year                                    | 27,342,897                    | 2,309,210  | 2,172,854                        | 6,711,002   |
| Transfers   | 6,139,939                     | 172,879  | 105,655                          | (6,418,472)   |
| Additions   | 0                             | 0  | 0                                | 681,400   |
| Disposals   | 0                             | (434,199)  | 0                                | (533,354)   |
| <b>Cost end of year</b>                                   | <b>33,482,836</b>             | <b>2,047,890</b>   | <b>2,278,509</b>                 | <b>440,576</b>  |
| Depreciation and impairment losses<br>beginning of year   | (23,949,613)                  | (1,623,762)  | (1,613,874)                      | 0   |
| Depreciation for the year                                 | (1,729,605)                   | (330,060)  | (491,201)                        | 0   |
| Reversal regarding disposals                              | 0                             | 144,733  | 0                                | 0   |
| <b>Depreciation and impairment losses end of<br/>year</b> | <b>(25,679,218)</b>           | <b>(1,809,089)</b>   | <b>(2,105,075)</b>               | <b>0</b>  |
| <b>Carrying amount end of year</b>                        | <b>7,803,618</b>              | <b>238,801</b>   | <b>173,434</b>                   | <b>440,576</b>  |

## 10 Financial assets

|                                    | Other<br>receivables<br>DKK |
|------------------------------------|-----------------------------|
| Cost beginning of year             | 100,000                     |
| <b>Cost end of year</b>            | <b>100,000</b>              |
| <b>Carrying amount end of year</b> | <b>100,000</b>              |

## 11 Prepayments

Prepayments consists of prepaid lease expenses.

## 12 Share capital

|                 | Number           | Par value<br>DKK | Nominal<br>value<br>DKK |
|-----------------|------------------|------------------|-------------------------|
| Ordinary shares | 6,857,143        | 1                | 6,857,143               |
|                 | <b>6,857,143</b> |                  | <b>6,857,143</b>        |

## 13 Deferred tax

|                                    | 2023<br>DKK    | 2022<br>DKK    |
|------------------------------------|----------------|----------------|
| <b>Changes during the year</b>     |                |                |
| Beginning of year                  | 298,721        | 350,121        |
| Recognised in the income statement | 265,278        | (51,400)       |
| <b>End of year</b>                 | <b>563,999</b> | <b>298,721</b> |

#### 14 Non-current liabilities other than provisions

|                   | Due within 12 months | Due within 12 months | Due after more than 12 months | Outstanding after 5 years |
|-------------------|----------------------|----------------------|-------------------------------|---------------------------|
|                   | 2023                 | 2022                 | 2023                          | 2023                      |
|                   | DKK                  | DKK                  | DKK                           | DKK                       |
| Lease liabilities | 716,631              | 718,251              | 3,096,539                     | 380,761                   |
|                   | <b>716,631</b>       | <b>718,251</b>       | <b>3,096,539</b>              | <b>380,761</b>            |

#### 15 Deferred income

Deferred income consists of received government grants.

#### 16 Unrecognised rental and lease commitments

|  | 2023      | 2022      |
|--|-----------|-----------|
|  | DKK       | DKK       |
| Liabilities under rental or lease agreements until maturity in total | 6,405,629 | 5,883,665 |

#### 17 Contingent liabilities

|                               | 2023           |
|-------------------------------|----------------|
|                               | DKK            |
| Other contingent liabilities  | 968,106        |
| <b>Contingent liabilities</b> | <b>968,106</b> |

The Entity participates in a Danish joint taxation arrangement in which N. Foss & Co. A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is, therefore, liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

The jointly taxed companies' net liability towards the Danish tax authorities is evident from the administration company N. FOSS & Co. A/S' financial statement, to which we refer for a monetary statement of the liability.

#### 18 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: N. Foss & Co. A/S, Foss Allé 1, 3400 Hillerød.

# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

## Income statement

### Gross profit or loss

With reference to section 32 of the Danish financial statement Act, revenue has not been disclosed in the annual report.

Gross profit or loss comprises revenue, other operating income, cost of raw materials and consumables and external expenses.

### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

**Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

**Cost of sales**

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

**Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

**Staff costs**

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

**Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

**Other financial income**

Other financial income comprises interest income net capital gains on payables and transactions in foreign currencies.

**Other financial expenses**

Other financial expenses comprise interest expenses net capital losses on payables and transactions in foreign currencies.

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

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

**Balance sheet****Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

### Property, plant and equipment

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

|  | Useful life |
|--|-------------|
| Plant and machinery                              | 5-10 years  |
| Other fixtures and fittings, tools and equipment | 3-5 years   |
| Leasehold improvements                           | 5 years     |

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

### Inventories

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

Cost consists of purchase price plus delivery costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### Cash

Cash comprises cash in hand and bank deposits.

**Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

**Lease liabilities**

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**Income tax payable**

Current tax payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

**Deferred income**

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

**Cash flow statement**

Cash flow statement has not been prepared for the Company, with reference to the Danish Financial Statements Act § 84, section 4, as the cash flow is included in the cash flow statement of the N. Foss & Co. A/S.