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Integrated Gas Technologies ApS

Gydevang 39 - 41

3450 Allerød

Central Business Registration

No 27987702

Annual report 2019

The Annual General Meeting adopted the annual report on 19.08.2020

Chairman of the General Meeting

Name: Tom Lundquist

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Entity details

Entity

Integrated Gas Technologies ApS

Gydevang 39 - 41

3450 Allerød

Central Business Registration No (CVR): 27987702

Registered in: Allerød

Financial year: 01.01.2019 - 31.12.2019

Executive Board

Tom Lundquist

Peter Billy Jacobsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P.O. Box 1600

0900 Copenhagen C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Integrated Gas Technologies ApS for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 – 31.12.2019.


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.

Copenhagen, 19.08.2020

Executive Board


Tom Lundquist


Peter Billy Jacobsen

Independent auditor's report

To the shareholders of Integrated Gas Technologies ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Integrated Gas Technologies ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and these parent 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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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, 19.08.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556



Keld Juel Danielsen
State-Authorised Public Accountant
Identification No (MNE) mne26741

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000
Financial highlights			
Key figures			
Gross profit	16.319	10.213	11
Operating profit/loss	896	(1.098)	(1)
Net financials	(131)	(984)	(3)
Profit/loss for the year	400	(2.569)	(4)
Total assets	54.254	57.606	43
Investments in property, plant and equipment	521	731	-
Equity	18.165	17.867	(6)
Ratios			
Return on equity (%)	2,2	(28,8)	-
Equity ratio (%)	33,5	31,0	(13,7)

2018 is the first financial year in which the Company is liable to prepare consolidated financial statements and that is why only comparative figures for 2017 have been included.

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

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Company's primary activities are to carry on development, manufacturing, marketing and sale of natural gas regulators as well as any related business.

Development in activities and finances

The consolidated profit for the year amounts to DKK 0.4 million compared to a loss of DKK 2.6 million the year before.

2019, as well as 2018, have been influenced by a loss in the subsidiary in India, which is under formation. The prolonged process of obtaining the necessary permission has affected the activities in India involving substantial delays compared to the strategy plan committed to and, consequently, increased costs and lack of income.

The Parent has funded the negative operations and investments in India, and so, the number one cause of the Parent realising a loss.

There is an expectation that the necessary permission will be granted during 2020, and that manufacturing and sale activities can be initiated on a larger scale after which it is anticipated that the Indian company will be able to contribute positively to the operations of the Group.

The performance in the Group's other activities in Denmark and China was satisfactory, and the positive development has continued in 2020.

The spread of COVID-19 virus did not substantially affect the Company's activities so far.

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.

Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Gross profit		16.319.106	10.212.592
Staff costs	1	(13.993.538)	(10.351.779)
Depreciation, amortisation and impairment losses		(922.010)	(958.577)
Other operating expenses		(507.673)	0
Operating profit/loss		895.885	(1.097.764)
Other financial income	2	466.841	795.907
Other financial expenses	3	(597.370)	(1.779.924)
Profit/loss before tax		765.356	(2.081.781)
Tax on profit/loss for the year	4	(365.701)	(487.437)
Profit/loss for the year	5	399.655	(2.569.218)

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Acquired intangible assets		291	291
Acquired rights		574.536	736.318
Goodwill		0	0
Intangible assets	6	574.827	736.609
Other fixtures and fittings, tools and equipment		3.602.432	3.879.277
Property, plant and equipment	7	3.602.432	3.879.277
Other investments		1.034	1.004
Deposits		212.210	212.210
Other receivables		0	148.280
Deferred tax		175.479	261.382
Fixed asset investments	8	388.723	622.876
Fixed assets		4.565.982	5.238.762
Raw materials and consumables		2.210.156	4.252.616
Work in progress		785.552	1.573.860
Manufactured goods and goods for resale		11.126.599	7.563.951
Inventories		14.122.307	13.390.427
Trade receivables		22.001.542	22.727.959
Other receivables		1.407.146	9.079.008
Prepayments		1.284.919	1.329.285
Receivables		24.693.607	33.136.252
Cash		10.872.366	5.840.285
Current assets		49.688.280	52.366.964
Assets		54.254.262	57.605.726

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK
Contributed capital		400.000	400.000
Retained earnings		17.765.411	17.466.748
Equity		18.165.411	17.866.748
Other provisions		162.164	0
Provisions		162.164	0
Payables to shareholders and management		6.781.200	6.519.400
Other payables	9	61.958	0
Non-current liabilities other than provisions		6.843.158	6.519.400
Bank loans		221.325	31.891
Deposits		3.287.700	3.239.880
Prepayments received from customers		138.876	397.294
Trade payables		20.324.344	24.039.135
Payables to shareholders and management		2.356.762	2.119.093
Income tax payable		253.398	457.947
Other payables		2.501.124	2.934.338
Current liabilities other than provisions		29.083.529	33.219.578
Liabilities other than provisions		35.926.687	39.738.978
Equity and liabilities		54.254.262	57.605.726
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Subsidiaries	13		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	400.000	17.466.748	17.866.748
Exchange rate adjustments	0	(100.991)	(100.991)
Profit/loss for the year	0	399.654	399.654
Equity end of year	400.000	17.765.411	18.165.411

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Operating profit/loss		895.885	(1.097.764)
Amortisation, depreciation and impairment losses		922.010	958.577
Other provisions		162.164	0
Working capital changes	10	3.004.624	(1.923.443)
Other adjustments		61.958	0
Cash flow from ordinary operating activities		5.046.641	(2.062.630)
Financial income received		466.841	754.504
Financial expenses paid		(597.452)	(1.779.924)
Income taxes refunded/(paid)		(484.265)	(467.269)
Cash flows from operating activities		4.431.765	(3.555.319)
Acquisition etc of property, plant and equipment		(520.870)	(732.121)
Sale of property, plant and equipment		622.623	0
Sale of fixed asset investments		148.280	0
Loans		0	(50.530)
Repayments received		0	215.196
Cash flows from investing activities		250.033	(567.455)
Loans raised		261.800	7.548.067
Cash flows from financing activities		261.800	7.548.067
Increase/decrease in cash and cash equivalents		4.943.598	3.425.293
Cash and cash equivalents beginning of year		5.808.394	2.397.219
Currency translation adjustments of cash and cash equivalents		(100.951)	(14.118)
Cash and cash equivalents end of year		10.651.041	5.808.394
Cash and cash equivalents at year-end are composed of:			
Cash		10.872.366	5.840.285
Short-term debt to banks		(221.325)	(31.891)
Cash and cash equivalents end of year		10.651.041	5.808.394

Notes to consolidated financial statements

	2019 DKK	2018 DKK
1. Staff costs		
Wages and salaries	13.472.261	10.011.558
Pension costs	99.984	99.984
Other social security costs	21.405	23.820
Other staff costs	399.888	216.417
	13.993.538	10.351.779
 Average number of employees	 190	 192
	2019 DKK	2018 DKK
2. Other financial income		
Other interest income	8.899	4.261
Exchange rate adjustments	457.942	791.646
	466.841	795.907
	2019 DKK	2018 DKK
3. Other financial expenses		
Other interest expenses	463.916	1.562.344
Exchange rate adjustments	0	109.154
Interest regarding tax paid on account	82	516
Other financial expenses	133.372	107.910
	597.370	1.779.924
	2019 DKK	2018 DKK
4. Tax on profit/loss for the year		
Current tax	253.398	684.802
Change in deferred tax	112.303	(197.365)
	365.701	487.437
	2019 DKK	2018 DKK
5. Proposed distribution of profit/loss		
Retained earnings	399.655	(2.569.218)
	399.655	(2.569.218)

Notes to consolidated financial statements

	Acquired intangible assets DKK	Acquired rights DKK	Goodwill DKK
6. Intangible assets			
Cost beginning of year	5.829	4.296.113	100.000
Cost end of year	5.829	4.296.113	100.000
Amortisation and impairment losses beginning of year	(5.538)	(3.559.795)	(100.000)
Impairment losses for the year	0	(161.782)	0
Amortisation and impairment losses end of year	(5.538)	(3.721.577)	(100.000)
Carrying amount end of year	291	574.536	0
			Other fixtures and fittings, tools and equipment DKK
7. Property, plant and equipment			
Cost beginning of year			7.323.443
Additions			520.870
Disposals			(681.824)
Cost end of year			7.162.489
Depreciation and impairment losses beginning of year			(3.444.166)
Depreciation for the year			(613.385)
Amortisation, depreciation and impairment losses on assets disposed of			497.494
Depreciation and impairment losses end of year			(3.560.057)
Carrying amount end of year			3.602.432

Notes to consolidated financial statements

	Other investments DKK	Deposits DKK	Other receivables DKK	Deferred tax DKK
8. Fixed asset investments				
Cost beginning of year	1.004	212.210	148.280	261.382
Exchange rate adjustments	30	0	0	0
Additions	0	0	0	131.324
Disposals	0	0	(148.280)	(217.227)
Cost end of year	1.034	212.210	0	175.479
Carrying amount end of year	1.034	212.210	0	175.479
			2019 DKK	2018 DKK
9. Other long-term payables				
Holiday pay obligation			61.958	0
			61.958	0
			2019 DKK	2018 DKK
10. Change in working capital				
Increase/decrease in inventories			(731.880)	458.816
Increase/decrease in receivables			8.442.645	(12.991.127)
Increase/decrease in trade payables etc			(4.120.934)	10.608.868
Other changes			(585.207)	0
			3.004.624	(1.923.443)
			2019 DKK	2018 DKK
11. Unrecognised rental and lease commitments				
Liabilities under rental or lease agreements until maturity in total			1.375.415	830.450

12. Contingent liabilities

In connection with the establishment of manufacturing and sales activities through a subsidiary in India, the Group has not yet been able to obtain the necessary manufacturing permission. Moreover, the Group is not fully compliant with the local tax conditions in India and China.

The subsidiaries in India are in the process of obtaining the necessary permission from the relevant authorities and remedying the tax conditions to comply with local tax law. It is uncertain whether the rectification may involve requirements or penalties by the authorities, customers, etc.

Notes to consolidated financial statements

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK	Profit/loss DKK
13. Subsidiaries					
Integrated Gas Control Technologies Private Limited	India	Ltd.	99,3	(8.817.369)	(2.858.014)
IGT (Far East) Limited	Hong Kong	Ltd.	100,0	217.656	(588.784)
Ningbo Shuai Xian Regulator Co., Ltd.	China	Ltd.	100,0	22.399.437	2.939.922

Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Gross profit		3.138.546	2.362.961
Staff costs	1	(1.963.176)	(1.516.089)
Depreciation, amortisation and impairment losses	2	(189.994)	(189.994)
Operating profit/loss		985.376	656.878
Income from investments in group enterprises		0	(204.369)
Other financial income	3	662.428	322.553
Other financial expenses	4	(3.390.527)	(5.962.880)
Profit/loss before tax		(1.742.723)	(5.187.818)
Tax on profit/loss for the year	5	(242.037)	144.000
Profit/loss for the year	6	(1.984.760)	(5.043.818)

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Acquired rights		574.536	736.318
Goodwill		0	0
Intangible assets	7	574.536	736.318
Other fixtures and fittings, tools and equipment		229.591	79.931
Property, plant and equipment	8	229.591	79.931
Investments in group enterprises		17.728.000	17.728.000
Deposits		34.368	34.368
Fixed asset investments	9	17.762.368	17.762.368
Fixed assets		18.566.495	18.578.617
Manufactured goods and goods for resale		6.865.862	2.820.950
Inventories		6.865.862	2.820.950
Trade receivables		6.530.070	6.121.916
Receivables from group enterprises	10	3.736.661	3.833.133
Deferred tax		25.000	267.037
Other receivables		0	5.344
Prepayments	11	250.792	226.622
Receivables		10.542.523	10.454.052
Cash		1.980.963	1.389.602
Current assets		19.389.348	14.664.604
Assets		37.955.843	33.243.221

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital		400.000	400.000
Retained earnings		20.919.764	22.904.524
Equity		21.319.764	23.304.524
Payables to shareholders and management		6.781.200	6.519.400
Other payables	12	61.958	0
Non-current liabilities other than provisions		6.843.158	6.519.400
Bank loans		221.325	31.892
Prepayments received from customers		138.876	231.656
Trade payables		662.265	674.099
Payables to group enterprises		6.096.373	0
Payables to shareholders and management		2.356.762	2.119.093
Other payables		317.320	362.557
Current liabilities other than provisions		9.792.921	3.419.297
Liabilities other than provisions		16.636.079	9.938.697
Equity and liabilities		37.955.843	33.243.221
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Assets charged and collateral	15		

Parent statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	400.000	22.904.524	23.304.524
Profit/loss for the year	0	(1.984.760)	(1.984.760)
Equity end of year	400.000	20.919.764	21.319.764

Notes to parent financial statements

	2019 DKK	2018 DKK
1. Staff costs		
Wages and salaries	1.707.072	1.210.222
Pension costs	99.984	99.984
Other social security costs	21.405	23.820
Other staff costs	134.715	182.063
	1.963.176	1.516.089
 Average number of employees	3	4
	2019 DKK	2018 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	161.782	161.782
Depreciation of property, plant and equipment	28.212	28.212
	189.994	189.994
	2019 DKK	2018 DKK
3. Other financial income		
Financial income arising from group enterprises	514.528	322.553
Exchange rate adjustments	147.900	0
	662.428	322.553
	2019 DKK	2018 DKK
4. Other financial expenses		
Financial expenses from group enterprises	2.831.727	4.303.803
Financial expenses from associates	200.041	514.333
Other interest expenses	333.159	1.007.636
Exchange rate adjustments	0	109.153
Interest regarding tax paid on account	82	516
Other financial expenses	25.518	27.439
	3.390.527	5.962.880
	2019 DKK	2018 DKK
5. Tax on profit/loss for the year		
Change in deferred tax	242.037	(144.000)
	242.037	(144.000)

Notes to parent financial statements

	2019 DKK	2018 DKK
6. Proposed distribution of profit/loss		
Retained earnings	(1.984.760)	(5.043.818)
	(1.984.760)	(5.043.818)
	Acquired rights DKK	Goodwill DKK
7. Intangible assets		
Cost beginning of year	4.296.113	100.000
Cost end of year	4.296.113	100.000
Amortisation and impairment losses beginning of year	(3.559.795)	(100.000)
Amortisation for the year	(161.782)	0
Amortisation and impairment losses end of year	(3.721.577)	(100.000)
Carrying amount end of year	574.536	0
		Other fixtures and fittings, tools and equipment DKK
8. Property, plant and equipment		
Cost beginning of year		490.666
Additions		177.872
Cost end of year		668.538
Depreciation and impairment losses beginning of year		(410.735)
Depreciation for the year		(28.212)
Depreciation and impairment losses end of year		(438.947)
Carrying amount end of year		229.591

Notes to parent financial statements

	Invest- ments in group enterprises DKK	Deposits DKK
9. Fixed asset investments		
Cost beginning of year	17.932.369	34.368
Cost end of year	17.932.369	34.368
Impairment losses beginning of year	(204.369)	0
Impairment losses end of year	(204.369)	0
Carrying amount end of year	17.728.000	34.368

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

10. Receivables from group enterprises

Receivables from group enterprises include receivables from the subsidiary in Hong Kong of DKK 3,737 thousand. The Company has confirmed that it will continue to support the subsidiary financially, see note 14.

11. Prepayments

Prepayments comprise costs prepaid regarding insurance and purchase of goods.

	2019 DKK	2018 DKK
12. Other long-term payables		
Holiday pay obligation	61.958	0
	61.958	0
	2019 DKK	2018 DKK
13. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	80.527	102.000

14. Contingent liabilities

The Company has undertaken to provide continued financial support to the subsidiary in Hong Kong and India. However regarding subsidiary in Hong Kong, Management does not expect that further significant support will be necessary other than the financing already provided, see note 10.

Notes to parent financial statements

15. Assets charged and collateral

Bank loans are secured by way of a charge of DKK 2,500 thousand nominal granted on the Company's unsecured claims, inventories, operating equipment and goodwill. The carrying amount of assets charged is DKK 17,638 thousand at 31.12.2019.

Accounting policies

Reporting class

This annual report has been presented 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.

The financial statements are presented in DKK.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, other operating income, cost of raw materials and consumables and external expenses.

Accounting policies

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 the selling price of the consideration fixed.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

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

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

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 as well as 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, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

Accounting policies

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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

Goodwill

Goodwill is measured at cost less accumulated amortisation.

The amortisation periods used are five years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. The amortisation period is ten years, however the maximum amortisation period is the remaining duration of the relevant rights.

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

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

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:

Plant and machinery

10 - 15 years

Accounting policies

Other fixtures and fittings, tools and equipment

5 - 10 years

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.

Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured at cost. Investments 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.

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted investments measured at the lower of cost and net realisable value.

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.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

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.

Accounting policies

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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 receivable or payable

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.