CIPP Holding ApS

Energivej 3

4180 Sorø

CVR no. 40 91 15 53

Annual report 2023

Approved at the Company's annual general meeting on 18 April 2024

Chair of the meeting

Søren Friis Knudsen

Contents

Company details

Name	CIPP Holding ApS
Address, zip code, city	Energivej 3, 4180 Sorø
CVR no.	40 91 15 53
Established	6 November 2019
Registered office	Sorø, Denmark
Financial year	1 January – 31 December
Board of Directors	Søren Friis Knudsen, Chair
	Lars Patrik Nolåker, Vice chair
	Robin Mürer
	Wolfgang Orgeldinger
	Talitha Maja Eber
	Laura Thomas Wand
Executive Board	Nicolai Krøjer Westh, CEO
	Karsten Müller, Director
Auditors	EY Godkendt Revisionspartnerselskab
	Dirch Passers Allé 36, 2000 Frederiksberg

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of CIPP Holding ApS for the financial year 1 January - 31 December 2023.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS®) as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Sorø, 18 April 2024

Executive Board:

Nicolai Krøjer Westh
CEO

Karsten Müller
Director

Board of Directors:

Søren Friis Knudsen
Chair

Lars Patrik Noläkér
Vice chair

Robin Mürer

Wolfgang Orgeldinger

Talitha Maja Eber

Laura Thomas Wand

Independent auditor's report

To the shareholders of CIPP Holding ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of CIPP Holding ApS for the financial year 1 January - 31 December 2023, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with IFRS Accounting Standards (IFRS®) as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

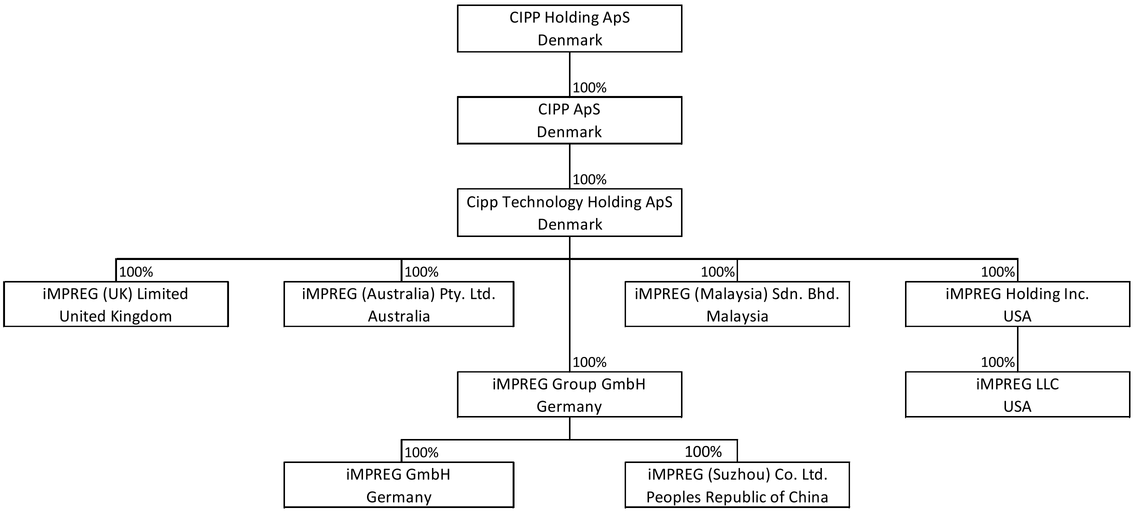
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 18 April 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Mikkel Sthyr State Authorised Public Accountant mne26693	Ole Becker State Authorised Public Accountant mne33732

Management commentary

Group structure



EUR'000	2023	2022	2021[1)]	2020/21
Key figures				
Revenue	87,739	87,369	51,486	69,583
Gross profit	32,449	28,859	17,792	26,219
Operating profit/loss before special items, depreciation, amortization	13,026	11,961	7,649	11,591
Special items	-411	-337	-458	-352
Operating profit/loss before, depreciation, amortisation (EBITDA)	12,615	11,397	7,191	11,239
Operating profit/loss	4,641	3,310	1,402	3,631
Net financials	-7,264	-5,562	-978	-5,539
Profit/loss for the year	-3,499	-2,282	-70	-3,283
Total assets	139,407	138,195	137,097	134,881
Additions to property, plant and equipment	2,590	1,867	3,118	1,569
Equity	53,813	56,451	59,550	59,727
Cash flows from operating activities	8,167	3,415	2,048	-544
Cash flows from investing activities	-3,374	-2,523	-3,817	-3,445
Cash flows from financing activities	-4,344	3,651	-453	1,099
Total cash flows	449	4,543	-2,222	-2,890
Ratios				
Gross margin (%)	37.0	33.0	34.6	37.7
Operating margin (%)	14.8	13.7	14.9	16.7
Solvency ratio (%)	38,6	40.9	44.4	44.4
Average number of full-time employees	305	292	270	240

1) Including 8 months due to change in financial year to end 31 December 2021.

Financial ratios

Financial highlights are defined and calculated as follows:

Gross margin (%) $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Operating margin (%) $$\frac{\text{Operating profit/loss before special items, depreciation, amortisation x 100}}{\text{Revenue}}$$

Solvency ratio (%) $$\frac{\text{Equity x 100}}{\text{Total equity and liabilities at year-end}}$$

Management commentary (continued)

Key activities

CIPP Holding ApS is an investment company that through its ownership of CIPP ApS and subsidiaries is one of the world's leading suppliers of liners for sewer, wastewater, and stormwater rehabilitation.

CIPP Holding ApS and its subsidiaries are in the following referred to as "the Group". The Group supplies liners, accessories, and various technical services and equipment for pipe rehabilitation.

Business model

The Group develops liners for rehabilitations of sewer, wastewater, and stormwater pipes. The products are produced at the Group's factories.

The customers are served from the regional factories or warehouses, and supported by competent technical and logistic personal in respect of usage, installation and logistics prior to installation.

Raw materials for the products are sourced through specialized materials suppliers for glass, resin, and other materials.

The Group strives for high customer satisfaction with the Group's products and the installation thereof.

As of 31 December 2023, the Group employed a total of 304 people excl. temporary workers in all locations, including Denmark, the facilities in Germany, China and the US as well as the sales offices in UK, Australia and Malaysia.

Development in the year

The consolidated income statement for the period shows an EBITDA of EUR 12.6 million and net loss after tax of EUR -3.5 million.
Total assets as of 31 December 2023 was EUR 139.4 million and equity was EUR 53.8 million.

The supplies in Europe took place from the factories in Ammerbuch and Gärtringen, Germany. The Asian market was supplied from the factory in Taicang, China and the Americas market was supplied primarily from the factory in Richmond, Virginia, US.

The market for sewer, wastewater, and stormwater rehabilitation has consistently been growing worldwide.

Management considers the the revenue development and EBITDA for 2023 for the Group to be unsatisfactory as it falls below the range of the expectations announced in the annual report for 2022 due to lower market activity than expected.

The Parent Company is without activity and shows a minor loss as expected.

Risks

General

As a result of its operations and financing, the Group is exposed to financial risks, including market risks (currency, interest rate and credit risks), which may affect the Group's results of operation and financial position.

The Group's risks are managed centrally in the Group's finance function. It is the Group's policy not to engage in active speculation in financial risks. Thus, the Group's financial management is aimed at managing the financial risks directly attributable to the Group's operations and financing.

Currency risks

The Group is exposed to currency fluctuations in connection with the purchase of raw materials and the sales of goods in foreign currencies. Raw materials are to the extent possible sourced in local currencies which is also the main selling currency.

Management commentary (continued)

Raw material prices risks

The Group is exposed to increases in raw material prices which cannot fully be passed through in the sales agreements with customers.

Credit risks

The Group is further exposed to claims from customers, however these are monitored very closely through appropriate quality systems and standards, and a constant dialogue with customers during critical installations. Credit risk in connection with sales to customers is assessed individually by performing credit checks, and where possible partial up-front payment is demanded.

Interest risks

The Group has floating-rate loans and there is a risk related to increased interest rates. In February 2024 the Group hedged EURIBOR 3 months at 3.04% for EUR 22.5 million corresponding to 49% of its long term debt for a period until 31 January 2026.

Key employees

The Group is in a niche market where access to key employees is key, and the Group strives to ensure key personal is available to take on the increased activity level, also in new regions.

Capital Structure

On 20 December 2019, the Group, through CIPP ApS, entered into a EUR 65.0 million senior facilities agreement and a EUR 6.0 million super senior revolving credit facility. The super senior revolving credit facility was subsequently increased to EUR 14.2 milllion, to further support the growth.

Statutory report on corporate social responsibility

The Group has a focus on CSR in relation to its business activities. As mentioned above the Group develops liners for rehabilitations of sewer, wastewater, and stormwater pipes. The products are produced at the Group’s factories.

The customers are served from the regional factories or warehouses, and supported by competent technical and logistic personnel in respect of usage, installation and logistics prior to installation. Raw materials for the products are sourced through specialized materials suppliers for glass, resin, and other materials. The Group strives for high customer satisfaction with the Group’s products and the installation thereof.

Management commentary (continued)

Environment and Climate

We believe that our products make an important contribution in relation to the environment. Our primary risk is if our production methods and factories fail to safely manage a negative impact on the environment.
This may have an effect on our reputation and harm the local environment. Our primary risk within climate is the negative impact in the form of CO_2 emission due to our production.

Our policy is to comply with relevant regulations in each region. Environment, Health and Safety, and Quality are all very important to the Group and are continuously followed up by management through robust reporting systems from each of the regions and is discussed at every board meeting.

We have selected the following UN Sustainable Development Goals (SDGs) to which we have an opportunity to contribute: No. 3 Good health and well-being, No. 6 Clean water and sanitation, No. 8 Decent work and economic growth, No. 9 Industry, innovation and infrastructure and No. 12 Responsible consumption and production.

We have committed to the Science Based Target Initiative. The target was approved using a streamlined target validation route exclusive to small and medium-sized enterprises. We commit to reduce scope 1 and 2 CO_2 emissions 42% by 2030 from a 2022 base year, and to measure and reduce scope 3 emissions.

Our strategy comprises five strategic areas and long term targets (“LTT”):

1) Enable climate resilience in society — LTT: 80% UV penetration worldwide
2) Minimize environmental impact of our operations — LTT: Net zero scope 1 and 2 by 2035
3) Ensure healthy, safe, and satisfied employees — LTT: eNPS >20 and attrition below 10%
4) Ensure ethical supply chain — LTT: 100% adherence to supply code of conduct
5) Promote integrity throughout our operations — LTT: 100% of empoyees trained annually in ESG topics

In the period, the Group has tracked scope 1 and 2 CO_2 emissions monthly and have started capturing scope 3. The collected data have been used to identify ways to reduce emissions and set targets for FY2024.

The Group’s German and Chinese operations are certified ISO 9001 and ISO 14001. The Group has started the process for ISO 9001 certification of the US operation, expected in FY2024.

Throughout the period, we have not been made aware of any breaches of local environmental or climate regulations in our operations.

Employee conditions

Our focus is to ensure that our employees have a safe workplace.

Accident rates and claim rates (quality) are reported monthly for each region and discussed at monthly review meetings with local management, where also corrective measures are discussed. The same applies to absenteeism and attrition in all regions. In 2024, we will continue our procedure with the accident rates and claim rates (quality).

Our primary risk is if we have work-related accidents or if our employees are not motivated when they come to work. This could have an impact on our ability to attract and retain employees. We have measured employee satisfaction using employee net promotor score and will continue our measurements in 2024.

We believe that our activities in the period have contributed to maintaining a good working environment.

Management commentary (continued)

Human rights

We respect human rights and perform our business in line with basic human rights enshrined in the UN Declaration of Human Rights. The Group shall comply with the four conventions of the International Labour Organization (ILO) on the right to free organization, prohibition of child labour, prohibition of forced labour, and prohibition of discrimination. To ensure that no human rights violations take place in our facilities, we are in continuous dialogue and perform regular visits. We will continue this dialogue in 2024.

It can be a risk that employees feel discriminated at work. This may impact our ability to attract and retain employees. Our whistle blower policy enables employees to come forward with concerns. In the period, the employees did not make use of our whistle blower policy.

We are not aware of any breach of human rights in the period.

Statutory report on anti-corruption and/or bribery

The Group has a zero tolerance in relation to corruption and bribery and has strong values and a shared vision of professional busi-ness acumen. In 2023, we continued our internal controls and distributed authority matrix is continuously updated aim-ing at ensuring adherence. A formal anti-corruption policy is part of our Code of Conduct.
It can be a risk to our operations if an employee uses gifts or other means to have an illegal influence on a stakeholder's deci-sion or if a stakeholder uses means to illegally influence an employee's decision. This may negatively impact our reputation and ability to con-duct our business.
We are not aware of any breaches concerning corruption and bribery in the period.

Statutory report on gender equality

The Group has set a target that at least 20% of the Board of Directors are from the underrepresented gender. The Board of Directors consist of 4 men and 2 women meaning 33% underrepresented gender at board level and the target and an a equal gender distribution has been achieved.

The first level of management includes the executive board and persons on the same organistionaaly management level. The second management level includes persons with managerial responsibilites, who refer directly to the first management. First and second level of management are referred to as other managerial positions.

The Group has set a target that at least 33% of other managerial positions are from the underrepresented gender in 2027. Other managerial positions consists of 11 men and 5 women meaning 31% underrepresented gender amongst other man-agegial positions and the target has not been met.

We are committed to working for gender diversity, despite our industry being very male-dominated. One of the ways is to ensure that the underrepresented gender is represented at job interviews for other managerial positions. Despite these initia-tives, there were limited applications or suitable candidates from the underrepresented gender for the available management positions.

Management commentary (continued)

Overview of gender composition of management		2023
Top managerial position (Board of Directors)	Total numbers of members	6
	Underrepresented gernder in pct.	33
	Target figure in pct.	20
	Year for fulfilment of target figure	2023
Other magagerial positions (1 and 2)	Total numbers of members	16
	Underrepresented gernder in pct.	31
	Target figure in pct.	33
	Year for fulfilment of target figure	2027

Data ethics

The Group has not implemented a Data Ethics policy in 2023. The Group's business takes place in the business-to-business segment, and the involvement of personal data is therefore limited. The Group has not implemented any new technologies that would give rise to concerns regarding data ethics in relation to personal data.

The protection of individuals' fundamental rights and freedoms is achieved through compliance with existing data protection laws, especially the requirements relating to data minimization, transparency and security. The use of non-personal data within the Group does not involve any new technologies that would give rise to ethical concerns.

Governance

CIPP Holding ApS holds 4-5 ordinary board meetings every year, as well as a two-day strategy workshop. For ordinary board meetings, in addition to the board members, the Group CEO, Group CFO and Group CSO participates. In the strategy review meetings the regional managers in Europe, Americas and Asia also participate.

The board is additionally informed about monthly performance through monthly reports and monthly review meetings.

Description of procedures and internal control in relation to the financial reporting process

The Board of Directors and the Executive Management are ultimately responsible for the Group's risk management and internal controls in relation to its financial reporting, and approve the Group's general policies in this regard. The Audit Committee assists the Board of Directors in overseeing the reporting process and the most important risks. The Executive Management is responsible for the effectiveness of the internal controls and risk management and for the implementation of such controls aimed at mitigating the risk associated with the financial reporting.

As part of the overall risk management, the Group has set up internal control systems, that are deemed appropriate and sufficient in relation to The Group's activities and operations. The internal control systems are evaluated on an ongoing basis.

The Group's procedures and internal controls are planned and executed to ensure a reasonable level of comfort that the financial reporting is reliable and in compliance with internal policies and gives a true and fair view of the Group's financial performance, the financial position and material risks.

The procedures and controls are furthermore planned with a view to support the quality and efficiency of the Group's business processes and the safeguarding of the Group's assets. The evaluation of the risks includes an assessment of the likelihood that an error will occur and whether the financial impact of such error would be material.

Management commentary (continued)

Ownership and adherence to Danish Venture Capital Association

CIPP Holding ApS is owned as follows:

FSN Capital V	97.77%
Management	2.23%

Outlook

The Group expects a positive development in FY2024 based on an increased demand for the products, driven by an increasing demand for rehabilitation of infrastructure worldwide. Our expectation for FY2024 is a revenue range between EUR 95 million and EUR 100 million and EBITDA range between EUR 16m and EUR 18 million.

Events after the reporting period

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

Consolidated income statement for the period 1 January - 31 December 2023

Note	EUR'000	2023	2022
1	Revenue	87,739	87,359
	Cost of goods sold	-47,652	-50,803
2	Operating expenses	-7,638	-7,697
	Gross profit	32,449	28,859
3	Staff costs	-19,423	-17,125
	Operating profit/loss before special items, depreciation, amortisation	13,026	11,734
4	Special items	-411	-337
	Operating profit/loss before, depreciation, amortisation (EBITDA)	12,615	11,397
10, 11, 12	Depreciation, amortisation and impairment losses	-7,974	-8,087
	Operating profit/loss	4,641	3,310
5	Finance income	154	517
6	Finance expenses	-7,418	-5,079
	Profit/loss before tax	-2,623	-1,252
7	Tax on profit/loss for the year	-876	-1,030
	Profit/loss for the year	-3,499	-2,282

Consolidated statement of comprehensive income for the period 1 January - 31 December 2023

Note	DKK'000	2023	2022
9	**Profit/loss for the year**	-3,499	-2,282
	Items that may be reclassified to the consolidated income statement:		
	Exchange rate differences on translation of foreign operations	629	-727
	Total comprehensive income, net of tax	-2,870	-3,009

Consolidated statement of cash flows for the period 1 January - 31 December 2023

Note	EUR'000	2023	2022
	Operating activities		
	Operating profit/loss	4,641	3,310
10, 11, 12	Amortisation, depreciation and impairment losses	7,974	8,082
15	Change in working capital, etc.	2,139	-2,433
	Cash flow from ordinary operating activities	14,754	8,959
	Interest received	154	4
	Interest paid	-4,877	-4,095
	Income tax paid	-1,864	-1,453
	Net cash flows from operating activities	8,167	3,415
	Investing activities		
10	Purchase of intangible assets	-784	-656
11	Purchase of tangible assets	-2,590	-1.867
	Net cash flows from investing activities	-3,374	-2,523
	Financing activities		
	Change in credit facility	-2,826	5,261
	Repayment of lease liabilities	-1,658	-1,610
	Capital increase	140	0
	Net cash flows from financing activities	-4,344	3,651
	Change in cash and cash equivalents	449	4,543
	Cash and cash equivalents at 1 January	8,794	4,251
	Exchange rate adjustments of cash	0	0
	Cash and cash equivalents at 31 December 2023	9,243	8,794

Consolidated statement of financial position as per 31 December 2023

Note	EUR'000	31 December 2023	31 December 2022
	ASSETS		
10	Goodwill	54,605	54,605
10	Technology	19,411	21,236
10	Customer relationships	7,220	8,432
10	Brand	2,261	2,474
10	Other	3,891	3,684
	Intangible assets	87,388	90,431
11	Plant and machinery	6,655	6,969
11	Other fixtures and fittings, tools and equipment	2,411	2,957
11	Property, plant and equipment under construction	998	1,096
12	Right-of-use asset	5,053	5,363
	Total tangible assets	15,117	16,385
8	Deferred tax asset	0	0
	Other non-current assets	0	0
	Total non-current assets	102,505	106,816
	Current assets		
13	Inventories	5,343	6,558
14	Trade receivables	15,964	12,332
14	Contract assets	3,027	3,257
	Income tax receivable	6	0
	Other receivables	2,857	353
	Prepayments	462	85
	Cash	9,243	8,794
	Total current assets	36,902	31,379
	TOTAL ASSETS	139,407	138,195
	EQUITY AND LIABILITIES		
	Equity		
	Equity attributable to shareholders in CIPP Holding ApS	53,813	56,543
	Total equity	53,813	56,543
	Liabilities		
	Non-current liabilities		
16	Interest-bearing loans and borrowings	45,197	44,890
16	Lease liabilities	3,920	4,443
8	Deferred tax liabilities	7,989	9,003
	Total non-current liabilities	57,106	58,336
	Current liabilities		
16	Bank loans	11,374	14,200
16	Lease liabilities	1,623	1,337
	Trade payables	7,025	3,220
	Income tax payable	2,571	2,024
	Other payables	5,895	2,535
	Total current liabilities	28,488	23,316
	Total liabilities	85,594	81,560
	TOTAL EQUITY AND LIABILITIES	139,407	138,195

Consolidated statement of changes in equity for the period 1 January - 31 December 2023

EUR'000	Share capital	Foreign currency translation reserve	Retained earnings	Total
Equity at 1 January 2023	126	-198	56,615	56,543
Profit/loss for the year	0	0	-3,499	-3,499
Other comprehensive income	0	629	0	629
Total comprehensive income	0	629	-3,499	-2,870
Transactions with the owners				
Capital increase	0	0	140	140
Total transactions with shareholders	0	0	140	140
Equity at 31 December 2023	126	431	53,256	53,813

EUR'000	Share capital	Foreign currency translation reserve	Retained earnings	Total
Equity at 1 January 2022	126	529	58,897	59,552
Profit/loss for the year	0	0	-2,282	-2,282
Other comprehensive income	0	-727	0	-727
Total comprehensive income	0	-727	-2,282	-3,009
Transactions with the owners				
Capital increase	0	0	0	0
Total transactions with shareholders	0	0	0	0
Equity at 31 December 2022	126	-198	56,615	56,543

Notes to consolidated financial statements

1. Revenue and segments

The Group's activities are primarily distributed by area: EMEA, APAC and Americas.

The Group's revenue from external customers in these geographical areas is specified below where revenue is distributed by the customers' registered office.

The Group's products cannot be broken down into product groups, etc., and therefore no operating segments have been identified. The revenue consists primarily of sale of goods.

EUR'000	2023	2022
EMEA	55,224	54,855
APAC	12,812	12,813
Americas	19,703	19,691
Total revenue	87,739	87,359

2. Audit fee

Statutory audit	95	85
Tax and indirect tax advisory services	179	109
Other services	137	54
Total audit fee	411	248

3. Staff costs

Wages and salaries	17,689	15,706
Other social security costs	1,804	1,684
Pension	71	61
Hereof capitalised	-141	-326
Total staff costs	19,423	17,125
Average number of employees	305	292

Remuneration to Executive Management		
Wages and salaries	613	728
Pension	0	0
Total remuneration to Executive Management	613	728
Remuneration to Board of Directors		
Wages and salaries	214	233
Pension	0	0
Total remuneration to Board of Directors	214	233
Total remuneration to Executive Management and Board of Directors	827	961

The Group has no other employees considered Key Employees.

Pension plans

The Group has only entered into defined contribution plans. In defined contribution plans, the employer pays a continuous contribution to an independent pension company, pension fund, etc., but bears no risk as to the future development of interest rates, inflation, mortality, disability, etc,. in respect of the amount due to the employee in due time.

The Group has not entered into any defined benefit plans.

Notes to consolidated financial statements

EUR'000	2023	2022
4. Special items		
Restructuring costs, etc.	411	337
Total special items	411	337
5. Financial income		
Interest income	154	4
Exchange rate adjustments, net	0	513
Total financial income	154	517
Total finance income related to financial assets at amortised cost	0	0
6. Financial expenses		
Interest expenses, etc.	5,513	4,577
Exchange rate adjustments, net	1,411	0
Interest related to lease liabilities	203	212
Amortization of borrowing costs	291	290
Total financial expenses	7,418	5,079
Total finance costs related to financial liabilities at amortised cost	5,716	4,789

7. Income tax

Income tax expense in the income statement

	2023	2022
Current income tax:		
Current income tax charge	1,880	1,815
Prior year adjustments	11	20
Deferred tax:		
Changes in temporary differences	-1,015	-805
Income tax expense in the income statement	876	1,030

Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profit of the consolidated entities as follows:

EUR'000	2023	2022
Profit/loss before tax	-2,623	-1,252
Calculated at Denmark's statutory income tax rate of 22%	578	226
Effect of unrecognised tax asset relating to tax losses	-1,081	-357
Permanent differences, etc., including acquisition-related costs, interest limitation, etc.	24	-454
Effect of difference in tax rate in foreign subsidiaries, net	-344	-189
Withholding taxes paid	-42	-236
Prior year adjustments	-11	-20
Income tax expense reported in the consolidated income statement	-876	-1,030

The effect of difference in tax rate in foreign subsidiaries primarily related to Germany and China.

Notes to consolidated financial statements

8. Deferred tax assets and deferred tax liabilities

Deferred tax in 2023 related to the following:

EUR'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-8,328	-676
Property, plant and equipment	182	-119
Inventories, etc.	-92	-156
Other items	249	-64
Deferred tax expense (income)		-1,015
Net deferred tax assets (liabilities)	-7,989	
Reflected in the statement of financial position as follows:		
Deferred tax assets	0	
Deferred tax liabilities	-7,989	
Deferred tax liabilities, net	-7,989	

Deferred tax in 2022 related to the following:

EUR'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-9,004	-666
Property, plant and equipment	63	-216
Inventories, etc.	-248	328
Other items	186	-251
Deferred tax expense (income)		-805
Net deferred tax assets (liabilities)	-9,003	
Reflected in the statement of financial position as follows:		
Deferred tax assets	0	
Deferred tax liabilities	-9,003	
Deferred tax liabilities, net	-9,003	

Due to uncertainty in the future eirnings for the coming years deferred tax assets related to tax losses have not been recognised. At 31 December 2023, the Group has an unrecognised deferred tax asset relating to tax losses of EUR 3.8 million (31 December 2022: EUR 2.8 million).

9. Proposed distribution of profit/loss

EUR'000	2023	2022
Retained earnings	-3,499	-2,282

Notes to consolidated financial statements

10. Intangible assets

EUR'000	Goodwill	Technology	Customer relationship	Brand	Other	Total
Cost at 1 January 2023	54,605	27,361	12,118	3,192	5,759	103,035
Additions	0	0	0	0	784	784
Foreign exchange adjustments	0	0	0	0	0	0
Cost at 31 December 2023	54,605	27,361	12,118	3,192	6,543	103,819
Amortisation at 1 January 2023	0	6,125	3,686	718	2,075	12,604
Amortisation	0	1,825	1,212	213	577	3,827
Foreign exchange adjustments	0	0	0	0	0	0
Amortisation at 31 December 2023	0	7,950	4,898	931	2,652	16,431
Carrying amount at 31 December 2023	54,605	19,411	7,220	2,261	3,891	87,388
Amortisation period	-	15	10	15	10-20	

EUR'000	Goodwill	Technology	Customer relationship	Brand	Other	Total
Cost at 1 January 2022	54,605	27,361	12,118	3,192	5,102	102,378
Additions	0	0	0	0	657	657
Foreign exchange adjustments	0	0	0	0	0	0
Cost at 31 December 2022	54,605	27,361	12,118	3,192	5,759	103,035
Amortisation at 1 January 2022	0	4.302	2,474	506	1.516	8.798
Amortisation	0	1.823	1.212	212	559	3,806
Foreign exchange adjustments	0	0	0	0	0	0
Amortisation at 31 December 2022	0	6.125	3,686	718	2,075	12,604
Carrying amount at 31 December 2022	54,605	21.236	8,432	2,474	3,684	90,431
Amortisation period	-	15	10	15	10-20	

Except from goodwill, all other intangible assets are considered to have finite useful lives over which the assets are amortised, cf. the description of accounting policies. The Group is largely patenting its inventions. In the past year, the Group has further developed its products, which is crucial for the Group to maintain its market position in this segment. At 31 December 2023, the carrying amount of these development projects was EUR 3,288 thousand (2022: EUR 3,131 thousand) included as “other”. This amount also includes the development of new IT systems whose development will continue in the coming financial year.

Impairment test of goodwill

Goodwill acquired through business combinations has been allocated to the reportable operating segments reflecting the Group's CGUs, which are tested for impairment:

- EMEA
- Americas
- APAC

The recoverable amount of each CGU is determined on the basis of its value in use. The value in use is established using certain key assumptions as described below. The key assumptions are revenue growth, product contribution and discount rates.

The value-in-use cash flow projections are based on budgets approved by Board of Directors covering the subsequent financial year and Management projection for the coming four years. The assumptions applied in the short to medium term are based on Management's expectations as to the operational development and growth in product contribution. The terminal growth rates applied for periods beyond 5 year do not exceed an expected weighted long-term average growth rate, including inflation, for the main countries in which the Group operates. Other costs within operating profit before acquisition-related costs are for impairment testing purposes allocated to the reportable operating segments based on their relative share of the product contribution in the Group.

Notes to consolidated financial statements

10. Intangible assets (continued)

Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flows are generally reflected in the discount rates.

The carrying amount of goodwill and the key assumptions

		2023			
		Key assumptions applied			
EUR'000	**Goodwill**	**Long-term growth in revenue**	**Long-term growth in product contribution**	**Discount rate, net of tax**	**Discount rate, pre-tax**
EMEA	37.559	2.0%	21.5%	9.8%	13.0%
Americas	11,557	2.5%	22.2%	11.8%	14.3%
APAC	5,489	2.5%	20,7%	11.7%	15.0%
Total	54,605				

		2022			
		Key assumptions applied			
EUR'000	**Goodwill**	**Long-term growth in revenue**	**Long-term growth in product contribution**	**Discount rate, net of tax**	**Discount rate, pre-tax**
EMEA	37,651	2.5%	18.9 %	11.1 %	14.7 %
Americas	5,402	2.5%	21.8 %	13.1 %	15.9 %
APAC	11,552	2.5%	22.1 %	13.5 %	17.4 %
Total	54,605				

Sensitivity analysis

A sensitivity analysis of the key assumptions in the impairment test is presented below. The allowed change represents the percentage points by which the value assigned to the key assumption as applied in the expected long-term rate can change, all other things being equal, before the CGU's recoverable amount equals its carrying amount.

	2023					
	Growth in revenue		**Growth in product contribution**		**Discount rate, net of tax**	
EUR'000	**Long-term rate**	**Allowed decrease**	**Long-term rate**	**Allowed decrease**	**Applied rate**	**Allowed increase**
EMEA	2.0%	19.5%	21.5%	13.0%	9.8%	10.0%
Americas	2.5%	36.5%	22.2%	15.0%	11.8%	16.0%
APAC	2.5%	76.5%	20.7%	10.0%	11.7%	11.0%

	2022					
	Growth in revenue		**Growth in product contribution**		**Discount rate, net of tax**	
EUR'000	**Long-term rate**	**Allowed decrease**	**Long-term rate**	**Allowed decrease**	**Applied rate**	**Allowed increase**
EMEA	2.5 %	7.7 %	16.7 %	6.5 %	11.1 %	4.5 %
Americas	2.5 %	n/a %	19.2 %	13.9 %	11.0 %	26.0 %
APAC	2.5 %	15.5 %	22.4 %	8.0 %	10.9 %	6.5 %

Notes to consolidated financial statements

11. Tangible assets

EUR'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2023	15,620	6,737	1,096	23,453
Additions	0	329	1,535	1,864
Disposals	0	0	0	0
Transfers	1,322	289	-1,611	0
Foreign exchange adjustments	-322	-191	-22	-535
Cost at 31 December 2023	16,620	7,164	998	24,782
Depreciation and impairment losses at 1 January 2023	8,651	3,780	0	12,431
Depreciation	1,492	1,098	0	2,590
Disposals	0	0	0	0
Transfers	0	0	0	0
Foreign exchange adjustments	-178	-125	0	-303
Depreciation and impairment losses at 31 December 2023	9,965	4,753	0	14,718
Carrying amount at 31 December 2023	6,655	2,411	998	10,064

Depreciation in the income statement includes a net loss of EUR 1 thousand in 2023 (2022: EUR 5 thousand) related to disposals of assets.

EUR'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2022	12,088	2,725	797	15,610
Additions	608	673	586	1,867
Disposals	0	0	0	0
Transfers	2,706	3,370	-284	5,792
Foreign exchange adjustments	218	-31	-3	184
Cost at 31 December 2022	15,620	6,737	1,096	23,453
Depreciation and impairment losses at 1 January 2022	3,497	419	0	3,916
Depreciation	1,583	1,071	0	2,654
Disposals	0	0	0	0
Transfers	3,445	2,347	0	5,792
Foreign exchange adjustments	126	-57	0	69
Depreciation and impairment losses at 31 December 2022	8,651	3,780	0	12,431
Carrying amount at 31 December 2022	6,969	2,957	1,096	11,022

12. Right-of-use assets

EUR'000	2023	2022
Cost at 1 January 2023	10,019	9,820
Additions	1,180	211
Modification, etc.	129	-12
Cost at 31 December 2023	11,328	10,019
Depreciation and impairment losses at 1 January 2023	4,656	3,046
Depreciation	1,619	1,610
Depreciation and impairment losses at 31 December 2023	6,275	4,656
Carrying amount at 31 December 2023	5,053	5,363

Right-of-use assets comprise primarily office and production facility rentals as well as car leases.

Notes to consolidated financial statements

12. Right-of-use assets (continued)

Amounts recognised in the income statement:

EUR'000	2023	2022
Interest related to lease liabilities (included in financial expenses)	203	212
Total	203	212

In 2023, the Group paid EUR 1,861 thousand (2022: EUR 1,822 thousand) related to lease contracts of which EUR 203 thousand (2022: EUR 212 thousand) related to lease interest and EUR 1,658 thousand (2022: EUR 1,610 thousand) related to repayment of lease liabilities.

13. Inventories

EUR'000	31 December 2023	31 December 2022
Raw materials and consumables	5,053	5,651
Work in progress	201	4
Manufactured goods and goods for resale	89	903
Total inventories	5,343	6,558

In 2023, write-down of inventories amounted to EUR 412 (2022: EUR 127 thousand) and reversal of write-down of inventories amounted to EUR 0 thousand (2022: EUR 0 thousand).

14. Trade receivables and contract assets

Trade receivables	16,731	13,215
Allowance for expected credit losses	-767	-883
Total	15,964	12,332
Contract assets	3,027	3,257
Allowance for expected credit losses	0	0
Total	3,027	3,257

Allowance for expected credit losses

Allowance at 1 January	883	106
Reversed	-380	0
Expected credit losses in the year	264	777
Realised in the year	0	0
Total allowance for expected credit losses	767	883

The Group has applied the simplified expected credit loss model to measure the expected credit loss allowance for all trade receivables. In determining the expected credit losses on trade receivable and contract assets, the Group considers any change in the credit quality of the trade receivable and contract assets from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Ageing of trade receivables

The ageing of trade receivables is broken down as follows:

EUR'000	31 December 2023	31 December 2022
Not due	8,582	7,477
Overdue 1-30 days	3,310	1,884
Overdue 31-60 days	1,745	1,398
Overdue 61-90 days	721	167
Over 90 days	2,373	2,289
Total	16,731	13,215

Notes to consolidated financial statements

14. Trade receivables (continued)

Customer credit risks

The Group's exposure to credit risks is assessed to be low. The Group's customer portfolio is diversified in terms of geography and size. The Group is not exposed to credit risks related to significant individual customers regarding sales to specific markets.

Customer credit risks are managed both locally and at group level subject to the Group's established policy, procedures and controls relating to customer credit risk management. The credit quality of a customer is assessed based on credit rating and analysis, and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are followed up on a regular basis and the allowance for expected credit losses is made on a monthly basis. The calculation is based on actual historical data. The maximum exposure to credit risks at the reporting date is the carrying amount of each class of financial assets.

The Group considers the concentration of risk with respect to trade receivables and contracts assets as low, as its customers are located in several jurisdictions and operate in largely independent markets.

15. Change in working capital

EUR'000	2023	2022
Change in inventories	1,445	-542
Change in trade receivables, contract assets and other receivables	-6,513	-1,248
Change in trade and other payables	6,321	-554
Non-cash items	886	-89
Total	2,139	-2,433

16. Interest-bearing loans and borrowings

EUR'000	Expiry	Interest margin	Nominal amount 31 December 2023	Carrying amount 31 December 2023
Senior Facility	21 January 2027	EURIBOR + 6.50%	46,071	45,197
Lease liability	Expire before 2031	EURIBOR + 3.00%	5,544	5,544
Bank loan (maximum EUR 14,200)	21 January 2027	EURIBOR + 3.00%	11,374	11,374
			62,989	62,115

Interest-bearing loans and borrowings	45,197
Lease liabilities, non-current	3,921
Lease liabilities, current	1,623
Bank loans, current	11,374
	62,115

Capitalised financing costs at 31 December 2023 amounted to EUR 0.9 million and are amortized until the expiry date of the loans. Amortization amounted to EUR 291 thousand in 2023.

EUR'000	Expiry	Interest margin	Nominal amount 31 December 2022	Carrying amount 31 December 2022
Senior Facility	21 January 2027	EURIBOR + 6.75%	46,071	44,890
Lease liability	Expire before 2031	EURIBOR + 3.25%	6,936	5,780
Bank loan (maximum EUR 14,200)	21 January 2027	EURIBOR + 3.25%	8,939	14,200
			61,946	64,869

Interest-bearing loans and borrowings	44,889
Lease liabilities, non-current	4,443
Lease liabilities, current	1,337
Bank loans, current	14,200
	64,869

Capitalised financing costs at 31 December 2022 amounted to EUR 1.2 million and are amortized until the expiry date of the loans. Amortization amounted to EUR 290 thousand in 2022.

Notes to consolidated financial statements

17. Financial assets and liabilities

EUR'000	Carrying amount 31 December 2023	Carrying amount 31 December 2022
Financial assets at amortised cost		
Trade receivables	15,964	12,332
Other receivables	2,857	353
Cash	9,234	8,794
	28,055	21,479
Financial liabilities at amortised cost		
Interest-bearing loans and borrowings	45,917	44,889
Bank loan	11,374	14,200
Lease liabilities	5,544	5,780
Trade payables	7,025	3,220
Other payables	5,894	2,535
	75,754	70,624

The fair value of the assets and liabilities listed above is not materially different from the carrying amount except from interest-bearing loans and borrowings. The fair value of interest-bearing loans and borrowings is not considered materially different from the nominal amount:

EUR'000	31 December 2023	31 December 2022
Interest-bearing loans and borrowings, fair value (Level 2)	46,071	46,071

Fair values

As per 31 December 2023, the Group does not have any financial instruments measured at fair value.

The carrying amounts of the Group's financial instruments, measured at amortised cost, are reasonable approximations of fair values.

Valuation techniques

Management has assessed that cash, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values of other financial instruments:

Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The own non-performance risk at 31 December 2023 was assessed to be insignificant.

Notes to consolidated financial statements

18. Reconciliation of liabilities arising from financing activities

The change during the year in liabilities arising from financing activities is specified below:

EUR'000	31 December 2023	31 December 2022
Total, 1 January	64,869	60,474
Repayment of leases	-1,658	-1,610
Change in credit facility	-2,826	5,261
Non-cash		
Amortisation of borrowing costs,	291	290
Changes to lease liabilities	1,438	454
Total, 31 December	62,114	64,869
Interest-bearing loans and borrowings	45,197	44,889
Lease liabilities, non-current	3,920	4,443
Lease liabilities, current	1,623	1,337
Bank loans, current	11,374	14,200
Total, 31 December	62,114	64,869

19. Financial risk management

The Group is exposed to credit risk, liquidity risk and market risk.

Financial risk factors refer to fluctuations in the Group's results, cash flows and financial position due to changes in financial exposure. The overall objective of risk monitoring and control is to provide cost-effective financing and to minimise potential adverse impacts from market fluctuations. It is the Group's policy not to trade in financial instruments for speculative purposes.

Foreign currency risk

The Group is exposed to foreign currency risks arising from its operating and financing activities, as the Group has sales and purchases in foreign currencies. In accordance with the Group's risk management policy, the Group does not hedge foreign currency risks.

The risk exposure is considered primarily to relate to transactions in USD and CNY. A 10%-change in the relevant currencies, with all other variables held constant, would impact revenue and gross profit with the amounts below:

2023

EUR'000	Revenue	Gross profit
USD	-/+2,007	-/+725
CNY	-/+1,287	-/+628
	-/+3,294	-/+1,353

2022

EUR'000	Revenue	Gross profit
USD	-/+1,962	-/+709
CNY	-/+1,387	-/+651
	-/+3,349	-/+1,360

Notes to consolidated financial statements

19. Financial risk management (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest primarily relates to the change in the EURIBOR rate on the long-term loans. The Group does not use derivative contracts to hedge the interest rate risks.

The interest risk exposure relates to an increase in EURIBOR from zero. A +1.0%-change in EURIBOR, with all other variables held constant, would increase interest with the amounts below:

2023

EUR'000	Nominal amount 31 December 2023	+1.0% in interest – increase in interest cost
Senior facility	46,071	461
Lease liabilities	5,544	55
Bank loans	11,374	114
	62,989	630

2022

EUR'000	Nominal amount 31 December 2022	+1.0% in interest – increase in interest cost
Senior facility	46,071	461
Lease liabilities	5,780	58
Bank loans	14,200	142
	66,051	661

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's exposure to credit risk mainly relates to trade debtors, other receivables and cash at banks.

The aggregate amounts recognised under these items in the balance sheet constitute the maximum credit risk. Receivables relate to sale of products. Credit risk associated with trade debtors handled by the local management team of each operating subsidiary, which monitors the creditworthiness of existing and new customers and assigns credit lines to individual customers. The Group conducts individual assessments of customer creditworthiness. The credit risk relating to trade receivables is disclosed in note 14.

Cash is held with banks with high credit ratings.

Liquidity risk

Liquidity risk is the risk that the Group is not able to meet the contractual obligations associated with its financial liabilities due to insufficient liquidity

The Group has entered into a long-term committed financing agreement with credit facilities enabling both the current operations and planned expansion. Treasury management is centralised and ensures that sufficient financial resources are available to meet planned requirements.

Notes to consolidated financial statements

19. Financial risk management (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

There are no significant difference between the discounted and undiscounted amounts.

EUR'000 31 December 2023	On demand	0 to 12 months	1 to 5 years	> 5 years	Total
Non-derivates:					
Interest-bearing loans and borrowings	0	0	45,197	0	45,197
Bank loan	0	0	11,374	0	11,374
Lease liability		1,623	3,921	0	5,544
Trade payables and other financial liabilities	0	12,919	0	0	12,919
	0	14,542	60,492	0	75,034

EUR'000 31 December 2022	On demand	0 to 12 months	1 to 5 years	> 5 years	Total
Non-derivates:					
Interest-bearing loans and borrowings	0	0	46,071	0	46,071
Bank loan	0	0	14,200	0	14,200
Lease liability	0	1,337	3,602	841	5,780
Trade payables and other financial liabilities	0	5,755	0	0	5,755
	0	7,092	63,873	841	71,806

The senior debt facilities are subject to financial covenants. At 31 December 2023, the Group was in compliance with the financial covenants. There are no significant difference between the discounted and undiscounted amounts.

Capital structure

The Group's management assesses whether the Group's capital structure is in line with the interests of the Group and its shareholders. The overall objective is to ensure a capital structure that supports long-term profitable growth and ensuring that it meets financial covenants connected with the interest-bearing loans and borrowings that define capital structure requirements. Failure to meet the financial covenants would permit the bank to call loans and borrowings.

As of 31 December 2023, the Group's interest-bearing net debt totals EUR 52.8 million (31 December 2022: EUR 57.3 million), which is considered a reasonable level compared to the current need for financial flexibility. There are no changes in the Group's guidelines and procedures for managing capital structure in 2023.

Notes to consolidated financial statements

20. Mortgages and securities

Loans and debts have been secured by a floating charge on mortgage in CIPP Technology Holding ApS. The carrying amount of charged claims is DKK 8,000 thousand (31 December 2022: DKK 8,000 thousand) equivalent to EUR 1,074 thousand.

As security for the loans and borrowings, the following security is provided to lenders under the senior facility agreement:

- A share pledge agreement in respect of the CIPP Holding ApS;
- A share pledge agreement in respect of CIPP ApS;
- A share pledge agreement in respect of CIPP Technology Holding ApS;
- A share pledge agreement in respect of iMPREG Group GmbH;
- A share pledge agreement in respect of iMPREG GmbH;
- A share pledge agreement in respect of iMPREG (Sozhou) Co. Ltd.;
- An assignment agreement in respect of security over bank accounts of iMPREG GmbH;
- An assignment agreement in respect of security over IP rights of iMPREG GmbH;
- A pledge agreement in respect of the Danish Floating Charge of CIPP Technology Holding ApS; and
- A pledge agreement in respect of an intra-group loan from CIPP ApS to CIPP Technology Holding ApS in the nominal amount equivalent to approximately EUR 40 million.
- A pledge agreement in respect of an intra-group loan from the CIPP Technology Holding ApS to iMPREG GmbH in the nominal amount equivalent to approximately EUR 40 million.

21. Contingent liabilities

Joint taxation arrangement

The Parent Company in Denmark CIPP Holding ApS is jointly taxed with its Danish subsidiaries. The entities included in the joint taxation arrangement have joint and several unlimited liability for Danish corporate income taxes, etc. The Group as a whole is not liable to other parties.

The Parent in Germany, IMPREG Group GmbH is is jointly taxed with its subsidiary IMPREG GmbH. The entities included in the joint taxation arrangement have joint and several unlimited liability for German corporate income taxes, etc. The Group as a whole is not liable to other parties.

22. Related parties and group relations

The financial statements include the financial statements of the Group and the subsidiaries in the following table:

Name	Country of incorporation	City	Ownership share %
CIPP ApS	Denmark	Sorø	100.0
CIPP Technology Holding ApS	Denmark	Sorø	100.0
iMPREG Group GmbH	Germany	Gärtringen	100.0
iMPREG GmbH	Germany	Ammerbuch	100.0
iMPREG (Suzhou) Co. Ltd.	China	Suzhou	100.0
iMPREG Holding Inc.	US	Richmond	100.0
iMPREG LLC	US	Richmond	100.0
iMPREG (Australia) Pty Ltd.	Australia	Sydney	100.0
iMPREG (UK) Ltd.	United Kingdom	Hampshire	100.0
iMPREG (Malaysia) Sdn Bhd.	Malaysia	Kuala Lumpur	100.0

The ultimate parent

The ultimate parent of the Group is FSN Capital GP V Limited, 11-15 Seaton Place, St. Helier, Jersey. Transactions with FSN Capital GP V Limited comprised recharged costs of EUR 8 thousand (2022: EUR 1 thousand).

Transactions with Executive Board and key management personnel

Remuneration of the Board of Directors and the Executive Board is disclosed in note 3. Further the Chair of the Board of Directors have performed consultants work for EUR 48 thousand (2022: EUR 82 thousand). No other transactions were conducted with Executive Board and key management personnel the year (2022: None).

Notes to consolidated financial statements

23. Share capital

The Company's share capital is EUR 125.754,49 divided into shares of EUR 0.01 with 10.032.489 A-shares and 2.542.960 B-shares, respectively.

24. Events after the reporting period

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

Parent company income statement for 1 January - 31 December 2023

Note	EUR'000	2023	2022
1	Other external expenses	-85	-54
	Gross profit	-85	-54
2	Staff costs	-200	-233
	Operating profit/loss	-285	-287
	Interest from group companies	84	46
	Profit/loss before tax	-201	-241
	Tax on profit/loss for the year	22	36
	Profit/loss for the year	-179	-205

Parent company statement of comprehensive income for 1 January - 31 December 2023

Note	EUR'000	2023	2022
	Profit/loss for the year	-179	-205
	Total comprehensive income, net of tax	-179	-205

Parent company cash flow statement for 1 January - 31 December 2023

EUR'000	2023	2022
Operating activities		
Operating profit/loss	-285	-287
Change in working capital	192	353
Cash flow from ordinary operating activities	-93	20
Net cash flows from operating activities	-93	20
Lending activities to group enterprises		
Change in receivables from group enterprises	0	0
Net cash flows from lending activities to group enterprises	0	0
Financing activities		
Transactions with shareholders		
Proceeds from the issue of share capital	140	0
Net cash flows from financing activities	140	0
Net increase in cash/cash equivalents	47	20
Cash and cash equivalents at 1 January 2021	24	4
Cash and cash equivalents at 31 December 2023	71	24

Parent company balance sheet at 31 December 2023

Note	EUR'000	31 December 2023	31 December 2022
	ASSETS		
	Fixed assets		
4	Investments in group enterprises	69,311	69,311
	Total fixed assets	69,311	69,311
	Current assets		
	Receivables from group enterprises	1,176	1,664
	Joint taxation receivable	132	106
	Cash	71	24
	Total current assets	1,379	1,794
	TOTAL ASSETS	70,690	71,105
	EQUITY AND LIABILITIES		
	Equity	70,500	70,539
	Current liabilities		
	Payables to group companies	0	434
	Other payables	190	132
	Total current liabilities	190	566
	TOTAL EQUITY AND LIABILITIES	70,690	71,105

Parent company statement of changes in equity for the period 1 January - 31 December 2023

EUR'000	Share capital	Retained earnings	Total
Equity at 1 January 2023	126	70,413	70,539
Profit/loss for the year	0	-179	-179
Total comprehensive income	0	-179	-179
Transactions with the owners			
Capital increase	0	140	140
Total transactions with shareholders	0	140	140
Equity at 31 December 2023	126	70,374	70,500

EUR'000	Share capital	Retained Earnings	Total
Equity at 1 January 2022	126	70,618	70,744
Profit/loss for the year	0	-205	-205
Total comprehensive income	0	-205	-205
Transactions with the owners			
Capital increase	0	0	0
Total transactions with shareholders	0	0	0
Equity at 31 December 2022	126	70,413	70,539

Notes to parent company financial statements

EUR'000	2023	2022

1. Audit fee

	2023	2022
Statutory audit	6	6
Tax and indirect tax advisory services	6	5
Other services	43	28
Total audit fee	55	39

2. Staff costs

	2023	2022
Remuneration to Board of Directors	200	233
Total staff costs	200	233

3. Income tax expense in the income statement

Reconciliation of effective tax rate

	2023	2022
Profit/loss before tax	-201	-241
Calculated at Denmark's statutory income tax rate of 22.0%	44	53
Effect of unrecognised tax asset relating to tax losses, etc.	-22	-17
Income tax expense reported in the income statement	22	36

4. Proposed distribution of profit/loss

	2023	2022
Retained earnings	-223	-205

5. Investments in group enterprises

	2023	2022
Cost beginning of year	69,311	69,311
Cost end of year	69,311	69,311
Carrying amount at 31 December	69,311	69,311

Subsidiaries owned directly and indirectly:

Name	**Country of incorporation**	**City**	**Ownership share %**
CIPP ApS	Denmark	Sorø	100.0
CIPP Technology Holding ApS	Denmark	Sorø	100.0
iMPREG Group GmbH	Germany	Gärtringen	100.0
-iMPREG GmbH	Germany	Ammerbuch	100.0
iMPREG (Suzhou) Co. Ltd.	China	Suzhou	100.0
iMPREG Holding Inc.	United States	Richmond	100.0
-iMPREG LLC	United States	Richmond	100.0
iMPREG (Australia) Pty Ltd.	Australia	Sydney	100.0
iMPREG (UK) Ltd.	United Kingdom	Hampshire	100.0
iMPREG (Malaysia) Sdn Bhd.	Malaysia	Kuala Lumpur	100.0

The ultimate parent

The ultimate parent of the Group is FSN Capital GP V Limited, 11-15 Seaton Place, St. Helier, Jersey. There were no transactions with the ultimate parent in 2023 and 2022.

Notes to the parent company financial statements

6. Remuneration to management

Remuneration of the Board of Directors and the Executive Group Management is disclosed in note 3 to the consolidated financial statements.

7. Contingent liabilities

Joint taxation arrangement

The Parent Company is jointly taxed with its Danish subsidiaries. The entities included in the joint taxation arrangement have joint and several unlimited liability for Danish corporate income taxes, etc. The Group as a whole is not liable to other parties.

8. Mortgages and securities

Mortgages and securities are disclosed in note 20 to the consolidated financial statement

9. Financial risks and financial instruments

Financial risk factors refer to fluctuations in the Company's results, cash flows and financial position due to changes in financial exposure. The overall objective of risk monitoring and control is to provide cost-effective financing and to minimise potential adverse impacts from market fluctuations.

10. Events after the reporting period

Events after the reporting period are described in note 25 to the consolidated financial statements.

Accounting policies

Corporate information

The parent company CIPP Holding ApS is a limited liability company incorporated and domiciled in Denmark. The company's registered office address is Energivej 3, DK-4180 Sorø, Denmark.

Material accounting policy information

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. The accounting policies are consistent with the policies set out in the financial statements for 2022.

Principles applied in the preparation of the consolidated financial statements

The consolidated financial statements of CIPP Holding ApS (the Group) are prepared in accordance with IFRS® Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act to reporting class C (large) companies.

The consolidated income statement and the consolidated statement of financial position separately present items that are considered material or are required under the minimum presentation of IAS 1.

In determining whether an item is individually material, the Group considers both quantitative and qualitative factors. If the presentation or disclosure of an item is not decision-useful, the information is considered immaterial.

Explanatory disclosure notes related to the consolidated financial statements are presented for individually material items. Where separate presentation of a line item is made solely due to the minimum presentation requirements of IAS 1, no further disclosures are provided in respect of said line item.

The consolidated financial statements are presented in EUR, which is the Parent Company's functional currency and the Group's presentation currency, and all values are rounded to the nearest thousand (EUR'000), except when otherwise indicated.

The Executive Board and the Board of Directors discussed and approved the 2023 CIPP Holding ApS annual report on 18 April 2024. The annual report is submitted to the shareholders of CIPP Holding ApS for approval at the annual general meeting on 18 April 2024.

Defining materiality

The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes. There are substantial disclosure requirements throughout IFRS.

Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the intended users of the consolidated financial statements or not applicable.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is affected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Reporting currency

The financial statements are presented in Euro (EUR'000).

Accounting policies (continued)

Material accounting estimates and judgements

Preparing the consolidated financial statements in accordance with IFRS requires that Management makes assessments, estimates and assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. The actual outcome may differ from these estimates and assessments. Estimates and assumptions are regularly reviewed. Changes to estimates are recognized in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both current periods and future periods. Assessments made by Management in the application of IFRS that have a material impact on the consolidated financial statements and estimates made that may lead to significant adjustments in the consolidated financial statements of future financial years are primarily the following:

Impairment testing of goodwill

Goodwill is recognized at cost less any accumulated impairment. The Group regularly and at least annually performs impairment tests of goodwill in accordance with the accounting policies. The assumptions and assessments made pertaining to expected cash flows and the discount rate in the form of weighted average cost of capital are described in note 10, Intangible assets.

Inventories

Write-down for obsolete inventories is carried out on the basis of an assessment of their recoverability at the reporting date. Inventories are analysed and written down, if necessary. Movements in inventory write-downs are reflected in note 13.

Receivables

The Group applies the simplified approach to measure expected credit losses which uses lifetime expected credit losses for all trade receivables at each reporting date. The provision for expected credit losses is based on days past due for groups of customers with similar credit risk characteristics as well as an individual assessments. An analysis of overdue trade receivables and movements in the provisions for bad debts is included in note 14.

Consolidated financial statements

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

Basis of consolidation

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

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

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

Foreign currency translation

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates 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 finance income or finance costs.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the end of the reporting period. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or the exchange rate at the beginning of the reporting period is recognised in the income statement as finance income or finance costs.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency, the income statement is translated at the exchange rates at the transaction date, and the statement of financial position items are translated at the exchange rates at the end of the reporting period. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rates at the end of the reporting period and on translation of the income statement from the exchange rates at the

Accounting policies (continued)

transaction date to the exchange rates at the end of the reporting period are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

Foreign exchange adjustments of balances with foreign entities which are considered part of the investment in the entity are recognised in the consolidated financial statements in other comprehensive income if the balance is denominated in the functional currency of the parent or the foreign entity.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it will measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the separate income statement caption special items.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognized when control of goods sold has transferred to the customer. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed. Other than the delivery of goods, the Group's contracts with customers do not include other commitments that constitute separate performance obligations.

Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for products sold and freight. Revenue excludes discounts, VAT and other duties. In determining the transaction price, the Group considers the effects of variable consideration. The Group's payment terms is generally 30-45 days, and it is the Group's assessment that contracts with customers do not include any significant financing element.

The Group has concluded that it is the principal in all its revenue arrangements, since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory risks.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory write-downs. When the Group provides services, revenue is recognized as a performance obligation satisfied over time. Revenue is recognized for these services based on the stage of completion of the contract. Sales are recognized net of VAT and discounts.

Other external expenses

Other external expenses include expenses relating to the Group's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognized in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

The Group's pension schemes are defined contribution plans where contributions are paid to publicly or privately administrated pension plans on a statutory, contractual or voluntary basis. Contributions to defined contribution plans are recognised as staff costs when the related service is provided.

Special items

Special items include acquisition-related costs, restrucurting cost and other costs which Management does not considered a normal part of the Group's operations including impairment of investments and gains/losses related to divestment of entities are shown separately in order to give a more true and fair view of the Group's operating profit/loss.

Depreciation, amortization and impairment losses

Amortization, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortization, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Accounting policies (continued)

Other financial income

Other financial income comprises dividends, etc., received on other investments, interest income, net capital gains on transactions in foreign currencies, etc.

Other financial expenses

Other financial expenses comprise amortization of loan costs, interest expenses, net capital losses on transactions in foreign currencies, etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity.

The parent company is jointly taxed with all of its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Statement of comprehensive income

Other comprehensive income consists of income and costs not recognised in the income statement, including exchange rate adjustments arising from the translation of functional currency into presentation currency and fair value adjustments of hedging instruments.

In the event of the disposal of an entity, the accumulated exchange rate adjustment relating to the relevant entity is reclassified to the income statement.

Balance sheet

Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation (for intangible assets with finite lives) and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as amortisation.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

A summary of the policies applied to the Group's intangible assets is as follows:

- Goodwill – indefinite
- Technology, etc. – amortised on a straight-line basis over 15 years
- Customer relationship – amortised on a straight-line basis over 10 years
- Brands – amortised on a straight-line basis over 15 years

Accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment of goodwill is recognized directly in profit/(loss). An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit/(loss) on disposal.

Intellectual property rights, etc.

Intellectual property rights, etc., comprise development projects completed and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilization, 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 recognized as intangible assets. Other development costs are recognized as costs in the income statement as incurred. When recognizing 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 amortized and written down.

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

Completed development projects are amortized on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum amortization period is the remaining duration of the relevant rights. The amortization periods used are 10 years.

Intellectual property rights acquired are measured at cost less accumulated amortization. Patents are amortized over their remaining duration, and licenses are amortized over the term of the agreement, but over no more than 20 years.

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

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

Leases that meet the definition in IFRS 16 are recognized as an asset in the balance sheet (Right of use assets), with depreciation recognized in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made based on the following estimated useful lives of the assets:

Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	3-10 years
Right of use assets	0-5 years

Estimated useful lives and residual values are reassessed annually. Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies (continued)

Impairment of non-current assets

The carrying amount of non-current assets are assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realizable value.

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

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

On initial recognition, trade receivables are measured at fair value, which in all material respects corresponds to the nominal value, and subsequently measured at amortised cost.

The Group applies the simplified approach to measure expected credit losses which uses lifetime expected credit losses for all trade receivables at each reporting date. The provision for expected credit losses is based on days past due for groups of customers with similar credit risk characteristics as well as an individual assessment.

Contract assets

A contract asset is initially recognised for revenue earned from goods or services that has been transferred to the customer, the amount recognised as contract assets is reclassified to trade receivables, when invoiced. Contract assets are subject to impairment assessment.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Right-of-use assets and lease liabilities

The Group has applied IFRS 16 to lease contracts related to offices, production facilities and equipment and cars. The Group has elected not to recognise right-of-use assets and liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception of a contract the Group assesses whether a contract is, or contains, a lease, i.e. the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

Accounting policies (continued)

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets.

Right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use assets is periodically reduced by any impairment losses and adjusted for certain remeasurement of the lease liability.

The right-of-use assets are depreciated on straight line basis over the expected rent period.

Expenses relating to short-term leases and low asset values are expensed in the income statement as other external expenses.

Lease liabilities

The Group measures the lease liability using the Group's incremental borrowing rate. The Group determines its incremental borrowing rate as the interest on its bank overdraft facility. The Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate as at the commencement date. The Group's lease contracts do not include any significant variable payments.

Equity

Equity includes total comprehensive income for the year, comprising the profit/loss for the year and other comprehensive income. Proposed dividend for distribution is included as a separate component of equity until the declaration date.

The translation reserve comprises the Group's share of accumulated exchange rate differences arising on translation of foreign entities from the entity's functional currency to the presentation currency of the Group.

Income tax receivable or payable

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Accounting policies (continued)

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax assets relate to the same taxable entity and the same tax authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances changes. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period and relates to new information about facts and circumstances at the acquisition date or recognised in the income statement.

Financial liabilities

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The

Group determines the classification of its financial liabilities on initial recognition.

All financial liabilities are initially recognised at fair value and, in the case of loans and borrowings, subsequently at amortised cost. This includes directly attributable transaction and borrowing costs.

If a change or modification to loan agreements are substantial, considering the net present value of the future cash flows under the new terms discounted using the original effective interest rate, any costs or fees incurred are recognised in the income statement. If the change or modification to loan agreements are not substantial, any costs or fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the new loan agreement.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Other financial liabilities are measured at amortized cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

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

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

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

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

Cash and cash equivalents comprise cash in hand and bank deposits.

Accounting policies (continued)

Principles applied in the preparation of the parent financial statements

Basis of preparation

The separate financial statements of the parent company have been included in the annual report as required by the Danish Financial Statements Act.

The separate financial statements of the parent company for 2023 are prepared in accordance with IFRS® Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act for large reporting class C entities.

The financial statements have been prepared on a historical cost basis.

Financial statements of the parent company

The accounting policies of the parent company are unchanged from last year and consistent with those applied in the consolidated financial statements with the following addition for investments in group subsidiaries:

Investments in group enterprises

Investment in subsidiary is measured at cost, which comprises consideration transferred measured at fair value and any directly attributable transaction costs. If there is indication of impairment, an impairment test is performed as described in the accounting policies above. Where the recoverable amount is lower than the cost, the investment is written down to this lower value.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the recoverable amount does not exceed the original cost.