

# ANNUAL REPORT 2022

**MASH Makes A/S**  
Fruebjergvej 3  
2100 København Ø

CVR-nr: 37 10 20 59  
**Annual report for 2022**

**Jon Skovgaard-Petersen**  
*Chairman of the general meeting*

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# 01 MANAGEMENT COMMENTARY



## Vision

MASH Makes is guided by a vision of a future where **energy production has become a source of positive environmental**, societal and humanitarian impact. In fact, energy - in MASH's vision - can be integrated with carbon removal.

In this vision, the MASH technology platform has become the gold standard for achieving energy solutions that **work with its surroundings creating jobs, biodiversity and a democratisation of energy.**



## Mission

MASH Makes works to realise this vision by developing novel biomass waste to energy and carbon removal solutions, which can be **mass-produced and deployed on a global scale using our unique and highly scalable financing model.**

Each MASH site will feature a number of beneficial integrations with the local context and will - by design - create the basis for even more production sites by proactively **boosting the production of sustainable biomass** from locations that would have otherwise been arid.

## Founded in 2015

MASH Makes was founded by **two PhDs from the Technical University of Denmark**.

At the same time, the company has been engaged in intensive efforts to ensure a **strong product/market fit** - in-depth analyses of markets on five continents and key market insights.

## Since 2015

The company has relied on several rounds of **public and private funding** including from EUDP, Climate-KIC, Innovation Fund Denmark, the EU regional fund, the Danish Maritime Fund, Otto Bruuns Fond, Tranes Fond, Miljø og Energifonden.

The market for MASH Makes' solutions is in the **trillions of euros and it is growing**. To meet this market demand, the MASH Makes model is formulated in a manner where one operation paves the way for future operations.

### 2021

MASH Makes has focused its commercial efforts on the global markets - **the South Asian markets and several Sub-saharan** and southern African countries have been identified as particularly attractive.

### 2022

Was the year where the **necessary funding was secured for initiating our first two first SPV sites** and where ground was broken on the first site. This was also the year where we secured the **world's largest ever contract for biochar carbon removals**.

2022 was the year where MASH invested heavily in **building in-house facilities for validating and de-risking fuel products**, allowing for testing at elevated pressure, temperature and in a wide range of scaled down versions of commercial infrastructure.

This was also the year where **world class validation activities were initiated within the use of biochar** - finally bringing the effects of this world changing soil amendment product out of the academic realm and into concrete reality.

Also, showing that our carbon removal model is indeed attractive, **we were happy to sign a contract with Microsoft** (one of the most diligent buyers).

### As of early 2023

SPV 01 site is in place and we have taken delivery of our first pyrolysis unit, **kicking off a new commercial era for MASH Makes**. The second site, which is currently being planned - to be operational by the end of 2023.

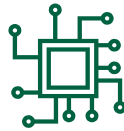
MASH have **received a substantial EU Horizon grant** for the continued development of its gasification platform. With this grant, the continued development of the gasifier platform as a solution for reaching a number of high value energy commodity targets is all but secured.





## INDO-DANISH

high-tech green power company  
created for global growth



## MASH MAKES TECHNOLOGY

A superior and scalable  
technology platform enabling  
unprecedented impact



## WORLD'S FIRST

profitable CO2 negative  
bioenergy company



## ACTIVE

test-production plant and is now starting  
the commercial expansion of bioenergy  
production and carbon removal.



## GIGATONNE POTENTIAL

Using and scaling biomass residues  
for the benefit of the planet



**Finalist**  
in the climate category  
of 2022 World Changing  
Ideas Awards



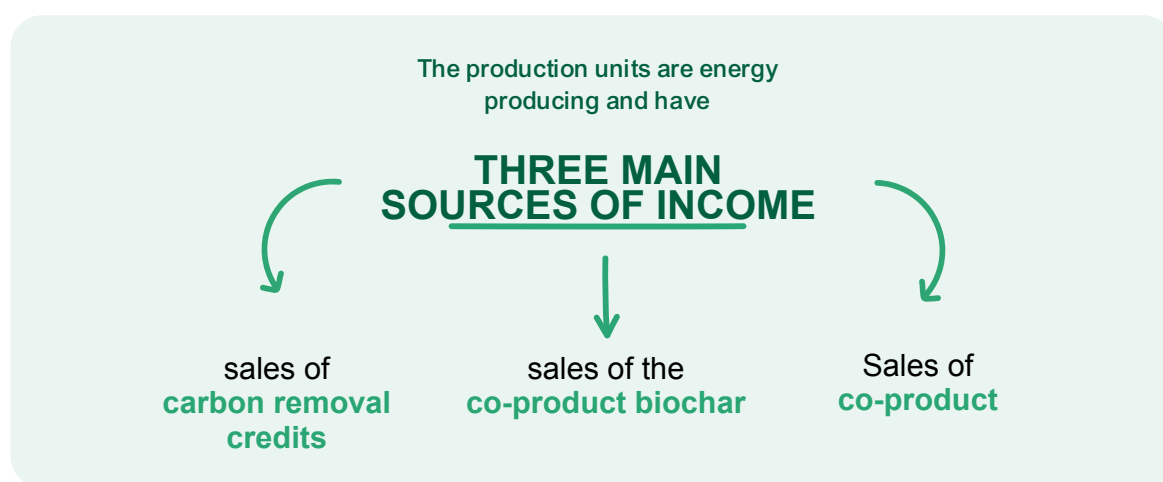
Using their uniquely rigorous methodology,  
**Giving Green identified MASH Makes  
as one of the five best carbon removal  
initiatives** for businesses.

**Business Insider listed MASH Makes  
as one of 11 global carbon removal  
startups to follow.**

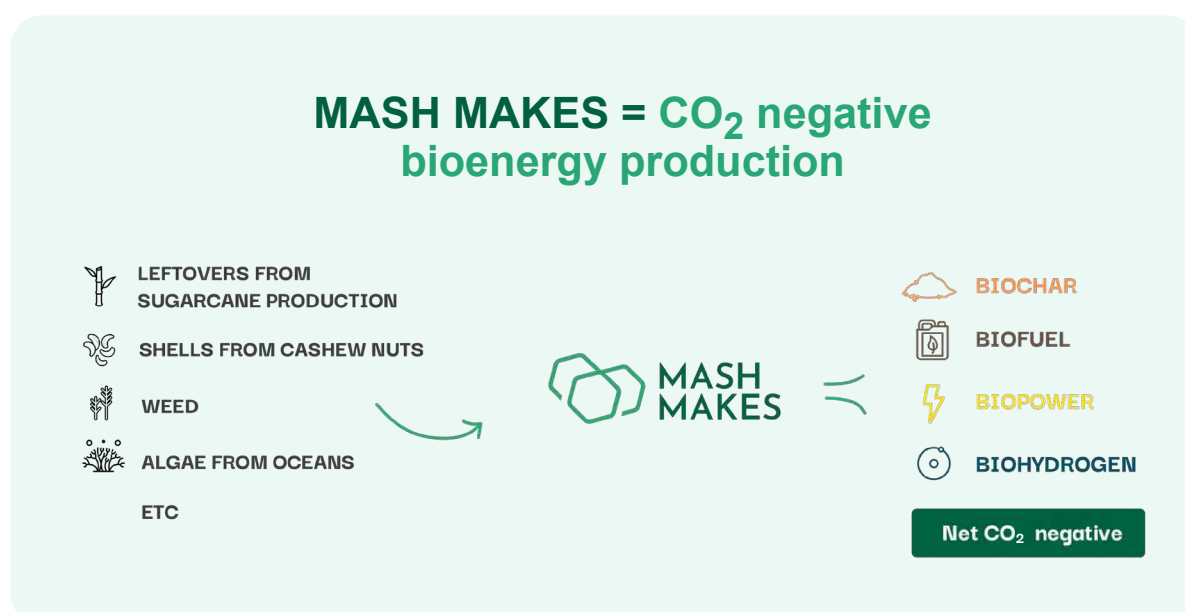
## About the MASH platform and commercial strategy

The MASH Makes technology transforms biomass residues into valuable bio energy commodities and a carbon-rich substance called “biochar”, which can be added to soil resulting in sequestration of carbon and the associated sale of so-called carbon removal credits.

As the energy- and biochar components are inextricably linked, the energy components are inherently carbon negative. A simple characteristic that has massive implications.



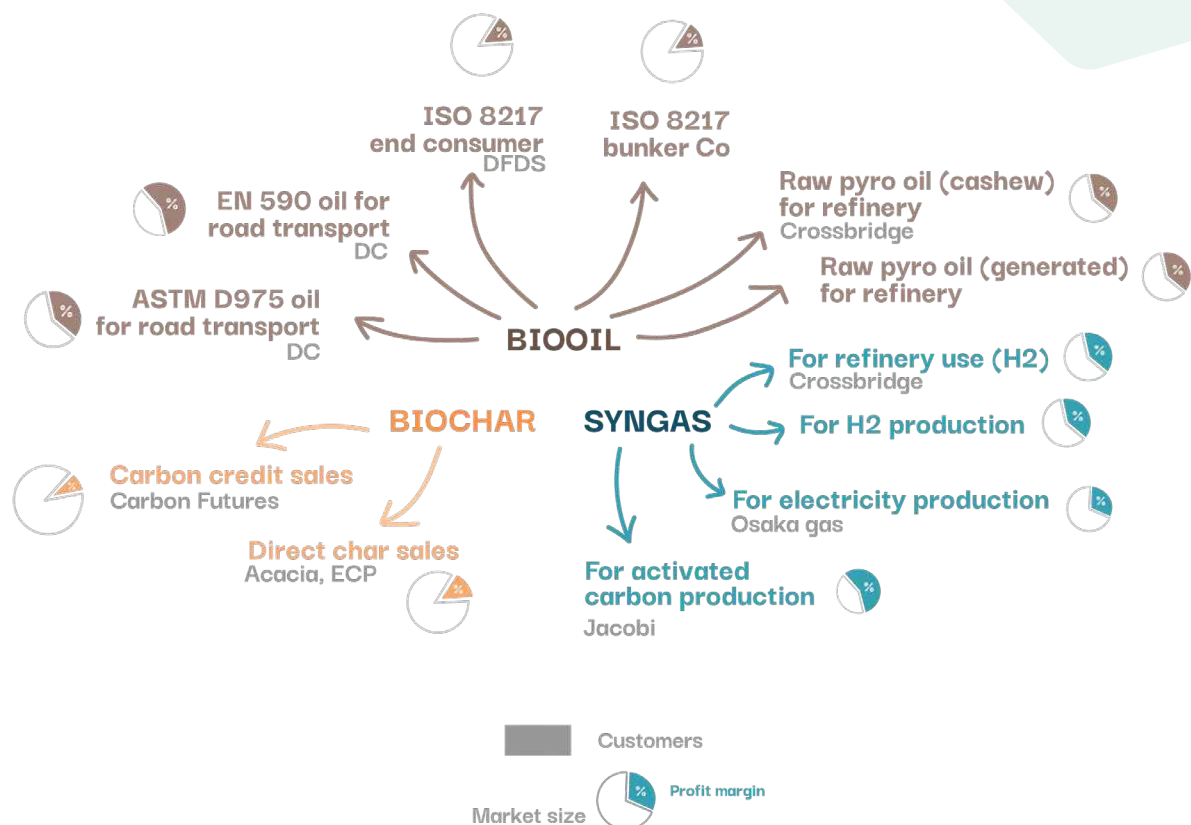
In addition to these, depending on site and biomass input used, there is the possibility of adding revenue from waste disposal (e.g. for sewage sludge) and outright sales of biochar.



In producing its carbon negative energy, sustainable biomass inputs need to be sourced. To achieve this, MASH Makes exclusively **uses biomass residues and invasive plant species, which do not have a sustainable, alternative use**. These residues include cashew shell press cake, saw dust, invasive species like Prosopis Juliflora, impregnated wood, sewage sludge and many other sources. The common denominator is that all of these materials are made of hydrocarbons like cellulose, lignin, proteins etc.

Such biomass residues are rarely found in large piles waiting to be utilised. Rather, **these resources are scattered across large areas, leading to an inherent optimisation problem of balancing cost of transport with the economies of scale** involved in running a large processing plant.

However, MASH Makes has shown that small scale machines can be produced that achieve the efficiencies normally seen for large plants, while at the same time being deployable to decentralized locations. **In short, MASH puts the processing plant where the resource is and instead transports the far more valuable energy commodity (e.g. bio fuel) from there.**



# UN Sustainable Development Goals

The MASH Makes business model directly supports no less than eleven of the UN Sustainable Development Goals



## No poverty

by democratising the ownership of energy systems



## Zero hunger

by creating arable land for food production



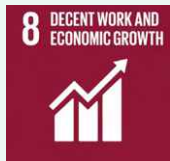
## Clean water and Sanitation

by producing biochar / activated carbon for water cleaning



## Affordable and Clean Energy

by producing GHG negative energy from decentralised locations



## Decent Work and Economic Growth

by creating jobs in production of energy, biochar and farming



## Industry Innovation and Infrastructure

by displacing fossil fuels and unsustainable chemicals



## Sustainable Cities and Communities

by providing in-situ, scalable waste disposal



## Responsible Consumption and Production

via energy provision for e.g. cold chains



## Life on Land

by aggressively combating desertification and bolstering biodiversity



## Climate Action

by providing cheap, scalable and direct GHG removal mechanisms



## Partnership of the Goals

by partnering with NGOs to optimize impact



## Special Purpose Vehicles (SPVs)

As mentioned earlier, MASH Makes is deploying its platform by way of a series of dedicated legal entities known as Special Purpose Vehicles (SPVs). **Each SPV will utilize MASH Makes' technology and will be tailored to the local supply chain of available biomass and energy needs.** This SPV model will be akin to a franchise concept, where MASH Makes will provide all technology, inputs, outputs, management and operations.

This SPV model has a built-in resilience that allows for operation at different levels of complexity, depending on what makes most sense for the site. MASH Makes will always initiate operations based on a simple model using off-the-shelf, proven technology. **By doing this, MASH Makes also gets the quickest possible validation of the all important biomass supply chain.**

Then, depending on which technological and commercial milestones are reached, new processes can be deployed, adding revenue streams and improving margins. **The SPVs will be funded either by MASH Makes, external investors or a combination of both, this model for financing the SPVs will allow for fast growth without choking in lack of capital.**

MASH Makes will provide the SPV with a full functional production facility, and make revenues from selling and servicing the technology. Additional revenue will come from trading with the raw material and finished goods.

**MASH Makes standard SPV's consists of 4 pyrolysis machines. On a yearly basis the SPV has the capability to turn 25.000 tons of cashew shell press cake into:**



**20.727 tCO<sub>2</sub>e of carbon credits**



**4.744 tons of ISO8217 bio oil**



**7.240 tons of EBC FeedPlus grade biochar**

**The investors in the SPVs will make dividends from one of the four business opportunities under the SPV model**



First machine is ready and contract generating income from carbon removal rights is signed and first commercial batches of biochar have been produced.



A technique to produce high grade biofuel is ready and can now be income generating.



Our engineering prototype has proven the concept July 2021. Learnings from these test campaigns have been in the product specifications. First production line machine has been ordered with an expected delivery time before the Summer of 2023.



We are in dialogue with a large, strategic technology partner on providing a joint solution. Several customers have shown interest in this.



## Status on SPVo1

During the last three quarters of 2022, work on the SPV01 site massively picked up pace on four key fronts:



The site preparations



The balance of plant /  
civil structures



The manufacturing of the first  
commercial MASH pyrolysis machine



Hiring of site staff

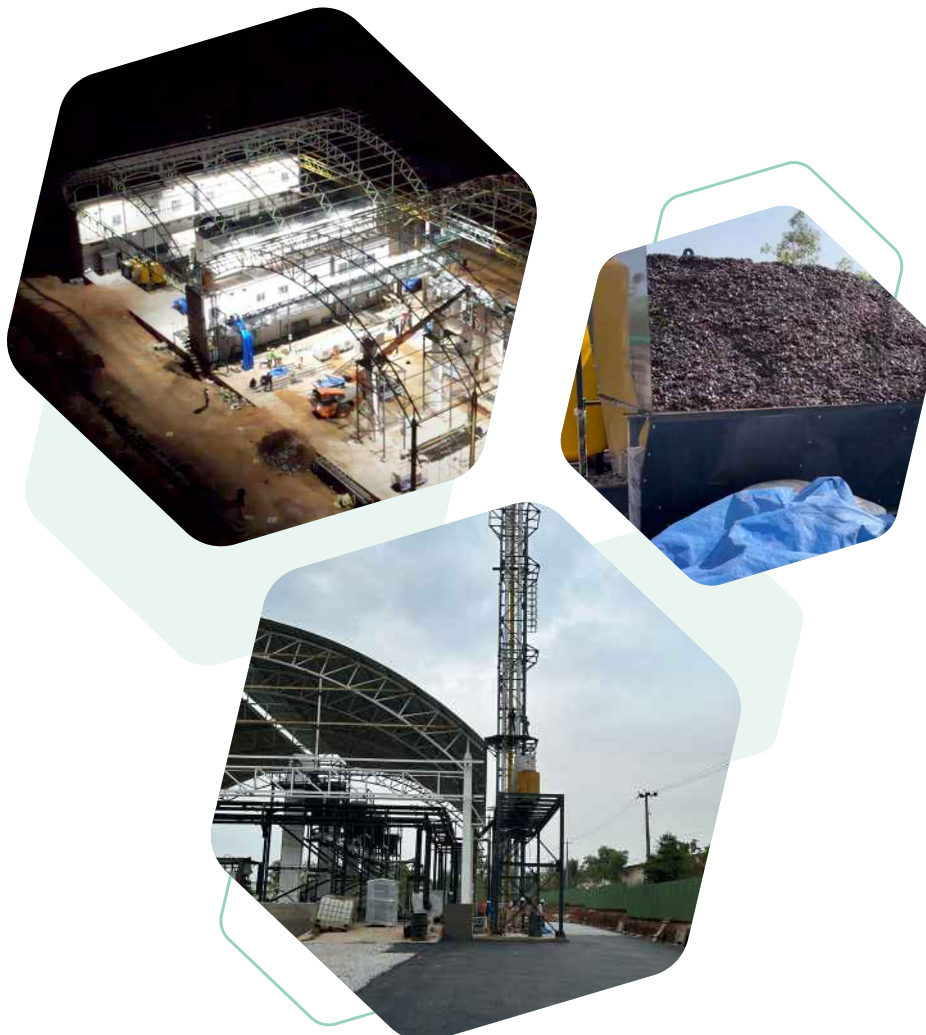
Although some overshoot in both time and CAPEX was experienced, the MASH team managed to largely adhere to the designated budgets and time schedules and deliver systems of a quality surpassing our expectations.

To achieve this, we have engaged heavily with our core partners within civil contracting, recruitment, equipment supply and manufacturing. **This deep engagement has also allowed for strategic alignment for future sites, which will be delivered quicker, at lower cost and perhaps at (even) better quality.**



On the HR side, we have managed to attract uniquely competent management profiles to the first (and second) SPV site. These managers will be learning massively and will likely serve an important role in streamlining the roll out and commissioning of future sites. On the labour side, we have established good partnerships with local recruitment firms that enable us to recruit in a scalable, but also equitable manner.

**The culmination of these efforts was on May 3rd where - for the first time - biochar and bio oil were flowing from the first pyrolysis unit at SPV 01.** This commencement of production has been long awaited by us, but also by our partners and customers.



## Chairman's statement

**2022 has truly been an exciting year for the company with achievements very much in line with our strategy:**



Our SPV-setup has been launched in a period of uncertainty caused by the war in Ukraine. Despite this, investors have found confidence in our offering allowing us to establish our first full scale production facility in India



While this annual report is being released the pyrolysis unit at the production site is undergoing commissioning



MASH Makes succeed in entering a very large commitment on presale of carbon credits which secures offtake for the SPV



The industrialization of our gasifier unit is being finalised at our South African sourcing partner. While each of the technologies offer sound business cases individually, the potential combination of the technologies promises even better options for viable deployment to the benefit of the green transition and our shareholders



During 2022 the MASH Makes team has been strengthened by attracting experienced talent

I would like to express my sincere gratitude to SPV investors, shareholders for their faith in the company and not least to the committed team of MASH Makes that has worked hard to realise vital milestones.

During my 2 years tenure as chairman the company has matured significantly. Now that both the pyrolysis and gasifier units have been prepared for manufacturing and subsequent deployment in a strong SPV setup, I feel privileged and proud to have been part of this development. Also the company has matured in terms of governance and professionalism ready for the next growth phase: scaling the business commercially and financially. While I trust I have supported Mash Makes's development journey, I also believe that the company needs a chairman with a different profile going forward.

**I believe that the company is very well positioned to embark on the growth journey to execute on the strategy and I look forward to following the company as a regular shareholder.**

**Peter Lindholst**

*Chairman of the board*





## Business highlights

### Technological progress

2022 was the year where MASH's technological platform started moving from a mature, near-commercial pilot phase to a fully fledged commercial phase with assembly line capable solutions at its core.



### Pyrolysis platform - going commercial

In March of 2023 the first commercial, assembly line pyrolysis machine rolled off the line at our manufacturing partner's site in Pune. The first in an order of four machines to be delivered to SPV01, this machine is the ultimate manifestation of MASH Makes' modular, container-centric, assembly line production focus.

Fitting snugly in a 40 foot container, one will be pressed to find anything nearing this processing capacity and level of functionality enclosed in such a compact form factor.

In having achieved this form factor and level of functional integration, MASH and our SPVs are now poised to reap the benefits of this strategy: Assembly line quality and pricing, ease of (re-) deployment, superior serviceability, minimal footprint and a **capability of sequestering 25.000 tons of CO<sub>2</sub> annually.**

MASH Makes standard SPV's consists of 4 pyrolysis machines. On a yearly basis a SPV has the capability to turn **25.000 tons of cashew shell press cake into 20.727 tCO<sub>2</sub>e of carbon credits, 4.744 tons of ISO8217 bio oil and 7.240 tons of EBC FeedPlus grade biochar.**

Having learned from its predecessor, the full scale pilot machine still being operated at our test site in Khopoli, India, this machine manages the unique feat of hitting extremely stringent commodity targets on not just one, but two fronts - biochar and bio oil. In reaching this compliance level, the pyrolysis machine can be used as a direct enabler for a diversified range of attractive revenue streams.



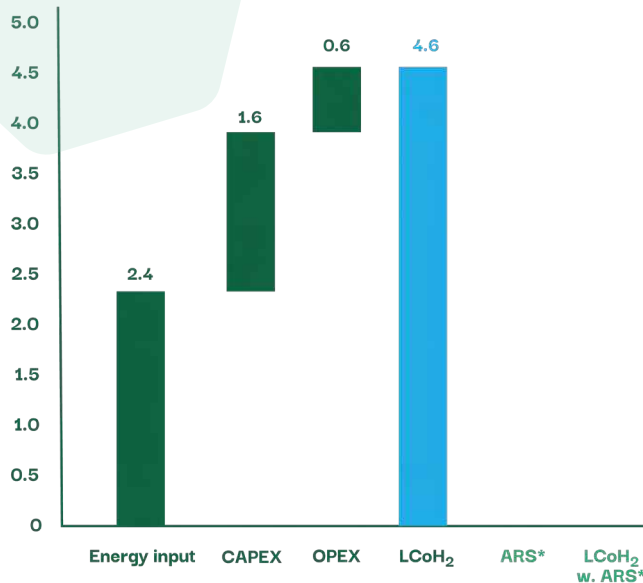
### **Gasifier - hurdles past and commercial unit imminent**

Despite having faced some delays - in large part driven by the international shortage of semiconductors - the first commercial gasification unit is slated to roll off the assembly line in South Africa before the Summer of 2023.

In parallel with this, we are planning on showcasing the gasifier's hydrogen production capability during the Summer of 2023 with support from the Danish EUDP fund. Our in-house calculations indicate that this mode of H<sub>2</sub> production is extremely competitive in terms of levelised cost, even beating grey hydrogen in certain scenarios.

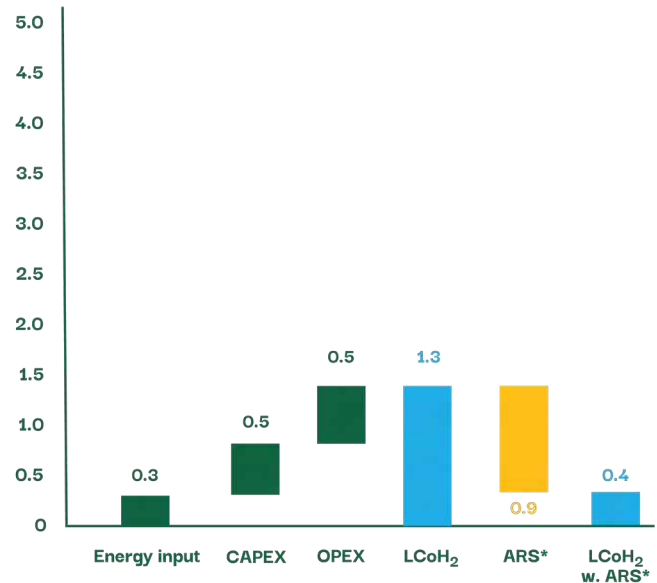
In moving forward, the gasifier will become an increasingly important part of MASH's tech stack. This is because it will facilitate the transition from carefully curated biomass residue inputs and similarly constrained outputs to a true biomass agnostic platform able to target a wide range of attractive energy commodities.

Levelised cost of H<sub>2</sub> (LCoH<sub>2</sub>) - Electrolyzer  
USD / kg H<sub>2</sub>



\*Additional revenue streams

Levelised cost of H<sub>2</sub> (LCoH<sub>2</sub>) - Gasifier  
USD / kg H<sub>2</sub>



## Value of IP – patents applied for

MASH Makes derives its technological prowess directly from the Technical University of Denmark (DTU). Much of this knowledge has been published and is therefore not patentable. However, there is a **significant amount of trade secrets associated with the operation of the thermo-chemical technologies developed at DTU.**

To ensure privileged access to these technologies, MASH Makes has entered into an exclusive agreement with the technology inventors, prohibiting any sharing of process specific IP with 3rd parties within the technological bounds of the MASH Makes platform.

However, the MASH Makes IP strategy goes beyond the protection of trade secrets; in the in-house R&D efforts, several patentable inventions continue to be made. We will be using the second half of 2023 to push for as many of these to become formal applications.

The yet-to-be-applied-for patents feature inventions specific to the MASH process and cost savings and/or efficiency gains there. Such patents on efficiency gains or cost savings will of course only be pursued if a significant business potential is determined.

## Khopoli Test Center - a clearing house for future, high impact SPV concepts

A key activity in 2022 has been the moving of our original test centre in Ahmedabad to Khopoli in Maharashtra. In doing so, we have not just moved to a far more capable and expandable site, we have also dramatically upgraded our machine facilities to enable precise, quick and efficient validation of future biomass residue resources and technological concepts.

The site now features an upgraded version of our pilot pyrolysis machine, with subsystems made to match those on the commercial model - thus allowing for a 1:1 correspondence between pilot testing and commercial applicability.

Khopoli is also where we are hosting our fuel validation setup, which features diesel injection testing (with fuel recirculation) and small-bore engine testing as part of a newly-devised structured validation strategy.

On the HR side, we have developed a unique in-house depth of experience with running our thermochemical machines, but also - as alluded to above - capabilities within engine testing and optimisation.

## Chemical Lab (Navi Mumbai, Turbhe)

To increase our turn-around time and repeatability on oil and biochar testing, we have established a high quality test lab in Navi Mumbai. **Here, we can test our fuel products for compliance within days, not weeks and quickly validate solutions for upgrading or use of our process outputs.** The lab has already uncovered a range of scalable and highly effective solutions for modifying basic properties of our fuel product to reach new commodity targets.

The lab has also enabled us to commence work on a number of potential uses for biochar outside agriculture - specifically in the building industry. In fact, the lab acts as the hub for a number of partnerships aimed at validating the use of biochar as an additive to materials like concrete and asphalt.





## Polyhouse (Navi Mumbai, Belapur) and Field trials

The academic literature on using biochar has exploded over the past decade. Despite very promising results in academia, there was always the question if these results could be directly translated to MASH Makes' own biochar. To close the gap and start showing our customers that our claims of various positive effects on soil and plants, 2022 saw the commencement of a wide range of validation activities for our biochar. This validation has both been done in so-called pot trials in a polyhouse in Belapur, Navi Mumbai, but also in actual field trials at partnership sites.

Happily, the resounding conclusion is that the **MASH biochar has many positive effects that can be translated into attractive value propositions for agricultural and forestry customers alike.**

In fact, recent testing from independent labs have shown that our biochar now adheres to the best-possible quality standard, making it eligible for a so-called FeedPlus certification under the European Biochar Certification (EBC) scheme - this would however require parallel registration of MASH as a feed supplier, which is not a near-term priority.





## Revenue development

In 2022 we achieved our first ever revenue from commercial operations, related to the commissioning of the first sets of the pyrolysis machines. Total revenue contributed to approximately €2m (DKK 16m), fully in line with expectations. In the 2021 report we had anticipated that we would see the first revenue from sale of carbon credits from our test site, this sale has been delayed into 2023 has been delayed as focus has been on research and development activities.

In line with the first commercial profit MASH Makes reports its first ever profit from commercial operations of approximately €90t (DKK 0.7 million) as per the Management review section below.

MASH Makes has received notice of a €1.2 million grant for participation in the Horizont project. This project will make use of the Gasifier that as of december 31th was in the balance sheet as work in progress and will affect the 2023 financials.

## Funding

As announced in last year's report the funding for the first SPV was jointly committed by the Nordic Environment Finance Corporation (NEFCO) and external investors. The funds have been received in MASH makes SPV01 Aps and has been routed to India from where it is invested in the Udupi production site.

Additional funds were raised for MASH Makes as well as the second SVP, **bringing the total amount of capital raised for the group during 2022 up to DKK 39.5 million.**

Deploying new technology will drain the cash position and as such cash management is a top priority. Management believes that the company has the necessary liquidity to continue the company's development, but is also aware that it will require additional liquidity to continue the development at the planned speed. Therefore, management remains in constant dialogue with investors about funding the SPVs as well as the possibilities for additional capital for MASH Makes.

## Management's review

### **Business review**

The purpose of the company is to conduct business within renewable energy, renewable fuels, fertilizers and any related business.

### **Recognition and measurement uncertainties**

The recognition and measurement of items in the annual report is not associated with any uncertainty.

### **Unusual matters**

The company's financial position at 31 December 2022 and the results of its operations for the financial year ended 31 December 2022 are not affected by any unusual matters.

### **Financial review**

The company's income statement for the year ended 31 December 2022 shows a profit of DKK 672.822, and the balance sheet at 31 December 2022 shows **equity of DKK 10.942.183**.



The funds for the first SPV **were paid in full**.



**The first two full scale bio-fuel production sites** was initiated by MASH Makes entering into turnkey / projects contracts with the SPV companies.



First batch of pre-CORCs **sold to Microsoft**.



First commercial (serial produced) **pyrolysis unit was delivered early in 2023**, slightly delayed.

## **Significant events after the end of financial year**

No events have occurred after the balance sheet date which could significantly affect the company's financial position.



## Outlook for 2023

In general, the management views the company's continued development very positively. Not least due to the market for our energy related products, where we are seeing a steady increase in demand following tighter regulation and greater environmental awareness everywhere in the global communities.

An interesting market trend is that the demand for **pre-purchased carbon credits (pre-CORCs) is increasing, opening a new source of funding for the SPVs.**

As our commercial activities scale we will continue to invest in our India subsidiary, this will include converting part of the current intercompany balance into new equity.

In 2023 the MASH Makes group of companies (including the SPVs) will see its first revenue from sale of commercially produced goods. In the parent company this will be reflected as revenue from service fees, dividends in addition to technology fees from the next SPVs to be initiated. **The total revenue budget for 2023 is €9 million, subject to the successful technology rollout.**

In 2023 we received a project grant from the Horizont project totalling 1.2 million Euro. The objective of the grant is to contribute to Africa meeting their SDG7 targets by 2030 as well as achieving their goal of providing energy access to all Africans by 2040 and attaining climate neutrality in 2063. MASH' role is to provide the project with our gasifier technology which will assist the efforts of demonstrating and validating a scalable energy solution for the African continent.

As we continue our commitment to research and development the EBIT result for 2023 is expected to be insignificant.

Based on the before mentioned funding and operations activities the net cash flow is expected to be positive.

## Particular risks



### Organizational risk

MASH Makes expects to grow strongly in the coming years and is dependent on being able to attract and retain the necessary competencies in Denmark, as well as India and new markets as they are added. MASH Makes strives to be an **attractive workplace** that offers employees at all levels good conditions. Especially at the **production facilities, safety will be a focus area across all geographies.**



### Technological risk

As evidenced by the section on IP above and the capitalisation of development efforts in 2021, **the MASH Makes technology platform has matured significantly over the past years.** This is of course further evidenced by the decision to proceed with commercial production of the gasifier and the pyrolysis machine. With the first running of the commercial pyrolysis machine, the technical risk for that platform is dropping significantly.

Having said this, these machines are instances of an advanced technology area, which has previously troubled very competent organisations. The current level of operational validation and the strong collaboration with DTU mean that we consider the major hurdles to be passed and that we are strongly positioned to deal with any issues that might arise going forward. However, it is important to note that operating machines over months and years will reveal very different issues as compared to operations on a trial basis. To deal with issues that are likely to arise in the continued operations, **MASH has recruited several experienced engineers with strong backgrounds in plant operations and - monitoring.**

It is still the company's expectation that even the commercial units will see increased down time in the first year of operation, which is why this is always taken into account in our financial modelling.



## Country risk

By design, the MASH Makes technologies **will be deployed where the biomass is located, which in many cases means emerging economies**. MASH Makes does not act politically but deals with conditions in the individual markets including the social, political and economic uncertainties, and more specifically the extent to which this uncertainty can pose a threat to employees or potential losses for either MASH Makes or the investors in the production facilities. At present, MASH Makes is primarily engaged in India and we see no significant risks associated with this as this is effectively our home market.



## Supply chain risk

Any business engaged in biomass supply chains will be subject to risks associated with **variations in outputs (e.g. due to droughts), competition for the resource (if commoditised), bureaucracy, corruption etc.** To abate these risks, MASH Makes designs its plants to be easy to deploy and extract.

Also, plants are designed based on contingent biomass supplies, which can be mobilised if the main source of input is somehow compromised. To ensure proper leverage and to avoid over-reliance on single suppliers, MASH has secured a much larger volume of supply than needed at this time from a diverse set of vendors.



## Currency risk

As present state, the **currency risk is not significant, equipment are traded in euros**. A significant part of MASH Makes' organization is hired and paid locally in India, but since this is also where the first SPV is rolled out, there are good opportunities to make local hedges on rupees.





## Commodity risk

The prices MASH Makes can obtain for its technologies and related depend on the profitability of the plants. **The production units are energy producing and have three main sources of income; sales of carbon removal credits, sales of bioenergy and, to a lesser extent, sale of the by-product biochar.** There is, however, an expectation that the price of biochar will increase due to increased demand and interest. Furthermore the price of biochar in other regions of the world is significantly higher than in India. In addition to this, there might be cases where disposing of a certain biomass residue in itself can form the basis for a revenue stream.

The costs can be divided into two main categories, where the purchase of biomass for bioenergy production is one of the two. **The price of biomass does not fluctuate in line with the market price of energy, e.g. crude oil, as no correlation has yet emerged between biomass and energy prices. The second major category of costs is ordinary operating costs (steel, electricity, wages).** These are expected to rise with inflation, where a significant component is increases in energy prices.

Since the plants themselves are energy-producing, there is a natural hedge to the oil risk.



# 02 **CORPORATE GOVERNANCE**

## Company information

### Company

MASH Makes A/S  
Fruebjergvej 3  
2100 København Ø

CVR-nr: 37 10 20 59

### Bi names

MASH Energy A/S

### Reporting period

1. January - 31. December 2022

### Incorporated

17 September 2015

### Financial year

7th financial year

### Domicile

Copenhagen

### Board of directors

Peter Lindholst (Chairman)  
Morten Lindblad  
Tom Elert Christensen  
Mogens Slot Knudsen  
Thomas James Howard  
Krishna Hara Chakravarty

### Auditors

Boreco  
Statsautoriseret  
Revisionspartnerselskab  
Vindingevej 10  
4000 Roskilde

### Managing director

Jakob Axel Bejbro Andersen

## Key employees



### **JAKOB BEJBROT ANDERSEN, PHD**

*Founder, CEO, Engineer*

Coming from an engineering background, but having worked with technology commercialisation for a decade and an half, Jakob holds a wide range of competencies within business strategy, management and R&D.



### **KRISHNA HARA CHAKRAVARTY, PHD**

*Co-founder, Head of R&D, Process Engineer*

Krishna is MASH Makes' chemical encyclopedia and he holds a deep and practical knowledge of the processes dealt with in our technology platform.



### **ROHIT NAGARGOJE**

*CCO, MD MASH Makes India, Engineer*

Rohit excels in straddling complex business processes within strategy, management, sales and administration. He is holding together and aligning the many organisational activities across the continents, always insisting on commercial relevance.



### **NIRANJANA KOLHE**

*CTO*

To do engineering at the most advanced level you need a world-class CTO like Niranjana. Coming to MASH from a long, successful career in prominent bioenergy companies, he has end-to-end knowledge of how commercially salient engineering solutions are devised, developed, manufactured, deployed and operated. In managing an Indo-Danish engineering organization, Niranjana draws upon his unique experience in working for European companies in India.



## **JESPER EJLERSEN**

*CFO*

Jesper brings a long and successful career to the table in his work as CFO in MASH. Coming to the company at a time where we are transitioning from an R&D outfit to a global scale-up, he has been instrumental in driving and steering this process of change, implementing rigorous, transparent structures while at the same time boosting the commercial exploitation of the company's unique platform.

## **Board of Directors**



## **PETER LINDHOLST**

*Chairman of the board*

Coming from a long and eventful career, Peter has the finger on the pulse in terms of where sustainable solutions are headed and what it takes to commercialise advanced technology.



## **MOGENS KNUDSEN**

*Active Board Member*

The difficult and risky part of any biomass residue based energy system is ensuring stable supply at the right price. With his decades of experience in biomass, Mogens is the in house specialist in taking a business case from Excel to reality.



## **THOMAS HOWARD**

*Board Member and co-founder*

Thomas holds a deep understanding of the commercial, technical and strategic efforts needed in achieving success for advanced technology businesses.



## **MORTEN LINDBLAD**

*Active Board Member*

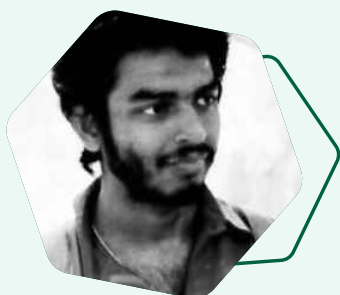
As a trained economist with a successful career behind him in building and listing companies, Morten is responsible for the financial structuring of both MASH and the operational, legal entities established whenever we set up a new plant.



## **TOM ELERT**

*Investor, strategic director, branding/marketing expert and Chairman of Kleangroup.dk*

Tom has a background as strategic planner. For 25+ years he has been a business owner, trusted management and marketing advisor for bold entrepreneurs and leading corporates.



## **KRISHNA HARA CHAKRAVARTY, PHD**

*Co-founder, Head of R&D, Process Engineer*

Krishna spearheads all research-related activities in Denmark in India and as such is in charge of the constant maturation of MASH's technology pipeline, within bio fuels, hydrogen, electricity and biochar.



## ESG

**MASH Makes is at its very core a company built on the ideals set forth in the UN Sustainable Development Goals** - this was covered in some detail in a previous section and will therefore not be re-visited here. Instead, this section will be spent on describing some of the efforts undertaken to ensure that the desired standards for quality of work and transparent business dealings are met. The reporting is inspired by the Ipecia sustainability reporting guidance for the oil and gas industry.

The reporting reflects that our commercial activities are still at an early stage, and thus few ESG metrics can be provided at this time. It is our ambition to improve the use of ESG metrics in the year to follow.



## Governance and business ethics

In MASH Makes, sustainability is a mindset that encompasses all our activities and all employees. That said, sustainability is a management responsibility anchored in the leadership team under the guidance of our CEO. Best practices are documented in global procedures that apply equally to operations in Denmark and India, but amended to local rules.

During 2022 as the business activities have scaled, focus has been on securing business processes that minimise the operational risk as well as the risk of fraud.

Specifically this involves detailed documentation for our operations, Procure to pay (P2P) and Lead to cash (P22) processes.

As part of the implementation of the first SPV the project team, **under the supervision of our CTO, has conducted a substantial risk analysis focused on “equipment risk”, “operational risk” as well as “environmental risk”**. All identified risks have been or will be mitigated by solution design or procedures.

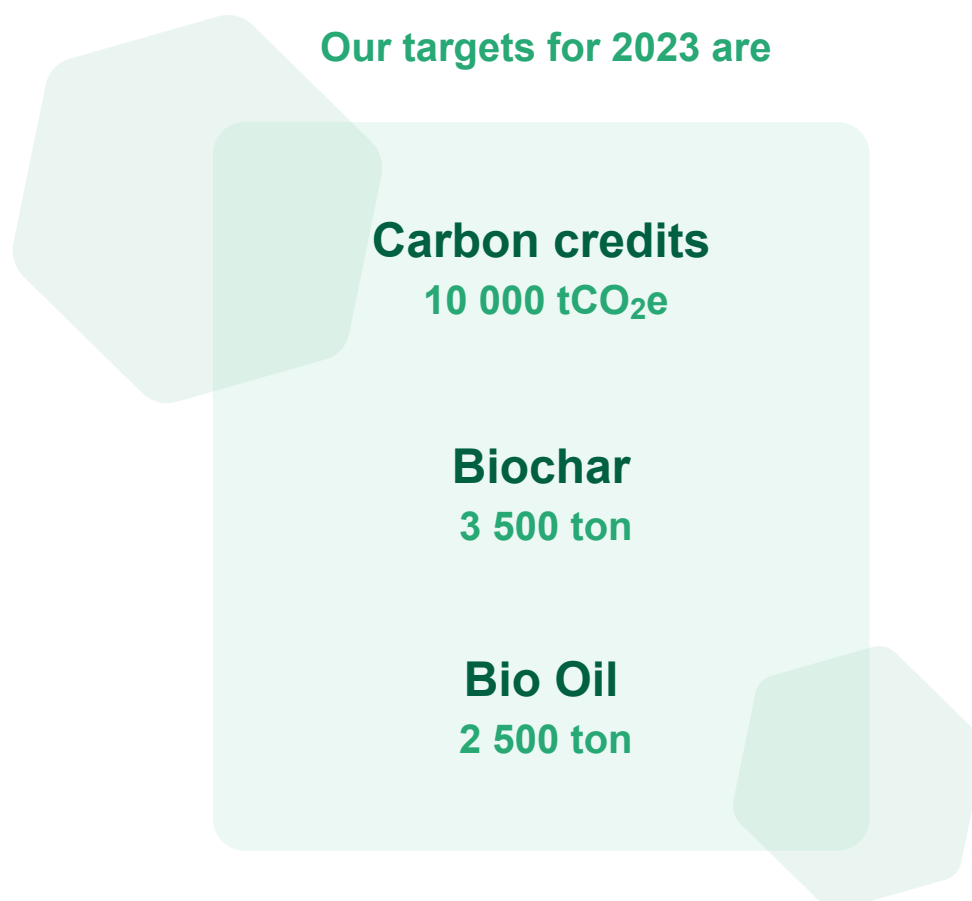
Corruption in any form is contradictory to our values, and given that we conduct business in rural areas of India special focus has been on reducing any use of cash payments and on implementing double approval of all costs to eliminate any risk of payment being made without a specific approved business purpose.

**MASH Makes owes a large part of its achievements to the collaboration with the Technical University of Denmark (DTU).** MASH Makes intends to return dividends on this Danish public sector contribution not just in form of tax proceeds, but also via a sustained collaboration, which hopefully will strengthen the research outputs of DTU.

## Climate change and energy

Reducing the impact of climate change via carbon removal as well as the production of sustainable energy is obviously a **priority since it aligns with the purpose of our company.**

Our focus is on the impact created through the SPVs and beginning from the reporting for 2023 (to be published in 2024) our ambition is to quantify our results in terms of **carbon capture as measured in tons of CO<sub>2</sub> equivalents (tCO<sub>2</sub>e) as well as produced volumes of biochar and bio-oil.**



## Environment

In line with the above, our focus is on the impact created through the SPVs. Deployment of our pyrolysis reactors will reduce air pollution in India (as residuals are not burnt in the field), Capture carbon, thus reducing the free CO<sub>2</sub> levels, and combat desertification by way of establishing fertile lands in otherwise arid areas (as bio-char is deployed). The whole setup is based on utilising waste resources that are otherwise burned or landfilled.

**Our plant GHG balance is certified by the ISCC and European Biochar Certification (EBC) organization.** This certification is in principle scope 3, but it relies on the accounting principles set forth in e.g. the EU Renewable Energy Directive, which does not always capture all relevant emissions contributions (positive and negative) for novel technologies. For this reason, we are lobbying the relevant authorities to gain better coverage of all GHG factors.



As for impact of our operations, we have as mentioned **included a separate section for environmental risk in our Hazard analysis / risk management performed for SPV01 to ensure sustainable operations.** While our pyrolysis reactors are heated with pyrolysis gases that come from the process (self-sustained once started), for now surplus pyrolysis gasses are flared. It is our ambition to work with local partners to find sustainable use cases including process heating where the gas could replace other fuels. More work needs to be done in this field.

Preventing oil spills, that could cause soil pollution, is a priority and as such a focus area in training and procedures. No spills have been reported from any activity at any time.

When looking at the operations of MASH Makes, one area is particularly difficult to manage - the application of biochar and the subsequent afforestation / farming efforts. As this is seen as going beyond the scope of MASH Makes' organisational reach we have instead tried to rely on partnerships with respected NGOs to ensure that these downstream activities are executed safely and fairly.

## Safety, health and security

While not having hard metrics to back our current status MASH Makes, being a Indio-Danish company, put pride in equal treatment of our teams in India and Denmark.

We adhere to Nordic standards when it comes to workplace safety, be it in the construction of our machinery (“maskindirektivet”) or workplace safety. All staff that are to be operating our pyrolysis reactors are trained according to Nordic security standards prior to starting operations. Training currently takes place in one of our two test centres, especially at our sites in India where Health and safety is a key competence.



Today, the bulk of MASH Makes’ employees are located at sites in India - a market with very different labour laws and health and safety regulations than Denmark. **As such, a continuous effort has been undertaken to ensure that employees in India are given safe, healthy and fair working conditions. Due to the hot and humid conditions local practices more often than not include dismissing the use of safety equipment.**

Not only have we made it mandatory for all MASH employees, as well as any subcontractor, to use appropriate safety equipment, supplied by the employer, at all times, we have also conducted campaigns to include employees in defining workplace safety. This will continue to be a priority, and we will continuously improve the safety documentation and procedures.

“

“As a cultural ambassador for MASH, I have the unique opportunity to help shape our company and policies. I am committed to using my voice to create positive change and promote a culture of inclusion and equality. At MASH, we celebrate our cultural differences and strive for mutual respect, we are committed to continuously improving and creating an even more inclusive workplace.”

*Nabina Ganguly*

”

## Social

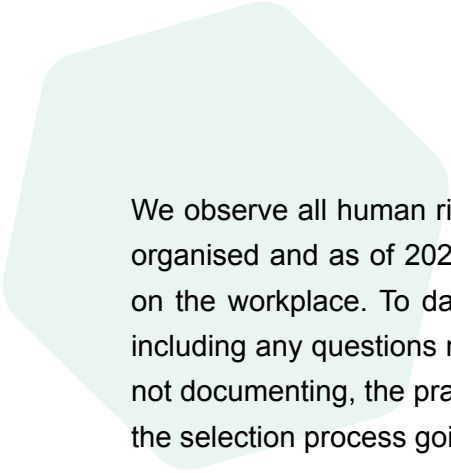
All MASH Makes employees are considered equal, **we do not tolerate any form of discrimination and we work actively to increase the diversity across genders and religion**, allowing for celebration of religious events across cultures.

From the midst of our ranks we have appointed two cultural ambassadors, tasked with relaying the unique culture of the start-up to the growing number of employees in the maturing company.

Given our strong relation to India, we do not consider the local population “indigenous”, we do not measure the ratio of indigenous employees as we do not have operations that conflict with the interest of these.

**We have an explicit policy, as mandated by our CEO, that women need to be considered for all positions, including management positions.** A section on equal employment opportunities is included in our employee handbook. During the reporting period **we have hired more women, bringing the share of women from 5% to 21%**, our ambition for 2023 is that it will increase even further.





We observe all human rights as well as labour rights. All employees have the right to be organised and as of 2023 we will extend the annual appraisal talks to include questions on the workplace. To date suppliers have been chosen for their professional skills, not including any questions nor scoring on human rights”. We’re constantly monitoring, albeit not documenting, the practices of suppliers in this field. It is our ambition to include this in the selection process going forward.

Being a start-up we have not provided specific investments nor donations to local communities, we do however encourage members of the local community to become part of our operations. **All equipment is produced locally providing local jobs, and the production facilities are placed close to the feedstock to avoid unnecessary transportation.** But beyond engaging as subcontractors and suppliers we encourage local investments in the SPV to achieve better anchoring of projects in the local community. It is our ambition to have the first site that is funded via local equity in place during 2023.

“

**“MASH values an inclusive company culture where everyone feels welcome and respected. By recognizing and understanding the diverse cultures within our company, we foster creativity and strive for excellence in all areas of our business.”**

*Rasmus Bruun Sleimann*

”

## **Statement by management on the Annual Report**

The supervisory board and executive board have today discussed and approved the annual report of MASH Makes A/S for the financial year 1 January - 31 December 2022.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2022 and of the results of the company's operations for the financial year 1 January - 31 December 2022.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen 17 May 2023

### **Executive board**

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Jakob Axel Bejbro Andersen  
CEO

### **Supervisory board**

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Peter Lindholst

Morten Lindblad

Tom Elert Christensen

Mogens Slot  
Knudsen

Thomas James  
Howard

Krishna Hara  
Chakravarty

# Independent auditor's report

To the shareholder of MASH Makes A/S

## Opinion

We have audited the financial statements of MASH Makes A/S for the financial year 1 January - 31 December 2022, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

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

## 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' 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 and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Management's responsibilities for the financial statements

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

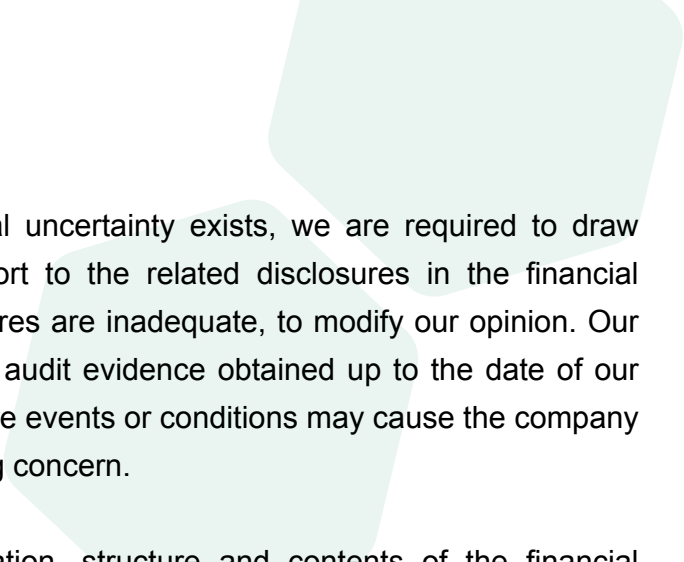
In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either 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 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:

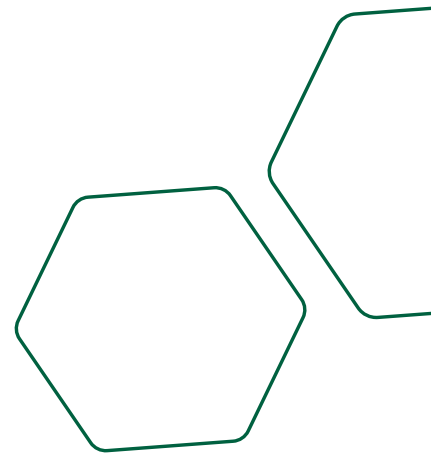
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.





## 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, we conclude that 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 of management's review.

Roskilde, 17 May 2023

Boreco  
Statsautoriseret  
revisionspartnerselskab  
CVR no. 36 07 49 81

Simon Daniel Elvemand  
statsautoriseret revisor  
MNE no. mne45890

# 03 FINANCIAL STATEMENTS

## Income statement 1 January - 31 December

	<u>Note</u>	<u>2022</u> DKK	<u>2021</u> DKK
<b>Gross profit</b>		<b>8.621.940</b>	<b>1.141.390</b>
Staff costs	1	<u>3.995.881</u>	<u>1.126.645</u>
<b>Profit/loss before amortisation depreciation and impairment losses</b>		<b>4.626.059</b>	<b>14.745</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		3.652.207	1.116
Other operating costs		<u>42.220</u>	<u>0</u>
<b>Profit/loss before net financials</b>		<b>931.632</b>	<b>13.629</b>
Financial income		46	0
Financial costs		<u>258.856</u>	<u>108.645</u>
<b>Profit/loss for the year</b>		<b><u>672.822</u></b>	<b><u>95.016</u></b>
<b>Recommended appropriation of profit / loss</b>			
Retained earnings		<u>672.822</u>	<u>95.016</u>
		<b><u>672.822</u></b>	<b><u>95.016</u></b>

## Balance sheet

### 31 December

	<u>Note</u>	<u>2022</u> DKK	<u>2021</u> DKK
<b>Assets</b>			
Other fixtures and fittings, tools and equipment		6.346	11.752
Property, plant and equipment in progress		<u>0</u>	<u>3.646.801</u>
<b>Tangible assets</b>	<b>2</b>	<b><u>6.346</u></b>	<b><u>3.658.553</u></b>
Investments in subsidiaries	3	1.172.653	1.172.653
Investments in associates	4	80.000	0
Receivables from subsidiaries	5	<u>4.184.401</u>	<u>2.594.315</u>
<b>Fixed asset investments</b>		<b><u>5.437.054</u></b>	<b><u>3.766.968</u></b>
<b>Total non current assets</b>		<b><u>5.443.400</u></b>	<b><u>7.425.521</u></b>
Trade receivables		3.725.000	0
Contract work in progress		1.506.209	198.929
Other receivables		0	911.765
Prepayments		<u>25.077</u>	<u>0</u>
<b>Receivables</b>		<b><u>5.256.286</u></b>	<b><u>1.110.694</u></b>
<b>Cash at bank and in hand</b>		<b><u>8.428.668</u></b>	<b><u>2.114.861</u></b>
<b>Total current assets</b>		<b><u>13.684.954</u></b>	<b><u>3.225.555</u></b>
<b>Total assets</b>		<b><u>19.128.354</u></b>	<b><u>10.651.076</u></b>

## Balance sheet 31 December

	<u>Note</u>	<u>2022</u> DKK	<u>2021</u> DKK
<b>Equity and liabilities</b>			
Share capital		454.364	74.667
Retained earnings		10.487.819	6.694.694
<b>Equity</b>		<b>10.942.183</b>	<b>6.769.361</b>
Other payables		3.966.785	3.138.793
<b>Total non current liabilities</b>	<b>6</b>	<b>3.966.785</b>	<b>3.138.793</b>
Other credit institutions	6	32.123	0
Prepayments received from customers		17.880	17.880
Trade payables		325.287	436.823
Payables to subsidiaries		58.510	58.510
Payables to associates		41.693	0
Other payables		3.743.893	229.709
<b>Total current liabilities</b>		<b>4.219.386</b>	<b>742.922</b>
<b>Total liabilities</b>		<b>8.186.171</b>	<b>3.881.715</b>
<b>Total equity and liabilities</b>		<b>19.128.354</b>	<b>10.651.076</b>

## Statement of change in equity

	<u>Share capital</u>	<u>Share premium account</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2022	74.667	0	6.694.694	6.796.361
Cash capital increase	6.362	3.493.638	0	3.500.000
Transfer, reserves	373.335	0	373.335	0
Net profit / loss for the year	0	0	672.822	672.822
Transfer from share premium account	<u>0</u>	<u>3.493.638</u>	<u>3.493.638</u>	<u>0</u>
<b>Equity at 31 December 2022</b>	<b><u>454.364</u></b>	<b><u>0</u></b>	<b><u>10.487.819</u></b>	<b><u>10.942.183</u></b>

## Notes

	<u>2022</u>	<u>2021</u>
	DKK	DKK
<b>01 STAFF COSTS</b>		
Wages and salaries	3.792.628	1.068.901
Other social security costs	61.574	37.343
Other staff costs	<u>141.679</u>	<u>20.401</u>
	<u><b>3.995.881</b></u>	<u><b>1.126.645</b></u>
 Average number of employees	 <u>7</u>	 <u>6</u>

	Other fixtures and fittings, tools and equipment	Other fixtures and fittings, tools and equipment
<b>02 TANGIBLE ASSETS</b>		
Cost at 1 January 2022	12.868	3.773.689
Transfers for the year	<u>3.773.689</u>	<u>3.773.689</u>
Cost at 31 December 2022	<u>3.786.557</u>	<u>0</u>
 Impairment losses and depreciation at 1. January 2022	 1.116	 126.888
Impairment losses for the year	3.646.801	0
Depreciation for the year	5.406	0
Transfers for the year	<u>126.888</u>	<u>-126.888</u>
Impairment losses and depreciation at 31 December 2022	<u>3.780.211</u>	<u>0</u>
 <b>Carrying amount at 31 December 2022</b>	 <u><b>6.346</b></u>	 <u><b>0</b></u>

<b>03 INVESTMENTS IN SUBSIDIARIES</b>		
Cost at 1 January 2022	1.172.653	1.165.179
Net effect from merger and acquisition	<u>0</u>	<u>7.474</u>
Cost at 31 December 2022	<u>1.172.653</u>	<u>1.172.653</u>
 <b>Carrying amount at 31 December 2022</b>	 <u><b>1.172.653</b></u>	 <u><b>1.172.653</b></u>



#### Investments in subsidiaries are specified as follows

	registered office	ownership interest	Equity	Profit / loss for the year
Mash Energy India private Ltd. (INR)	Mumbai	99%	13.861.103	1.229.705
MASH ENERGY TANZANIA Ltd. (TZS)	Dar Es Salaam	99%	20.000.000	0

#### 04 Investment in associates

	<u>2022</u> DKK	<u>2021</u> DKK
Cost at 1 January 2022	0	0
Additions for the year	<u>80.000</u>	<u>0</u>
Cost at 31 December 2022	<u>80.000</u>	<u>0</u>
Revaluations at 1 January 2022	<u>0</u>	<u>0</u>
Revaluations at 31 December 2022	<u>0</u>	<u>0</u>
<b>Carrying amount at 31 December 2022</b>	<b><u>80.000</u></b>	<b><u>0</u></b>

#### Investments in subsidiaries are specified as follows

	registered office	ownership interest
MASH Makes SPV01 ApS	København Ø	10,00%
MASH Makes SPV02 ApS	København Ø	21,60%

The companies have not yet filed its first accounts, which is why equity and the year's result are not disclosed.

## 05 FIXED ASSET INVESTMENTS

	Receivables from subsidiaries
Cost at 1 January 2022	2.594.315
Additions for the year	4.875.741
Disposals for the year	<u>-3.285.655</u>
Cost at 31 December 2022	<u>4.184.401</u>
<b>Carrying amount at 31 December 2022</b>	<b><u>4.184.401</u></b>

## 06 LONG TERM DEBT

	<b>2022</b> DKK	<b>2021</b> DKK
<b>Other payables</b>		
Between 1 and 5 years	<u>3.966.785</u>	<u>3.138.793</u>
Non-current portion	<u>3.966.785</u>	<u>3.138.793</u>
Other short-term other debt	<u>3.743.893</u>	<u>229.709</u>
Current portion	<u>3.743.893</u>	<u>229.709</u>
	<b><u>7.710.678</u></b>	<b><u>3.368.502</u></b>

## 07 CONTINGENT LIABILITIES

In their rental agreement the company has committed to a one month termination period.  
The contingent liability amounts to 6 thousand DKK

As security for the company's loan from Vækstfonden. The company has pledged a corporate mortgage of DKK 2,000 thousand in the company's receivables from sales and services, inventories and fixed assets with a total value of DKK 7,372 thousand.

## 08 ACCOUNTING POLICIES

The annual report of MASH Makes A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B entities, as well as provisions applying to reporting class C entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2022 is presented in DKK.

Pursuant to sections §110 subsection 1, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

## **Income statement**

### **Gross profit**

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, work in progress and other operating income less costs of raw materials and consumables and other external expenses.

### **Revenue**

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

### **Expenses for raw materials and consumables**

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

### **Other operating income**

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and items of property, plant and equipment.

### **Other external costs**

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

### **Staff costs**

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

### **Income from investments in subsidiaries, associates and participating interests**

Dividend from investments is recognised in the reporting year in which the dividend is declared. Dividend from participating interests is recognised in the financial year in which the dividend is declared.

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

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

## Balance sheet

### Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self constructed assets comprises direct and indirect costs of materials, components, sub suppliers and wages.

Straight line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3 years	0 %

Assets costing less than DKK 31.000 are expensed in the year of acquisition.

### Investments in subsidiaries

Investment in subsidiaries are measured at cost. If cost exceeds the recoverable amount, a write down is made to this lower value.

### Impairment of fixed assets

The carrying amount of intangible assets, items of property, plant and equipment and investments in subsidiaries, associates and participating interests is tested annually for impairment, other than what is reflected through normal amortisation and depreciation.

### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.



Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

### **Contract work in progress**

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and the expected aggregate income from the individual work in progress. The stage of completion is determined as the share of the expenses incurred relative to the expected total expenses for the individual work in progress.

Where the selling price of work in progress cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual work in progress is recognised in the balance sheet under receivables or payables. Net assets comprise the sum of work in progress where the selling price of the work performed exceeds invoicing on account. Net liabilities comprise the sum of work in progress where invoicing on account exceeds the selling price.

Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

### **Special items**

Special items include significant income and expenses that differ from what management considers part of the company's primary activity.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash and deposits at banks.

## Equity

### Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

### Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set off against tax on future income or as a set off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

### Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

