# *Tajco A/S*

Jens Ravns Vej 11A, DK-7100 Vejle

## Annual Report for 2023

CVR No. 33 57 51 06

The Annual Report was presented and adopted at the Annual General Meeting of the company on 1/5 2024

Henrik Buur Nielsen
Chairman of the general meeting

pwc

# Contents

# Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Tajco A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations for 2023.

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

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

Vejle, 1 May 2024

**Executive Board**

| | |
|---|---|
| Erik Laursen<br>CEO | Henrik Buur Nielsen<br>CFO |

**Board of Directors**

| | | |
|---|---|---|
| Chlinton Arendahl Nielsen<br>Chairman | Frank Lorenz | Limin Kevin Mao |
| Melanie Schuttenberg | Catherine Mulvey | |

# Independent Auditor's report

To the shareholder of Tajco A/S

**Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company´s operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Tajco A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”the Financial Statements”).

**Basis for Opinion**

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

**Statement on Management’s Review**

Management is responsible for Management’s Review.

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

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

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

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

**Management’s responsibilities for the Financial Statements**

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

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

# Independent Auditor's report

**Auditor’s responsibilities for the audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aarhus C, 1 May 2024

**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR No 33 77 12 31*

Henrik Kragh
State Authorised Public Accountant
mne26783

Henrik Berring Rasmussen
State Authorised Public Accountant
mne34157

# Company information

| | |
|---|---|
| **The Company** | Tajco A/S<br>Jens Ravns Vej 11A<br>DK-7100 Vejle<br><br>Telephone: +45 7532 1411<br>Website: www.tajco-group.com<br><br>CVR No: 33 57 51 06<br>Financial period: 1 January - 31 December<br>Municipality of reg. office: Vejle |
| **Board of Directors** | Chlinton Arendahl Nielsen, chairman<br>Frank Lorenz<br>Limin Kevin Mao<br>Melanie Schuttenberg<br>Catherine Mulvey |
| **Executive Board** | Erik Laursen<br>Henrik Buur Nielsen |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Jens Chr. Skous Vej 1<br>DK-8000 Aarhus C |

# Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| **Key figures** | | | | | |
| **Profit/loss** | | | | | |
| Revenue | 534,713 | 593,968 | 573,318 | 536,260 | 644,436 |
| Gross profit | 37,461 | 33,541 | 51,033 | 17,327 | 18,424 |
| Profit/loss of primary operations | 16,650 | 11,342 | 24,215 | -33,256 | -16,834 |
| Profit/loss of financial income and expenses | 15,352 | 12,007 | 12,317 | 4,453 | 3,835 |
| Net profit/loss for the year | 27,586 | 19,573 | 30,904 | -13,515 | -8,953 |
| **Balance sheet** | | | | | |
| Balance sheet total | 378,951 | 359,729 | 488,081 | 432,631 | 467,538 |
| Investment in property, plant and equipment | 0 | 0 | 1,404 | 4,678 | 0 |
| Equity | 130,520 | 104,647 | 83,864 | 48,241 | 71,566 |
| Number of employees | 16 | 17 | 21 | 22 | 34 |
| **Ratios** | | | | | |
| Gross margin | 7.0% | 5.6% | 8.9% | 3.2% | 2.9% |
| Profit margin | 3.1% | 1.9% | 4.2% | -6.2% | -2.6% |
| Return on assets | 4.4% | 3.2% | 5.0% | -7.7% | -3.6% |
| Solvency ratio | 34.4% | 29.1% | 17.2% | 11.2% | 15.3% |
| Return on equity | 23.5% | 20.8% | 46.8% | -22.6% | -11.8% |

# Management's review

**Key activities**

The main activity of the Company comprises sales of parts to the automotive industry for OEMs and Tier 1 partners.

The activity of the Company focuses on development, engineering, sales, logistics, warehousing and distribution.

TAJCO A/S's main product is exhaust trims for the exhaust systems of passenger cars which, to a great extent, are delivered directly to car factories in Europe, Asia and the US.

**Development in the year**

The income statement of the Group for 2023 shows a profit of TDKK 27,586, which is considered very satisfactory. Revenue was lower than budgeted, but the lower sales of exhaust trims was compensated by cost optimizations and operations optimizations during the year.

During the year, TAJCO employees have worked and succeeded together to capture new business opportunities, mitigated and overcome challenges and ensured production and delivery of high-quality products to our customers.

Order intake during the year was slightly below expectation and impacted by a low level of new vehicle programs.

As per 31.12.2023, the balance sheet shows an positive equity of TDKK 130,520.

**Special risks - operating risks and financial risks**

Raw material prices and freight rates

TAJCO Group's use of stainless steel as raw material creates a specific risk; the potentially significant fluctuations in steel prices in a volatile market may create cost increases, which only to a varying degree can be compensated for by contractually agreed price increases. The tendency is similar for fluctuations in freight rates, which also depends on commercial negotiations with individual customers and hence any degree of compensation can vary across the year. TAJCO Group continuously monitors the market and assesses if long term agreements for freight rates are considered advantageous.

Currency

Due to its international operations, TAJCO Group earnings, cash flow and equity are affected by the development in exchange rates and interest rates in several currencies. It is TAJCO Group policy not to hedge these commercial currency risks. To the extent possible, TAJCO Group seeks to naturally hedge the risks, which occur as a consequence of the actions in an international market. Furthermore, TAJCO Group continuously monitors fluctuations in currencies and continuously evaluates the need for hedging by forward contracts.

For subsidiaries, which are separate legal entities, the currency adjustments of investments are recognized directly in equity.

**Targets and expectations for the year ahead**

Opportunities for winning new programs for TAJCO exterior trims are positive as several programs are expected to be quoted in both Europe, US, and Asia in 2024.

Uncertainties for automotive manufacturers caused by increased inflation and disrupted supply chains could influence the demand for exterior trims. Therefore, a single digit decline in 2024 revenue, and a lower EBITDA, are forecasted. This is in line with the trend towards electric vehicles and away from fossil fueled cars that carry exhaust trims.

# Management's review

**External environment**

TAJCO Group continuously invests to ensure that all environmental requirements are followed, including initiatives to ensure that the use of chemicals does not impact or cause damage to the external environment. The necessary environmental licenses and certifications have been obtained in order to be able to carry out activities.

**Statement of corporate social responsibility**

We refer to the annual report of TAJCO Group A/S (CVR 33 57 47 97) for the statutory report on corporate social responsibility.

**Statement on gender composition**

Diversity among management and employees is central for the continuous development and success of TAJCO A/S. TAJCO A/S has a policy on gender equality that seeks to increase the number of women in key positions at all organizational levels by 2025 - matching the automotive industry standards as a minimum.

The Board of Directors of TAJCO A/S currently consists of 5 people, 60% men 40% women and are therefore considered to be equally distributed. The TAJCO A/S target is to continually have at least a 40% representation of female members on the Board of Directors.

TAJCO A/S has less than 50 employees and therefore they have not stated a gender composition for Other Management level cf. the Danish Companies Act § 139c, section 7.
The female representation at Other Management level was 18% in 2023, allocated as 3 women and 14 men.

TAJCO A/S wants to be an attractive and stimulating workplace that attracts and retains the most qualified employees and offer equal career opportunities for all employees. In 2023 all interested and capable candidates are encouraged to apply for positions within TAJCO, regardless of gender, culture or age. Active work has been done in 2023 with the policy through employment and promotion practices, to increase the share of the underrepresented gender in the coming years to reach targets

**Statement on data ethics**

We refer to the annual report of TAJCO Group A/S (CVR 33 57 47 97) for the statutory report on data ethics.

**Subsequent events**

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

# Income statement 1 January - 31 December

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | TDKK | TDKK |
| Revenue | 1 | 534,713 | 593,968 |
| Other operating income | | 241 | 0 |
| Expenses for raw materials and consumables | | -429,295 | -515,045 |
| Other external expenses | | -68,198 | -45,382 |
| **Gross profit** | | **37,461** | **33,541** |
| Staff expenses | 2 | -20,811 | -22,060 |
| **Earnings Before Interest Taxes Depreciation and Amortization** | | **16,650** | **11,481** |
| Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment | | 0 | -139 |
| **Profit/loss before financial income and expenses** | | **16,650** | **11,342** |
| Income from investments in subsidiaries | | 14,472 | 11,780 |
| Financial income | 3 | 4,361 | 2,126 |
| Financial expenses | 4 | -3,481 | -1,899 |
| **Profit/loss before tax** | | **32,002** | **23,349** |
| Tax on profit/loss for the year | 5 | -4,416 | -3,776 |
| **Net profit/loss for the year** | 6 | **27,586** | **19,573** |

# Balance sheet 31 December

## Assets

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | TDKK | TDKK |
| Acquired licenses | | 0 | 0 |
| **Intangible assets** | 7 | **0** | **0** |
| Other fixtures and fittings, tools and equipment | | 0 | 0 |
| **Property, plant and equipment** | 8 | **0** | **0** |
| Investments in subsidiaries | 9 | 51,542 | 43,530 |
| **Fixed asset investments** | | **51,542** | **43,530** |
| **Fixed assets** | | **51,542** | **43,530** |
| Raw materials and consumables | | 649 | 719 |
| Finished goods and goods for resale | | 67,044 | 116,905 |
| **Inventories** | | **67,693** | **117,624** |
| Trade receivables | | 55,664 | 71,851 |
| Contract work in progress | 10 | 32,597 | 27,284 |
| Receivables from group enterprises | | 2,391 | 40,955 |
| Other receivables | | 9,207 | 23,065 |
| Deferred tax asset | 11 | 3,236 | 2,864 |
| Prepayments | 12 | 3,536 | 4,230 |
| **Receivables** | | **106,631** | **170,249** |
| **Cash at bank and in hand** | | **153,085** | **28,326** |
| **Current assets** | | **327,409** | **316,199** |
| **Assets** | | **378,951** | **359,729** |

# Balance sheet 31 December

## Liabilities and equity

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | TDKK | TDKK |
| Share capital | | 900 | 900 |
| Reserve for net revaluation under the equity method | | 50,781 | 42,769 |
| Retained earnings | | 78,839 | 60,978 |
| **Equity** | | **130,520** | **104,647** |
| | | | |
| Other provisions | 13 | 218 | 3,063 |
| **Provisions** | | **218** | **3,063** |
| | | | |
| Credit institutions | | 0 | 43,519 |
| Trade payables | | 3,180 | 6,186 |
| Contract work in progress | 10 | 1,987 | 3,800 |
| Payables to group enterprises | | 167,263 | 88,417 |
| Corporation tax | | 4,375 | 2,554 |
| Other payables | | 71,408 | 107,543 |
| **Short-term debt** | | **248,213** | **252,019** |
| | | | |
| **Debt** | | **248,213** | **252,019** |
| | | | |
| **Liabilities and equity** | | **378,951** | **359,729** |
| | | | |
| Contingent assets, liabilities and other financial obligations | 14 | | |
| Related parties | 15 | | |
| Accounting Policies | 16 | | |

# Statement of changes in equity

| | Share capital | Reserve for net revaluation under the equity method | Retained earnings | Total |
|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK |
| Equity at 1 January | 900 | 42,769 | 60,978 | 104,647 |
| Exchange adjustments relating to foreign entities | 0 | -1,713 | 0 | -1,713 |
| Dividend from group enterprises | 0 | -4,747 | 4,747 | 0 |
| Net profit/loss for the year | 0 | 14,472 | 13,114 | 27,586 |
| **Equity at 31 December** | **900** | **50,781** | **78,839** | **130,520** |

# Notes to the Financial Statements

| | 2023 | 2022 |
|---|---|---|
| | TDKK | TDKK |

## 1. Revenue

| | 2023<br>TDKK | 2022<br>TDKK |
|---|---|---|
| **Geographical segments** | | |
| Europe | 440,639 | 488,919 |
| America | 77,786 | 86,860 |
| Other parts of the world | 16,288 | 18,189 |
| | **534,713** | **593,968** |
| | | |
| **Business segments** | | |
| Trims | 517,060 | 577,441 |
| Tools | 17,653 | 16,527 |
| | **534,713** | **593,968** |

## 2. Staff Expenses

| | 2023<br>TDKK | 2022<br>TDKK |
|---|---|---|
| Wages and salaries | 19,753 | 20,841 |
| Pensions | 1,000 | 1,108 |
| Other social security expenses | 58 | 111 |
| | **20,811** | **22,060** |
| | | |
| Including remuneration to the Executive Board and Board of Directors: | | |
| Executive board | 4,335 | 3,828 |
| Board of directors | 1,325 | 1,217 |
| | **5,660** | **5,045** |
| | | |
| **Average number of employees** | **16** | **17** |

## 3. Financial income

| | 2023<br>TDKK | 2022<br>TDKK |
|---|---|---|
| Interest received from group enterprises | 112 | 98 |
| Other financial income | 4,249 | 2,028 |
| | **4,361** | **2,126** |

# Notes to the Financial Statements

## 4. Financial expenses

| | 2023 | 2022 |
|---|---|---|
| | TDKK | TDKK |
| Interest paid to group enterprises | 2,496 | 406 |
| Other financial expenses | 985 | 1,493 |
| | **3,481** | **1,899** |

## 5. Income tax expense

| | 2023 | 2022 |
|---|---|---|
| | TDKK | TDKK |
| Current tax for the year | 4,612 | 4,117 |
| Deferred tax for the year | -372 | -234 |
| Adjustment of tax concerning previous years | 176 | -107 |
| | **4,416** | **3,776** |

## 6. Profit allocation

| | 2023 | 2022 |
|---|---|---|
| | TDKK | TDKK |
| Reserve for net revaluation under the equity method | 14,472 | 11,780 |
| Retained earnings | 13,114 | 7,793 |
| | **27,586** | **19,573** |

## 7. Intangible fixed assets

| | Acquired licenses |
|---|---|
| | TDKK |
| Cost at 1 January | 40,021 |
| Cost at 31 December | 40,021 |
| | |
| Impairment losses and depreciation at 1 January | 40,021 |
| Impairment losses and depreciation at 31 December | 40,021 |
| | |
| **Carrying amount at 31 December** | **0** |

## 8. Property, plant and equipment

| | Other fixtures and fittings, tools and equipment |
|---|---|
| | TDKK |
| Cost at 1 January | 2,734 |
| Cost at 31 December | 2,734 |
| | |
| Impairment losses and depreciation at 1 January | 2,734 |
| Impairment losses and depreciation at 31 December | 2,734 |
| | |
| **Carrying amount at 31 December** | **0** |
| | |
| Amortised over | 3-8 years |

## 9. Investments in subsidiaries

| | 2023 | 2022 |
|---|---|---|
| | TDKK | TDKK |
| Cost at 1 January | 761 | 761 |
| Cost at 31 December | 761 | 761 |
| | | |
| Value adjustments at 1 January | 42,769 | 61,036 |
| Exchange adjustment | -1,713 | 1,210 |
| Net profit/loss for the year | 14,472 | 11,780 |
| Dividend to the Parent Company | -4,747 | -31,257 |
| Value adjustments at 31 December | 50,781 | 42,769 |
| | | |
| **Carrying amount at 31 December** | **51,542** | **43,530** |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Share capital | Ownership |
|---|---|---|---|
| Tajco Asia Trading Co. Ltd | China | CNY 681.260 | 100% |
| Tajco North America Inc. | USA | USD 100 | 100% |
| Tajco Germany GmbH | Germany | EUR 25.000 | 100% |

# Notes to the Financial Statements

| | 2023 | 2022 |
|---|---|---|
| | TDKK | TDKK |

## 10. Contract work in progress

| | 2023 | 2022 |
|---|---|---|
| Selling price of work in progress | 44,416 | 35,506 |
| Payments received on account | -13,806 | -12,022 |
| | **30,610** | **23,484** |
| | | |
| Recognised in the balance sheet as follows: | | |
| Contract work in progress recognised in assets | 32,597 | 27,284 |
| Prepayments received recognised in debt | -1,987 | -3,800 |
| | **30,610** | **23,484** |

| | 2023 | 2022 |
|---|---|---|
| | TDKK | TDKK |

## 11. Deferred tax asset

| | 2023 | 2022 |
|---|---|---|
| Deferred tax asset at 1 January | 2,864 | 2,630 |
| Amounts recognised in the income statement for the year | 372 | 234 |
| **Deferred tax asset at 31 December** | **3,236** | **2,864** |

## 12. Prepayments

Prepayments comprise prepaid expenses relating to concluded contracts, rent, licences, telecommunications and insurance premiums, etc.

| | 2023 | 2022 |
|---|---|---|
| | TDKK | TDKK |

## 13. Other provisions

| | 2023 | 2022 |
|---|---|---|
| Other provisions | 218 | 3,063 |
| | **218** | **3,063** |
| | | |
| The provisions are expected to mature as follows: | | |
| Within 1 year | 218 | 3,063 |
| After 5 years | 0 | 0 |
| | **218** | **3,063** |

| | 2023 | 2022 |
|---|---|---|
| | TDKK | TDKK |

## 14. Contingent assets, liabilities and other financial obligations

**Rental and lease obligations**

| | 2023 | 2022 |
|---|---|---|
| Lease obligations under operating leases. Total future lease payments: | | |
| Within 1 year | 128 | 381 |
| Between 1 and 5 years | 0 | 128 |
| | **128** | **509** |
| Rental obligations, non-cancellable period of up to six months | 3,720 | 3,597 |

**Other contingent liabilities**

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Casifa 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 unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

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

| | Basis |
|---|---|
| **Controlling interest** | |
| Franz Lorenz, Silkeborg | Controlling shareholder of Casifa ApS |
| Casifa ApS, Silkeborg | Majority shareholder of Tajco Group A/S |
| Tajco Group A/S, Vejle | Shareholder of Tajco A/S |

The Company is included in the Consolidated Financial Statements of the immediate Parent Company Tajco Group A/S and its ultimate Parent Company Casifa ApS.

| Name | Place of registered office |
|---|---|
| Casifa ApS | Silkeborg |
| Tajco Group A/S | Vejle |

## 16. Accounting policies

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

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in TDKK.

**Consolidated financial statements**

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of Tajco Group A/S, the Company has not prepared consolidated financial statements.

**Cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Tajco Group A/S, the Company has not prepared a cash flow statement.

**Recognition and measurement**

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

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

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

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

**Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

**Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

# Notes to the Financial Statements

**Segment information on revenue**

Information on business segments and geographical segments is based on the Company´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

## 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.

**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 comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

# Notes to the Financial Statements

**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 Casifa ApS. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## Balance sheet

**Intangible fixed assets**

Software is measured at cost less accumulated amortisation. Software is amortised over the expected useful life, which is assessed to be three years.

**Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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:

| | |
|---|---|
| Other fixtures and fittings, tools and equipment | 3-8 years |

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

**Impairment of fixed assets**

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

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

**Investments in subsidiaries**

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

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

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

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

# Notes to the Financial Statements

**Inventories**

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

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

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

**Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

**Contract work in progress**

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

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

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

**Prepayments**

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

**Provisions**

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

**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, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities 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

**Current tax receivables and liabilities**

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

**Financial liabilities**

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

## Financial Highlights

**Explanation of financial ratios**

| | |
|---|---|
| Gross margin | Gross profit x 100 / Revenue |
| Profit margin | Profit/loss of ordinary primary operations x 100 / Revenue |
| Return on assets | Profit/loss of ordinary primary operations x 100 / Total assets at year end |
| Solvency ratio | Equity at year end x 100 / Total assets at year end |
| Return on equity | Net profit for the year x 100 / Average equity |