



Topsil GlobalWafers A/S

Siliciumvej 1, 3600 Frederikssund

CVR no. 37 84 22 22

**Annual report for the period
1 January to 31 December 2023**

Adopted at the annual general meeting on 25 April 2024

Hans Peder Skytte Mikkelsen
Chairman


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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Topsil GlobalWafers A/S for the financial year 1 January - 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023.

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.

Frederikssund, 25 April 2024

Executive board

Hans Peder Skytte Mikkelsen
President

Supervisory board

Hsiu-Lan Hsu
chairman

Wei-Wen Chen
deputy chairman

Hans Peder Skytte Mikkelsen

Liang Shi

Independent auditor's report

To the shareholder of Topsil GlobalWafers A/S

Opinion

We have audited the financial statements of Topsil GlobalWafers A/S for the financial year 1 January - 31 December 2023, 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 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

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:

Independent auditor's report

- 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.

Independent auditor's report

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.

Copenhagen, 25 April 2024

Baker Tilly Denmark
Godkendt Revisionspartnerselskab
CVR no. 35 25 76 91

Ramazan Turan
State Authorised Public Accountant
mne32779

Muqadas Rasheed
State Authorised Public Accountant
mne50154

Company details

The company	Topsil GlobalWafers A/S Siliciumvej 1 3600 Frederikssund CVR no.: 37 84 22 22 Reporting period: 1 January - 31 December 2023 Incorporated: 1 July 2016 Domicile: Frederikssund
Supervisory board	Hsiu-Lan Hsu, chairman Wei-Wen Chen, deputy chairman Hans Peder Skytte Mikkelsen Liang Shi
Executive board	Hans Peder Skytte Mikkelsen
Auditors	Baker Tilly Denmark Godkendt Revisionspartnerselskab Poul Bundgaards Vej 1, 1. 2500 Valby

Financial highlights

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

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	576.137	534.797	315.483	228.912	272.059
Gross profit	190.016	269.726	134.964	103.517	113.233
Profit/loss before net financials	44.029	139.975	30.741	9.731	20.144
Net financials	133	-9.872	-284	1.619	21.839
Profit/loss for the year	33.617	100.116	23.560	8.723	37.534
Balance sheet					
Investment in property, plant and equipment	153.349	77.975	10.626	33.338	33.825
Balance sheet total	681.656	578.141	462.572	423.320	412.065
Equity	479.773	446.156	376.040	352.480	343.758
Number of employees	203	167	140	130	128
Financial ratios					
Gross margin	33,0%	50,4%	42,8%	45,2%	41,6%
EBIT margin	7,6%	26,2%	9,7%	4,3%	7,4%
Return on assets	7,0%	26,9%	6,9%	2,3%	5,1%
Solvency ratio	70,4%	77,2%	81,3%	83,3%	83,4%
Return on equity	7,3%	24,4%	6,5%	2,5%	21,8%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.

Management's review

Business review

Topsil is a world leading manufacturer of ultra-pure silicon for the global semiconductor industry, founded 1959.

Topsil provides tailor-made silicon wafers enabling customers to manufacture energy efficient electronic components. The components are used e.g. for energy transmission, in wind turbines, frequency converters for motors, electricity generation in high-speed trains, and in general providing solutions for electrification of society, enabling fossil fuel free energy.

Customers include large semiconductor companies as well as research institutions worldwide. End products are mainly applied in the transport-, energy- and the industrial sectors.

Topsil is situated in Frederikssund, Denmark. On site are departments for R&D, sales, production, and administration.

In 2016, the semiconductor activities of Topsil were acquired by the global silicon manufacturer GlobalWafers Ltd., Co (GWC) based in Taiwan - one of the three largest suppliers globally.

Products

Topsil silicon is produced by the Float Zone (FZ) method on site in Denmark. The products are capable of operating at the highest voltage levels.

Topsil's three main product types, listed below, are all produced in Frederikssund, available in different diameters, and are all float-zone based:

FZ-NTD – Neutron Transformation Doped silicon is a high-voltage product used primarily in sophisticated power components for large-scale energy and infrastructure projects.

FZ-PFZ – Preferred Float Zone silicon is a medium-voltage product used for example in wind turbines and passenger transport within the consumer segment.

FZ-HPS – Hyper Pure Silicon is a specialty product used in optoelectronics (X-ray and detectors).

Management's review

Financial review

Revenue for the year 2023 amounted to DKK 576.1m, which is 16,9% below the expectations for the year.

The result for the year ended up with a profit of DKK 33.6m compared to a profit of DKK 100.1m in 2022. The result from ordinary operation was lower than the expectations for the year, which was at the level of DKK 75-100m.

Business performance for 2023 was weaker than expected, primarily due to higher prices for raw materials.

The balance sheet amounts to a total of DKK 681.7m, which was an increase of DKK 103.6m compared to 2022. The main reason for the increase in 2023 compared to 2022 was an increase in fixed assets of DKK 121,6m. The Fixed assets amounted to 70.0% of the total assets compared to 61.5% in 2022. Inventories amounted to DKK 134.5m, which was an increase of DKK 58.9m compared to 2022.

Equity amounts to DKK 479.8m of the balance sheet total. This is equal to 70.4% of the total balance sheet amount.

No loans have been granted by external parties as per 31.12.2023.

Target expectations for the year ahead

Demand for Topsil's products among customers remains high and revenue is expected to grow further in 2024. To meet customer demand in the future Topsil will continue to expand production capacity in the coming years.

The total revenue in 2024 is expected to be in the range of DKK 700-800m, and the profit level for 2024 is expected to be in the range of DKK 10-20m.

Risks

Topsil is looking into a year with cost price increases, due to global inflation and higher energy prices at suppliers in general.

Most of the sales in the company is affected by foreign currency, and especially the development of the USD influences sales and earnings.

Topsil is monitoring above closely and act accordingly to minimize the risk.

Knowledge resources

Topsil relies heavily on its knowledge resources of highly skilled specialists and keeps a great focus on being an attractive workplace with highly motivated employees. In order to ensure this, several HR efforts have been implemented, including regular performance interviews to align job and skills requirements. In addition, regular employee surveys are conducted across the organization to gauge the general level of job satisfaction and job motivation. In 2023, the total average number of employees increased by 36, from 167 employees in 2022 to 203 employees in 2023.

Management's review

Research and development

In 2023, development of the next version of 200 mm PFZ with improved product characteristics continued. This product will ensure the sales potential for further expansion of the production volume. Furthermore, there was a great focus on integrating raw material from two new suppliers based on virgin polysilicon and also from internal suppliers in the GWC group based on CZ. Both projects will be finalized in 2024. The year 2023 marked the initiation of a strategic initiative to produce 300 mm FZ, the first phase of which involves raising partial funding from the EU and the Danish government.

Policy for financial risks

Almost all the sales in the company are affected in foreign currencies, and especially the development of the USD influences sales and earnings. TGW minimizes the risk by balancing the flow of USD.

Influence on the external environment

Topsil continuously strives to reduce the energy consumption per produced unit. As the main energy source is electrical power, and the main product is single crystal silicon, the energy consumption is calculated as kWh/kg ingot.

Topsil commits to:

- Comply with all applicable legal requirements, and other requirements accepted by Topsil, related to energy use, consumption and efficiency
- Set clear energy objectives and targets ? allocate resources to meet them
- Prioritize energy efficiency when designing new units, and when purchasing products and services
- Become RE100 by end 2024.

Statutory corporate social responsibility report

We refer to the Global Wafers Co. Ltd. annual report.

The Company established the "Corporate Social Responsibility Best-Practice Principles" according to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," which is available on the MOPS or the Company's official website: (<https://www.sas-globalwafers.com/corporate>)

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Management's review

Statement of the company's diversity policies

Being part of a global company, Topsil regards a diverse workforce as an asset. We hire based on talent and personality and offer equal possibilities to all employees, regardless of background, religion, political conviction, gender or age. We encourage everybody to realize their full potential in accordance with personal ambitions and goals.

We promote a work environment of respect and inclusion and expect our employees to act politically and religiously neutral, when acting on behalf of the company. We acknowledge the right to organize and bargain collectively and do everything in our power to avoid discrimination.

The company does not have guidelines for gender composition. Topsil strives to hire people based on their qualifications. However, we are aware of the importance of a diverse workforce and monitor the gender distribution in our organization continuously.

The Supervisory Board consists of 4 members. The Chairman is a woman, whereas the remaining Board Members are men.

Statement of policy for data ethics

Topsil has a written IT security policy. The policy complies with both Danish and EU law on data and privacy protection (GDPR). The policy describes the rules and principles for handling personal and other data. All employees must sign this policy in connection with the employment contract.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position. We have got notification from one of our raw material vendors that they will stop production by end of 2024. They will honor our agreements for supply. The company had already initiated actions to mitigate any risk of supply before the announcement came.

Income statement 1 January - 31 December

	Note	2023	2022
		DKK	TDKK
Revenue	1	576.137.349	534.797
Other operating income		2.302.577	0
Raw materials and consumables		-329.456.820	-228.247
Other external expenses		-58.967.546	-36.824
Gross profit		190.015.560	269.726
Staff costs	2	-123.925.577	-105.845
Depreciation and impairment of intangible- and tangible assets	3	-22.060.502	-23.906
Profit/loss before net financials		44.029.481	139.975
Financial income	4	4.466.740	300
Impairment losses on financial assets		-4.089.607	-6.590
Financial costs	5	-244.453	-3.582
Profit/loss before tax		44.162.161	130.103
Tax on profit/loss for the year	6	-10.544.904	-29.987
Profit/loss for the year		33.617.257	100.116
Distribution of profit	7		

Balance sheet 31 December

	Note	2023	2022
		DKK	TDKK
Assets			
Completed development projects		12.615.308	15.944
Intangible assets	8	12.615.308	15.944
Land and buildings	9	134.859.425	109.731
Prepayments for property, plant and equipment	9	153.814.074	71.783
Plant and machinery	9	118.185.904	97.182
Other fixtures and fittings, tools and equipment	9	2.671.710	945
Tangible assets		409.531.113	279.641
Other receivables	10	55.097.831	60.054
Fixed asset investments		55.097.831	60.054
Total non-current assets		477.244.252	355.639
Raw materials and consumables		68.113.123	12.970
Work in progress		61.283.600	57.157
Finished goods and goods for resale		5.104.759	5.516
Stocks		134.501.482	75.643
Trade receivables		26.063.723	42.114
Receivables from group enterprises		17.242.524	56.536
Other receivables		11.357.403	15.262
Prepayments	11	14.286.416	17.287
Receivables		68.950.066	131.199
Cash at bank and in hand		960.599	15.660
Total current assets		204.412.147	222.502
Total assets		681.656.399	578.141

Balance sheet 31 December

	Note	2023	2022
		DKK	TDKK
Equity and liabilities			
Share capital		1.000.000	1.000
Retained earnings		478.772.613	445.156
Equity		479.772.613	446.156
Provision for deferred tax	12	20.452.351	18.534
Other provisions		0	4.648
Total provisions		20.452.351	23.182
Prepayments received from customers		5.960.000	0
Total non-current liabilities	13	5.960.000	0
Banks		9.482.120	0
Prepayments received from customers		1.515.274	0
Trade payables		76.857.107	58.632
Payables to group enterprises		55.512.642	27.596
Corporation tax		8.576.376	1.967
Other payables		22.446.270	20.608
Deferred income	14	1.081.646	0
Total current liabilities		175.471.435	108.803
Total liabilities		181.431.435	108.803
Total equity and liabilities		681.656.399	578.141
Contingent liabilities	15		
Mortgages and collateral	16		
Related parties and ownership structure	17		
Fee to auditors appointed at the general meeting	18		

Statement of changes in equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity	1.000.000	445.155.356	446.155.356
Net profit/loss for the year	0	33.617.257	33.617.257
Equity	1.000.000	478.772.613	479.772.613

The share capital consists of 1.000.000 shares of a nominal value of TDKK 1. No shares carry any special rights.

The share capital has not been changed during the last 5 years.

Notes

1 Information on segments

Activities - primary segment

TDKK	HPS	NTD	PFZ	Other	Total
2023					
Revenue	40.548	182.206	332.628	20.756	576.138
2022					
Revenue	43.152	128.301	336.620	26.724	534.797

Geographical - secondary segment

	Asia	Europe	US	Total
2023				
Revenue	314.122	238.800	23.216	576.138
2022				
Revenue	290.064	217.228	27.505	534.797

2023	2022
DKK	TDKK

2 Staff costs

Wages and salaries	112.799.663	97.468
Pensions	9.361.083	7.007
Other social security costs	1.535.821	1.370
Other staff costs	229.010	0
	123.925.577	105.845

Including remuneration to the executive- and supervisory board

	2.837.938	2.488
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Number of fulltime employees on average

	203	167
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3 Depreciation and impairment of intangible- and tangible assets

Depreciation intangible assets	3.329.212	3.511
Depreciation tangible assets	18.731.290	20.395
	22.060.502	23.906

Notes

	2023	2022
	DKK	TDKK
4 Financial income		
Other financial income	701.652	300
Exchange adjustments	3.765.088	0
	4.466.740	300
5 Financial costs		
Other financial costs	244.453	3.582
	244.453	3.582
6 Tax on profit/loss for the year		
Current tax for the year	8.626.728	26.967
Deferred tax for the year	1.918.176	3.015
Adjustment of tax concerning previous years	0	5
	10.544.904	29.987
7 Distribution of profit		
Retained earnings	33.617.257	100.116
	33.617.257	100.116

Notes

8 Intangible assets

	Completed development projects
	DKK
Cost	70.050.553
Disposals for the year	-5.196.132
Cost	<u>64.854.421</u>
Impairment losses and amortisation	54.106.033
Amortisation for the year	3.329.212
Reversal of impairment and amortisation of sold assets	-5.196.132
Impairment losses and amortisation	<u>52.239.113</u>
Carrying amount	<u><u>12.615.308</u></u>

The Company's development projects relates to the optimization and improvement of it's processes for manufacturing silicon crystals in current and new variants. The prerequisite for recognition is a continuing demand for new and existing products. Management expects the prerequisite to be fulfilled.

9 Tangible assets

	Land and buildings	Prepayments for property, plant and equipment	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
	DKK	DKK	DKK	DKK	DKK
Cost	134.559.581	71.783.495	223.058.173	10.764.029	440.165.278
Additions for the year	28.101.143	82.030.579	40.415.453	2.801.497	153.348.672
Disposals for the year	0	0	-7.670.646	-34.495	-7.705.141
Transfers for the year	0	0	-4.819.242	0	-4.819.242
Cost	<u>162.660.724</u>	<u>153.814.074</u>	<u>250.983.738</u>	<u>13.531.031</u>	<u>580.989.567</u>
Impairment losses and depreciation	24.828.200	0	125.876.242	9.819.858	160.524.300
Depreciation for the year	2.973.099	0	13.716.074	1.073.958	17.763.131
Reversal of impairment and depreciation of sold assets	0	0	-6.794.482	-34.495	-6.828.977
Impairment losses and depreciation	<u>27.801.299</u>	<u>0</u>	<u>132.797.834</u>	<u>10.859.321</u>	<u>171.458.454</u>
Carrying amount	<u><u>134.859.425</u></u>	<u><u>153.814.074</u></u>	<u><u>118.185.904</u></u>	<u><u>2.671.710</u></u>	<u><u>409.531.113</u></u>

Notes

10 Fixed asset investments

	Other receivables
	DKK
Cost	60.053.783
Disposals for the year	-4.955.952
Cost	<u>55.097.831</u>
Carrying amount	<u><u>55.097.831</u></u>

11 Prepayments

Prepayments comprise prepaid expenses regarding insurance, heating and other prepaid expenses.

	2023	2022
	DKK	TDKK
12 Provision for deferred tax		
Provision for deferred tax	18.534.175	15.520
Deferred tax recognised in income statement	1.918.176	3.014
Provision for deferred tax	<u><u>20.452.351</u></u>	<u><u>18.534</u></u>
Provisions for deferred tax on:		
Intangible assets	2.775.368	3.508
Property, plant and equipment	13.017.974	10.522
Inventories	4.659.009	4.729
Other taxable temporary differences	0	-225
	<u><u>20.452.351</u></u>	<u><u>18.534</u></u>

Notes

13 Long term debt

	Debt 1 January 2023	Debt 31 December 2023	Instalment next year	Debt outstanding after 5 years
	DKK	DKK	DKK	DKK
Prepayments received from customers	0	7.475.274	1.515.274	0
	0	7.475.274	1.515.274	0

14 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

15 Contingent liabilities

The company has entered into operating leases for TDKK 1.716 per 31 december 2023.

16 Mortgages and collateral

The Company has issued mortgages registered TDKK 100.000 which is secured by land and buildings, with a carrying amount of TDKK 134.860. The mortgages have been lodged as collateral for bank loans.

17 Related parties and ownership structure

Controlling interest

GlobalWafers B.V., A tower, 7 floor, Laan van Langerhuize 1, 1186 DS Amstelveen, Holland.

The basis for controlling interest is due to possession of the majority of the share capital.

Transactions

Only transactions with related parties that are not carried out on market terms are stated in the annual report. No such operations have been conducted for the year.

Notes

17 Related parties and ownership structure (fortsat)

Consolidated financial statements

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

Sino-American Silicon Products Inc. No. 8. Industrial East Road 2 Science-Based Industrial Park, Hsinchu, Taiwan

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

GlobalWafers Co., Ltd. No. 8. Industrial East Road 2 Science-Based Industrial Park, Hsinchu, Taiwan

18 Fee to auditors appointed at the general meeting

Baker Tilly Denmark:

Audit fee

	2023	2022
	DKK	TDKK
	350.000	0
	350.000	0
LPOG ApS:		
Audit fee	0	260
Other assurance engagements	0	30
Non-audit services	50.000	130
	50.000	420
	400.000	420

Accounting policies

The annual report of Topsil GlobalWafers A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large class C entities.

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

The annual report for 2023 is presented in DKK.

Pursuant to sections §86, line 4, of the Danish Financial Statements Act, the company has not prepared cash flow statement, as this is contained in the cash flow statement for GlobalWafers Co., Ltd.

Pursuant to sections §112, 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

Segment information

Information is provided on business segments and geographical markets. The segment information is provided in consideration of the company's accounting policies, risks and management control.

Accounting policies

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.

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

The item Other operating income includes 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, operating losses, indemnities relating to operating losses and conflicts as well as payroll refunds. Indemnities are recognised when it is more probable than not that the company is going to be indemnified.

Other operating expenses

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

Other external expenses

Other external expenses 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.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment comprise the year's depreciation, amortisation 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 realised and unrealised capital/exchange gains and losses on receivables, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

Accounting policies

Tax on profit/loss for the year

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

Intangible assets

Intangible assets comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives between 10-20 years. The determined useful lives are based on a specific assessment of each development project.

Tangible assets

Items of land and buildings, 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. Land is not depreciated.

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
Buildings	20-50 years	0 %
Plant and machinery	10-20 years	0 %
Other fixtures and fittings, tools and equipment	3-6 years	0 %

The useful life and residual value are re-assessed annually. A change is accounted for as an accounting estimate, and the impact on amortisation/depreciation is recognised going forward.

Accounting policies

Gains and losses on the sale of items of property, plant and equipment are calculated as the difference between the selling price, less costs to sell, and the carrying amount at the time of sale. Gains or losses on the sale of items of property, plant and equipment are recognised in the income statement under other operating income or other operating expenses, respectively.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

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.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits at banks.

Equity

Reserve for development costs

An amount corresponding to capitalised development costs is recognised in the reserve. The reserve is reduced as development costs are amortised.

Accounting policies

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.

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.

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Cash flow statement

No cash flow statement has been prepared for the parent company, as the parent company's cash flows are included in the consolidated cash flow statement, see section 86(4) of the Danish Financial Statements Act.

Accounting policies

Financial Highlights

Definitions of financial ratios.

Gross margin ratio	$\frac{\text{Gross Profit} \times 100}{\text{Revenue}}$
EBIT margin	$\frac{\text{Profit/loss before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$