

## **InnoScan A/S**

Sødalsparken 11  
8220 Brabrand  
CVR No. 35386580

### **Annual report 2021**

The Annual General Meeting adopted the  
annual report on 06.07.2022

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**Lars Keinicke Hansen**

Chairman of the General Meeting

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# Entity details

## Entity

InnoScan A/S  
Sødalsparken 11  
8220 Brabrand

Business Registration No.: 35386580  
Registered office: Aarhus  
Financial year: 01.01.2021 - 31.12.2021

## Board of Directors

Sergio Stevanato  
Franco Stevanato  
Marco Stevanato

## Executive Board

Lars Keinicke Hansen

EY Godkendt Revisionspartnerselskab  
Værkmestergade 25, P.O. Box 330  
8100 Aarhus C  
CVR No.: 30700228

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of InnoScan A/S for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

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.

Aarhus, 06.07.2022

## **Executive Board**

**Lars Keinicke Hansen**

## **Board of Directors**

**Sergio Stevanato**

**Franco Stevanato**

**Marco Stevanato**

# Independent auditor's report

## To the shareholders of InnoScan A/S

### Opinion

We have audited the financial statements of InnoScan A/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### 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.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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 note 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.

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

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 06.07.2022

**EY Godkendt Revisionspartnerselskab**

CVR No. 30700228

**Claus Hammer-Pedersen**

State Authorised Public Accountant

Identification No (MNE) mne21334

**Jonas Busk**

State Authorised Public Accountant

Identification No (MNE) mne42771

# Management commentary

## Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
<b>Key figures</b>					
Gross profit/loss	54,941	52,451	33,254	31,453	65,287
Operating profit/loss	(20,304)	(12,376)	(19,721)	(21,507)	2,653
Net financials	(2,322)	(1,646)	(1,019)	884	(845)
Profit/loss for the year	(18,684)	(10,115)	(16,163)	(17,444)	1,407
Total assets	372,784	223,371	136,336	254,459	133,845
Investments in property, plant and equipment	96	0	40	(167)	0
Equity	(14,141)	4,543	14,658	30,821	48,265
Cash flows from (used in) operating activities	(15,085)	7,456	37,193	(21,507)	2,653
Average number of employees	88	87	79	77	86
<b>Ratios</b>					
Return on equity (%)	389.33	(105.36)	(71.08)	(44.11)	2.96
Equity ratio (%)	(3.79)	2.03	10.75	12.11	36.06

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

### Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

### Primary activities

The Company's activity consists in designing, producing and selling complex inspection equipment. The products comprise pharmaceutical inspection machines as well as automatic inspection equipment for food packaging.

Most of the products are developed and delivered for export, and the Company delivers equipment to the world's leading pharmaceutical enterprises.

At year-end 2021, InnoScan A/S had 83 staff members and engaged some regular business partners.

### Development in activities and finances

The income statement for 2021 shows a loss of DKK 18,684 thousand against a loss of DKK 10,115 thousand last year, and the balance sheet at 31 December 2021 shows negative equity by DKK 14,141 thousand. A plan for reestablishing the capital is in place in cooperation with the owner in Italy.

The Parent Company Stevanato Group SpA has confirmed that Stevanato Group SpA will support InnoScan A/S's planned operations for 2022 with the necessary resources. It is management's assessment that necessary credit facilities ensure the company's going concern. Based on that assessment the financial statement is disclosed with going concern.

### Particular risks

InnoScan A/S revenue primarily relates to customer-specific projects. Typically, the projects extend to more than one financial year. This can result in fluctuations in performance from one financial year to the next.

InnoScan A/S operated in an international market and therefore subject to related market trends, but makes an effort to hedge against currency fluctuation and other factors. The vast majority of customers are large and firmly based groups.

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

The Board of Directors and the Executive Board consider the results of operation for 2021 not satisfactory. The results are lower than expected in the annual report for 2020. The lower results of operation are attributable to delays in customer specific projects.

### Outlook

The Board of Directors expects that the Company will generate a higher result in 2021 than in 2020.

The net result is expected to be positive in a range of DKK 0 to DKK 5,000 thousand.

### Knowledge resources

The Company carries out significant development activities and follows defined procedures for Project and Quality Management.

**Environmental performance**

The Company pursues a responsible environmental policy when carrying out its primary activities and activity seeks to employ policies taking into account environmental impact and energy consumption thereof, the Company meets all national regulations regarding environmental matters.

**Events after the balance sheet date**

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

# Income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
<b>Gross profit/loss</b>		<b>54,941</b>	<b>52,451</b>
Staff costs	2	(66,698)	(56,712)
Depreciation, amortisation and impairment losses		(8,547)	(8,115)
<b>Operating profit/loss</b>		<b>(20,304)</b>	<b>(12,376)</b>
Other financial income	3	262	781
Other financial expenses	4	(2,584)	(2,427)
<b>Profit/loss before tax</b>		<b>(22,626)</b>	<b>(14,022)</b>
Tax on profit/loss for the year	5	3,942	3,907
<b>Profit/loss for the year</b>	6	<b>(18,684)</b>	<b>(10,115)</b>

# Balance sheet at 31.12.2021

## Assets

	Notes	2021 DKK'000	2020 DKK'000
Completed development projects	8	22,126	29,267
Acquired intangible assets		0	0
Goodwill		0	0
<b>Intangible assets</b>	7	<b>22,126</b>	<b>29,267</b>
Land and buildings		19,340	20,056
Other fixtures and fittings, tools and equipment		113	47
<b>Property, plant and equipment</b>	9	<b>19,453</b>	<b>20,103</b>
Deposits		6	0
<b>Financial assets</b>	10	<b>6</b>	<b>0</b>
<b>Fixed assets</b>		<b>41,585</b>	<b>49,370</b>
Raw materials and consumables		14,312	12,325
Work in progress		3,563	1,349
Prepayments for goods		721	749
<b>Inventories</b>		<b>18,596</b>	<b>14,423</b>
Trade receivables		115,826	23,320
Contract work in progress	11	189,084	123,125
Other receivables		1,584	11,031
Prepayments	12	462	68
<b>Receivables</b>		<b>306,956</b>	<b>157,544</b>
<b>Cash</b>		<b>5,647</b>	<b>2,034</b>
<b>Current assets</b>		<b>331,199</b>	<b>174,001</b>
<b>Assets</b>		<b>372,784</b>	<b>223,371</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2021 DKK'000</b>	<b>2020 DKK'000</b>
Contributed capital	13	1,000	1,000
Reserve for development expenditure		17,257	22,828
Retained earnings		(32,398)	(19,285)
<b>Equity</b>		<b>(14,141)</b>	<b>4,543</b>
Deferred tax	14	2,365	1,487
Other provisions	15	666	4,352
<b>Provisions</b>		<b>3,031</b>	<b>5,839</b>
Payables to group enterprises		10,000	20,000
Other payables		12,126	4,488
<b>Non-current liabilities other than provisions</b>	16	<b>22,126</b>	<b>24,488</b>
Prepayments received from customers		0	529
Trade payables		181,947	13,438
Payables to group enterprises		171,910	165,662
Tax payable		1,540	0
Other payables		6,371	8,872
<b>Current liabilities other than provisions</b>		<b>361,768</b>	<b>188,501</b>
<b>Liabilities other than provisions</b>		<b>383,894</b>	<b>212,989</b>
<b>Equity and liabilities</b>		<b>372,784</b>	<b>223,371</b>
Going concern	1		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Non-arm's length related party transactions	21		
Group relations	22		

# Statement of changes in equity for 2021

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1,000	22,828	(19,285)	4,543
Transfer to reserves	0	(5,571)	5,571	0
Profit/loss for the year	0	0	(18,684)	(18,684)
<b>Equity end of year</b>	<b>1,000</b>	<b>17,257</b>	<b>(32,398)</b>	<b>(14,141)</b>

# Cash flow statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		(20,304)	(12,376)
Amortisation, depreciation and impairment losses		8,584	8,115
Other provisions		(3,686)	1,408
Working capital changes	17	(3,715)	10,334
<b>Cash flow from ordinary operating activities</b>		<b>(19,121)</b>	<b>7,481</b>
Financial income received		262	0
Financial expenses paid		(2,586)	(25)
Taxes refunded/(paid)		6,360	0
<b>Cash flows from operating activities</b>		<b>(15,085)</b>	<b>7,456</b>
Acquisition etc of intangible assets		(697)	(12,472)
Acquisition etc of property, plant and equipment		(96)	0
<b>Cash flows from investing activities</b>		<b>(793)</b>	<b>(12,472)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>(15,878)</b>	<b>(5,016)</b>
Loans raised		23,243	0
Incurrance of debt to group enterprises		6,248	0
Repayment of debt to group enterprises		(10,000)	0
<b>Cash flows from financing activities</b>		<b>19,491</b>	<b>0</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>3,613</b>	<b>(5,016)</b>
Cash and cash equivalents beginning of year		2,034	7,050
<b>Cash and cash equivalents end of year</b>		<b>5,647</b>	<b>2,034</b>
Cash and cash equivalents at year-end are composed of:			
Cash		5,647	2,034
<b>Cash and cash equivalents end of year</b>		<b>5,647</b>	<b>2,034</b>

# Notes

## 1 Going concern

The Parent Company Stevanato Group SpA has confirmed that Stevanato Group SpA will support InnoScan A/S's planned operations for 2022 with the necessary resources. It is management's assessment that necessary credit facilities ensure the company's going concern. Based on that assessment the financial statement is disclosed with going concern.

By 31. December 2021 the Equity is negative with DKK 14,141 million. A plan for reestablishing the capital is in place in cooperation with the owner in Italy.

## 2 Staff costs

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Wages and salaries	65,965	56,155
Pension costs	443	448
Other social security costs	290	109
	<b>66,698</b>	<b>56,712</b>
Average number of full-time employees	<b>88</b>	<b>87</b>

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

Part of the remuneration to the Company's Executive Board is paid by the Parent Company.

## 3 Other financial income

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Exchange rate adjustments	262	781
	<b>262</b>	<b>781</b>

## 4 Other financial expenses

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial expenses from group enterprises	2,344	1,519
Other interest expenses	139	25
Exchange rate adjustments	101	883
	<b>2,584</b>	<b>2,427</b>

## 5 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Change in deferred tax	(3,942)	(3,907)
	<b>(3,942)</b>	<b>(3,907)</b>

## 6 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Retained earnings	(18,684)	(10,115)
	<b>(18,684)</b>	<b>(10,115)</b>

## 7 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000
Cost beginning of year	55,494	768	1,000
Additions	697	0	0
<b>Cost end of year</b>	<b>56,191</b>	<b>768</b>	<b>1,000</b>
Amortisation and impairment losses beginning of year	(26,227)	(768)	(1,000)
Amortisation for the year	(7,838)	0	0
<b>Amortisation and impairment losses end of year</b>	<b>(34,065)</b>	<b>(768)</b>	<b>(1,000)</b>
<b>Carrying amount end of year</b>	<b>22,126</b>	<b>0</b>	<b>0</b>

## 8 Development projects

Completed development projects relate to the development and test of inspection equipment. The projects were completed during the period 2015-2021 and are amortised over five years.

Development projects in progress comprise inspection equipment. The projects was completed in 2021.

## 9 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	24,467	2,809
Additions	0	96
<b>Cost end of year</b>	<b>24,467</b>	<b>2,905</b>
Depreciation and impairment losses beginning of year	(4,411)	(2,762)
Depreciation for the year	(716)	(30)
<b>Depreciation and impairment losses end of year</b>	<b>(5,127)</b>	<b>(2,792)</b>
<b>Carrying amount end of year</b>	<b>19,340</b>	<b>113</b>

## 10 Financial assets

	<b>Deposits DKK'000</b>
Additions	6
<b>Cost end of year</b>	<b>6</b>
<b>Carrying amount end of year</b>	<b>6</b>

## 11 Contract work in progress

	<b>2021 DKK'000</b>	<b>2020 DKK'000</b>
Contract work in progress	550,436	288,865
Progress billings regarding contract work in progress	(361,352)	(168,188)
Transferred to liabilities other than provisions	0	2,448
	<b>189,084</b>	<b>123,125</b>

## 12 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

## 13 Share capital

	<b>Number</b>	<b>Par value DKK'000</b>	<b>Nominal value DKK'000</b>
Share capital	100,000,000	0.01	1,000
	<b>100,000,000</b>		<b>1,000</b>

Shares rank equally.

There have been no change in the share capital for the past five years.

## 14 Deferred tax

	<b>2021 DKK'000</b>	<b>2020 DKK'000</b>
<b>Changes during the year</b>		
Beginning of year	1,487	6,531
Recognised in the income statement	(3,942)	(3,907)
Regulation relating to previous years	0	(1,137)
Regulation relating to tax credit scheme	4,820	0
<b>End of year</b>	<b>2,365</b>	<b>1,487</b>

## 15 Other provisions

Other provisions comprise warranty provisions and expected losses on construction contracts.

### 16 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK'000	Outstanding after 5 years 2021 DKK'000
Payables to group enterprises	10,000	0
Other payables	12,126	4,488
	<b>22,126</b>	<b>4,488</b>

### 17 Changes in working capital

	2021 DKK'000	2020 DKK'000
Increase/decrease in inventories	(4,173)	683
Increase/decrease in receivables	(165,140)	(91,181)
Increase/decrease in trade payables etc	165,598	100,832
	<b>(3,715)</b>	<b>10,334</b>

### 18 Contingent liabilities

	2021 DKK'000	2020 DKK'000
Recourse and non-recourse guarantee commitments	31,772	56,456
<b>Contingent liabilities</b>	<b>31,772</b>	<b>56,456</b>

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

### 19 Assets charged and collateral

As security for the Company's debt to banks the Company has provided security in the form of floating charts with a limitation of DKK 10 million.

### 20 Related parties with controlling interest

Stevanato Group International A.S., Agatova 22, 84403, Bratislava, Slovakia owns all shares in the Entity, thus exercising control.

### 21 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

## **22 Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Stevanato Group SpA

Via Molinella, 35017, Piombino Dese PD, Italy

Copies of the consolidated financial statements:

Stevanato Group SpA

Via Molinella, 35017, Piombino Dese PD, Italy

# Accounting policies

## Reporting class

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

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

## Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

## Income statement

### Gross profit or loss

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

### Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

**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 include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

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

**Other financial income**

Other financial income are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income, e.g. from group entities and associates, declared dividends from other securities and investments, realised and unrealised capital gains relating to other securities and investments and exchange gains.

**Other financial expenses**

Other financial expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital losses relating to other securities and investments, exchange losses and amortisation of financial assets and liabilities.

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

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

## Balance sheet

### Goodwill

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 5 years.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

### Intellectual property rights etc

Intellectual property rights etc comprise development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is 5 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses.

Patents are amortised on a straight line basis over the remaining term of the patent, and licences are amortised over the term of the licence being currently 4 years.

### Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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:

Buildings	10-25 years
Other fixtures and fittings, tools and equipment	3-4 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.

**Inventories**

Inventories are measured at cost based on weighted average prices. If cost exceeds the net realisable value, write-down is made to such lower value. The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

The cost of raw materials and consumables comprises the cost of purchase plus delivery costs.

**Receivables**

Receivables are measured at amortised cost.

**Contract work in progress**

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

**Prepayments**

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

**Cash**

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in 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.

**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.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

**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.

**Tax receivable or payable**

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed 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, and 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 taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and 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, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.