
Michael Lundbech A/S

Bragesvej 5, DK-4100 Ringsted

Annual Report for 1 January - 31 December 2022

CVR No 26 47 37 56

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
23/06 2023

Keld Harbo
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 Michael Lundbech A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ringsted, 23 June 2023

Executive Board

Michael Rene Lundbech

Board of Directors

Keld Harbo
Chairman

Jan Bybjerg Pedersen

Michael Rene Lundbech

Charlotte Pia Lundbech

Benny Bech-Willumsen

Independent Auditor's Report

To the Shareholder of Michael Lundbech A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Michael Lundbech A/S for the financial year 1 January - 31 December 2022, 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 Financials 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.

Independent Auditor's Report

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.

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

Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ringsted, 23 June 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Brian Petersen
statsautoriseret revisor
mne28701

Kenneth Østergaard
statsautoriseret revisor
mne47262

Company Information

The Company

Michael Lundbech A/S
Bragesvej 5
DK-4100 Ringsted

CVR No: 26 47 37 56

Financial period: 1 January - 31 December

Municipality of reg. office: Ringsted

Board of Directors

Keld Harbo, Chairman
Jan Bybjerg Pedersen
Michael Rene Lundbech
Charlotte Pia Lundbech
Benny Bech-Willumsen

Executive Board

Michael Rene Lundbech

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Eventyrvej 16
DK-4100 Ringsted

Management's Review

Key activities

The company's main activities are the production and preparation of molding tools as well as the production of plastic units for both series production and o-series production.

Development in the year

The income statement of the Company for 2022 shows a loss of DKK 1,536,528, and at 31 December 2022 the balance sheet of the Company shows equity of DKK 2,909,884.

The result is not satisfactory, which is mainly due to significantly increased energy costs and large fluctuations in capacity utilization over the year. Projects that were planned for implementation in 2022 are started in 2023 and are expected to be completed during the new financial year.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2022 of the Company and the results of the activities of the Company for the financial year for 2022 have not been affected by any unusual events.

Subsequent events

The development of business after the end of the financial year has been positive. The order entry are in line with expectations and a satisfactory result is expected for 2023.

Income Statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Gross profit/loss		17.024.296	20.827.309
Staff expenses	1	-16.251.919	-16.868.460
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2.528.331	-2.506.621
Profit/loss before financial income and expenses		-1.755.954	1.452.228
Income from investments in subsidiaries		0	48.590
Financial income	2	6.959	44.826
Financial expenses	3	-220.856	-335.333
Resultat før skat		-1.969.851	1.210.311
Tax on profit/loss for the year	4	433.323	-262.582
Net profit/loss for the year		-1.536.528	947.729

Distribution of profit

Proposed distribution of profit

Reserve for net revaluation under the equity method		0	-125.595
Retained earnings		-1.536.528	1.073.324
		-1.536.528	947.729

Balance Sheet 31 December

Assets

	Note	2022 DKK	2021 DKK
Completed development projects		88.539	161.557
Intangible assets	5	88.539	161.557
Other fixtures and fittings, tools and equipment		10.240.719	9.558.735
Leasehold improvements		957.790	1.005.456
Property, plant and equipment	6	11.198.509	10.564.191
Deposits		104.574	73.220
Fixed asset investments		104.574	73.220
Fixed assets		11.391.622	10.798.968
Raw materials and consumables		948.561	606.361
Inventories		948.561	606.361
Trade receivables		4.577.017	6.342.238
Contract work in progress	7	3.385.397	2.908.406
Corporation tax		0	293.728
Corporation tax receivable from group enterprises		120.445	0
Prepayments		476.522	211.247
Receivables		8.559.381	9.755.619
Cash at bank and in hand		69.291	251.445
Currents assets		9.577.233	10.613.425
Assets		20.968.855	21.412.393

Balance Sheet 31 December

Liabilities and equity

	Note	2022 DKK	2021 DKK
Share capital		556.000	556.000
Reserve for development costs		69.061	126.096
Retained earnings		2.284.823	3.764.316
Equity		2.909.884	4.446.412
Provision for deferred tax		638.622	1.124.808
Provisions		638.622	1.124.808
Lease obligations		4.228.734	4.093.452
Other payables		1.387.003	1.387.003
Long-term debt	8	5.615.737	5.480.455
Credit institutions		6.082.144	1.306.130
Lease obligations	8	1.547.403	1.513.107
Prepayments received from customers		0	106.390
Trade payables		782.381	1.302.887
Contract work in progress, liabilities	7	0	84.000
Payables to group enterprises		1.212.281	659.317
Corporation tax		0	442.109
Other payables	8	2.180.403	4.946.778
Short-term debt		11.804.612	10.360.718
Debt		17.420.349	15.841.173
Liabilities and equity		20.968.855	21.412.393
Contingent assets, liabilities and other financial obligations	9		
Accounting Policies	10		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity at 1 January	556.000	126.096	3.764.316	4.446.412
Depreciation, amortisation and impairment for the year	0	-57.035	57.035	0
Net profit/loss for the year	0	0	-1.536.528	-1.536.528
Equity at 31 December	<u>556.000</u>	<u>69.061</u>	<u>2.284.823</u>	<u>2.909.884</u>

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	DKK	DKK
1 Staff expenses		
Wages and salaries	13.935.726	14.479.961
Pensions	1.956.154	1.986.961
Other social security expenses	360.039	401.538
	<u>16.251.919</u>	<u>16.868.460</u>
Average number of employees	<u>29</u>	<u>32</u>
2 Financial income		
Exchange gains	6.959	44.826
	<u>6.959</u>	<u>44.826</u>
3 Financial expenses		
Interest paid to group enterprises	34.774	51.038
Other financial expenses	186.082	284.295
	<u>220.856</u>	<u>335.333</u>
4 Tax on profit/loss for the year		
Current tax for the year	-120.445	442.109
Deferred tax for the year	-312.878	-179.527
	<u>-433.323</u>	<u>262.582</u>

5 Intangible assets

The company's development project's consists of developing a form for the production of the company's products and a new type of tool for the company's production machinery. The development project are completed and are depreciated in accordance with the accounting policies, which are equal to also the expected useful lives.

Notes to the Financial Statements

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	<u>DKK</u>	<u>DKK</u>
Assets under finance leases	<u>7.584.833</u>	<u>0</u>

7 Contract work in progress

	2022	2021
	<u>DKK</u>	<u>DKK</u>
Selling price of work in progress	4.263.585	4.269.331
Payments received on account	<u>-878.188</u>	<u>-1.444.925</u>
	<u>3.385.397</u>	<u>2.824.406</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	3.385.397	2.908.406
Prepayments received recognised in debt	<u>0</u>	<u>-84.000</u>
	<u>3.385.397</u>	<u>2.824.406</u>

8 Long-term debt

Debt falling due after 5 years	<u>177.039</u>	<u>0</u>
	<u>177.039</u>	<u>0</u>

Notes to the Financial Statements

	<u>2022</u> DKK	<u>2021</u> DKK
9 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Company charge amounting to TDKK 8.500 have been placed in assets, with a carrying amount of	<u>9.186.015</u>	<u>6.342.238</u>
Furthermore, the company has provided pledge of TDKK 1.000 in equipment, as security for balances with bank.		
Rental and lease obligations		
Leasing obligations, period of non-terminability 6-18 mdr.	<u>535.500</u>	<u>427.179</u>

Other contingent liabilities

The company has provided suretyship regarding Ejendomsselskabet Brage ApS' bank commitments.

The company has provided suretyship regarding Michael Lundbech Holding ApS' bank commitments.

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 Michael Lundbech Holding ApS, 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 un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

10 Accounting Policies

The Annual Report of Michael Lundbech A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in DKK.

Recognition and measurement

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

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

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

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

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Notes to the Financial Statements

10 Accounting Policies (continued)

Translation policies

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.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

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 and distribution 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, work on own account recognised in assets, other operating income, expenses for raw materials and consumables and other external expenses.

Notes to the Financial Statements

10 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

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

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with parent company the tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

The development costs and cost relating to rights developed recognized and measured at cost less accumulated depreciation. The development costs depreciation on a straight-line basis over the expected economic useful lives, that expected to be 5 years.

Notes to the Financial Statements

10 Accounting Policies (continued)

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.

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	3-10	years
Other fixtures and fittings, tools and equipment	2-5	years
Leasehold improvements	5	years

The fixed assets' residual values are determined at nul.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment 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.

Fixed asset investments

Fixed asset investments consist of deposit.

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. 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.

Notes to the Financial Statements

10 Accounting Policies (continued)

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.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

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

Prepayments

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

Equity

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

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

Notes to the Financial Statements

10 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and 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.

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