SCME Holding ApS

Værnedamsvej 15, 4. tv, DK-1819 Frederiksberg C

Annual Report for 1 January - 31 December 2022

CVR No 42 61 96 12

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 23/6 2023

Michael Ferdinandsen
Chairman of the General Meeting

pwc

Contents

pwc

Management's Statement

The Executive Board has today considered and adopted the Annual Report of SCME Holding ApS for the financial year 1 January - 31 December 2022.

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

In my opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

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

Copenhagen, 23 June 2023

Executive Board

Michael Ferdinandsen
Executive Officer

Independent Auditor's Report

To the Shareholders of SCME Holding ApS

Opinion
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 2022 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of SCME Holding ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group'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 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 Company to cease to continue as a going concern.

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

- 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.

Hellerup, 23 June 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Søren Ørjan Jensen
statsautoriseret revisor
mne33226

Company Information

The Company	SCME Holding ApS Værnedamsvej 15, 4. tv DK-1819 Frederiksberg C CVR No: 42 61 96 12 Financial period: 1 January - 31 December Municipality of reg. office: København
Executive Board	Michael Ferdinandsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	Group	
	2022	2021
	TEUR	TEUR
Key figures		
Profit/loss		
Gross profit/loss	8.060	8.731
Operating profit/loss	-1.978	1.782
Net financials	-116	46
Net profit/loss for the year	-1.911	1.372
Balance sheet		
Balance sheet total	19.119	19.134
Equity	15.265	16.799
Cash flows		
Cash flows from:		
- operating activities	233	2.068
- investing activities	-223	-1.339
including investment in property, plant and equipment	-23	-153
- financing activities	165	2.381
Change in cash and cash equivalents for the year	175	3.110
Number of employees	77	71
Ratios		
Return on assets	-10,3%	9,3%
Solvency ratio	79,8%	87,8%
Return on equity	-11,9%	16,3%

Management's Review

Key activities

Secomea's key activities are trading and service activities to provide secure, simple, and scalable digital-industrial communication solutions.

Development in the year

The income statement of the Group for 2022 shows a loss of TEUR 1,911, and at 31 December 2022 the balance sheet of the Group shows equity of TEUR 15,265.

In 2022 the Group delivered gross profit of EUR 8,060 thousand, earnings before financial income and expenses of EUR (1,978) thousand, and group earnings after tax of EUR (1,911) thousand.

The result for 2022 was affected by investments in strengthening of our organizational capability and significant investments like supply chain optimization.

Throughout 2022, the Group also continued to invest significantly in new employees and in improving and enhancing its products. The Group will continue to further invest in innovative R&D and product development activities.

Recurring revenue journey started in 2022. Ending ARR pr. 31.12.2022 of EUR 1,848 thousand.

The Group Equity at 31 December of EUR 15,265 thousand. The resulat for 2022 is hugely impacted by amortization of Group Intangible assets. The result for 2022 is in line with our expectations.

Targets and expectations for the year ahead

With a combination of increased focus on customer demands for cybersecurity compliance, digitalization, and servitization across the ecosystem in the automation industry, including process optimization, new development activities, and intensified commercial and digital marketing initiatives, we continue to manifest a leading position atop the Industrial IoT (Internet of Things) market. For 2023 a positive result before tax and Group amortizations of EUR 700 - EUR 2,000 thousand is expected.

Research and development

Our development activities have primarily been focused on communication solutions within remote access and data collection for the industrialmarket. The Group does not capitalize on development costs. The Group, therefore, recognizes development costs in our profit and loss account as expenses are incurred.

Management's Review

External environment

Environmental, Social & Governance (ESG) initiatives are a strategic imperative for the Group and throughout the organization operationally. We will continue to pursue our 5-year target for Carbon neutrality set in 2021 as well as continue to implement and fortify our policies within environment, anti-bribery & corruption, diversity and inclusion.

Knowledge resources and development activities

The Group continuously focuses on developing innovative products and services by attracting and retaining the very best talent in the marketplace.

The Group proactively works to retain and inspire employees by creating an attractive workplace and offering competitive terms as well as wellbalanced incentive structures.

R&D activities are of key importance to the Group. Throughout 2022, the Group continued to invest significantly in improving and enhancing its products. The Group will continue to further invest in innovative R&D and product development activities.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2022 of the Group and the results of the activities and cash flows of the Group for the financial year for 2022 have not been affected by any unusual events.

Subsequent events

Industry executives and research analysts forecast market growth of 9% in 2023. The Group's top-tier distributors and customers have expected growth above this forecast, and we are experiencing a global softening of the demand imbalance of the global component supply situation in 2022. Consequently, we expect a time-limited market desire to reduce stock levels that in the previous years have been built up to secure delivery.

Income Statement 1 January - 31 December

	Note	Group 2022	Group 2021	Parent company 2022	Parent company 2021
		TEUR	TEUR	TEUR	TEUR
Gross profit/loss		**8.060**	**8.731**	**-9**	**-35**
Staff expenses	1	-8.410	-6.082	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-1.628	-867	0	0
Profit/loss before financial income and expenses		**-1.978**	**1.782**	**-9**	**-35**
Income from investments in subsidiaries		0	0	-1.818	1.195
Financial income	2	438	294	0	0
Financial expenses	3	-554	-248	0	0
Profit/loss before tax		**-2.094**	**1.828**	**-1.827**	**1.160**
Tax on profit/loss for the year	4	183	-456	0	8
Net profit/loss for the year		**-1.911**	**1.372**	**-1.827**	**1.168**

Balance Sheet 31 December

Assets

	Note	Group		Parent company	
		2022	2021	2022	2021
		TEUR	TEUR	TEUR	TEUR
Acquired licenses		447	384	0	0
Goodwill		8.298	9.826	0	0
Intangible assets	5	**8.745**	**10.210**	**0**	**0**
Other fixtures and fittings, tools and equipment		34	40	0	0
Leasehold improvements		28	48	0	0
Property, plant and equipment	6	**62**	**88**	**0**	**0**
Investments in subsidiaries	7	0	0	13.799	15.405
Deposits	8	107	106	0	0
Fixed asset investments		**107**	**106**	**13.799**	**15.405**
Fixed assets		**8.914**	**10.404**	**13.799**	**15.405**
Inventories	9	**2.087**	**1.956**	**0**	**0**
Trade receivables		3.341	2.488	0	0
Other receivables		165	79	0	0
Deferred tax asset	12	188	4	0	0
Corporation tax		148	183	0	8
Prepayments	10	159	78	0	0
Receivables		**4.001**	**2.832**	**0**	**8**
Cash at bank and in hand		**4.117**	**3.942**	**11**	**3**
Currents assets		**10.205**	**8.730**	**11**	**11**
Assets		**19.119**	**19.134**	**13.810**	**15.416**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2022 TEUR	Group 2021 TEUR	Parent company 2022 TEUR	Parent company 2021 TEUR
Share capital		5	5	5	5
Share premium account		0	12.571	0	14.205
Reserve for net revaluation under the equity method		0	0	0	1.168
Retained earnings		13.758	2.802	13.758	0
Equity attributable to shareholders of the Parent Company		**13.763**	**15.378**	**13.763**	**15.378**
Minority interests		1.502	1.421	0	0
Equity		**15.265**	**16.799**	**13.763**	**15.378**
Trade payables		2.504	1.239	7	7
Payables to owners and Management		40	31	40	31
Other payables		944	880	0	0
Deferred income	13	366	185	0	0
Short-term debt		**3.854**	**2.335**	**47**	**38**
Debt		**3.854**	**2.335**	**47**	**38**
Liabilities and equity		**19.119**	**19.134**	**13.810**	**15.416**
Distribution of profit	11				
Contingent assets, liabilities and other financial obligations	16				
Accounting Policies	17				

Statement of Changes in Equity

Koncern

	Share capital	Share premium account	Reserve for net revaluation under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Equity at 1 January	5	12.571	0	2.802	15.378	1.421	16.799
Cash capital increase	0	0	0	0	0	165	165
Exchange adjustments relating to foreign entities	0	0	0	33	33	0	33
Other equity movements	0	0	0	179	179	0	179
Net profit/loss for the year	0	0	0	-1.827	-1.827	-84	-1.911
Transfer from share premium account	0	-12.571	0	12.571	0	0	0
Equity at 31 December	**5**	**0**	**0**	**13.758**	**13.763**	**1.502**	**15.265**

Moderselskab

	Share capital	Share premium account	Reserve for net revaluation under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
Equity at 1 January	5	14.205	1.195	-27	15.378	0	15.378
Exchange adjustments	0	0	33	0	33	0	33
Other equity movements	0	0	179	0	179	0	179
Net profit/loss for the year	0	0	-1.407	-420	-1.827	0	-1.827
Transfer from share premium account	0	-14.205	0	14.205	0	0	0
Equity at 31 December	**5**	**0**	**0**	**13.758**	**13.763**	**0**	**13.763**

Cash Flow Statement 1 January - 31 December

	Note	Group 2022	Group 2021
		TEUR	TEUR
Net profit/loss for the year		-1.911	1.372
Adjustments	14	1.600	1.291
Change in working capital	15	627	-462
Cash flows from operating activities before financial income and expenses		**316**	**2.201**
Financial income		437	294
Financial expenses		-554	-248
Cash flows from ordinary activities		**199**	**2.247**
Corporation tax paid		34	-179
Cash flows from operating activities		**233**	**2.068**
Purchase of intangible assets		-114	-1.080
Purchase of property, plant and equipment		-23	-153
Fixed asset investments made etc		-86	-106
Cash flows from investing activities		**-223**	**-1.339**
Repayment of loans from credit institutions		0	-832
Minority interests		165	1.218
Cash capital increase		0	1.995
Cash flows from financing activities		**165**	**2.381**
Change in cash and cash equivalents		**175**	**3.110**
Cash and cash equivalents at 1 January		3.942	832
Cash and cash equivalents at 31 December		**4.117**	**3.942**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4.117	3.942
Cash and cash equivalents at 31 December		**4.117**	**3.942**

Notes to the Financial Statements

		Group		Parent company	
		2022	2021	2022	2021
		TEUR	TEUR	TEUR	TEUR
1	**Staff expenses**				
	Wages and salaries	7.657	5.548	0	0
	Pensions	608	430	0	0
	Other social security expenses	129	88	0	0
	Other staff expenses	16	16	0	0
		8.410	**6.082**	**0**	**0**
	Average number of employees	**77**	**71**	**0**	**0**
2	**Financial income**				
	Exchange adjustments	438	294	0	0
		438	**294**	**0**	**0**
3	**Financial expenses**				
	Interest paid to associates	0	2	0	0
	Other financial expenses	32	21	0	0
	Exchange adjustments, expenses	522	225	0	0
		554	**248**	**0**	**0**
4	**Tax on profit/loss for the year**				
	Current tax for the year	1	462	0	-8
	Deferred tax for the year	-184	-6	0	0
		-183	**456**	**0**	**-8**

Notes to the Financial Statements

5 Intangible assets

Koncern

	Acquired licenses	Goodwill	Total
	TEUR	TEUR	TEUR
Cost at 1 January	475	10.649	11.124
Additions for the year	101	0	101
Disposals for the year	-21	0	-21
Cost at 31 December	555	10.649	11.204
Impairment losses and amortisation at 1 January	91	810	901
Amortisation for the year	38	1.541	1.579
Reversal of amortisation of disposals for the year	-21	0	-21
Impairment losses and amortisation at 31 December	108	2.351	2.459
Carrying amount at 31 December	**447**	**8.298**	**8.745**

6 Property, plant and equipment

Koncern

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TEUR	TEUR	TEUR
Cost at 1 January	151	126	277
Additions for the year	24	0	24
Disposals for the year	-15	0	-15
Cost at 31 December	160	126	286
Impairment losses and depreciation at 1 January	105	78	183
Depreciation for the year	36	20	56
Reversal of impairment and depreciation of sold assets	-15	0	-15
Impairment losses and depreciation at 31 December	126	98	224
Carrying amount at 31 December	**34**	**28**	**62**

Notes to the Financial Statements

7 Investments in subsidiaries

	Parent company	
	2022	2021
	TEUR	TEUR
Cost at 1 January	14.210	0
Additions for the year	0	14.210
Cost at 31 December	14.210	14.210
Value adjustments at 1 January	1.195	0
Exchange adjustment	33	0
Net profit/loss for the year	-306	570
Other equity movements, net	179	1.381
Amortisation of goodwill	-1.512	-756
Change in intercompany profit on inventories	0	0
Other adjustments	0	0
Value adjustments at 31 December	-411	1.195
Carrying amount at 31 December	**13.799**	**15.405**
Positive differences arising on initial measurement of subsidiaries at net asset value	10.582	10.582
Remaining positive difference included in the above carrying amount at 31 December	8.314	9.826

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
SECOMEA A/S	Herlev	85.501	79%	6.987.589	-390.222

8 Other fixed asset investments

	Group
	Deposits
	TEUR
Cost at 1 January	105
Additions for the year	2
Cost at 31 December	107

Carrying amount at 31 December	**107**

	Group		Parent company	
	2022	2021	2022	2021
	TEUR	TEUR	TEUR	TEUR

9 Inventories

Raw materials and consumables	1.854	1.487	0	0
Finished goods and goods for resale	233	469	0	0
	2.087	**1.956**	**0**	**0**

10 Prepayments

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

11 Distribution of profit

Reserve for net revaluation under the equity method	0	0	-1.407	1.168
Minority interests' share of net profit/loss of subsidiaries	-84	203	0	0
Retained earnings	-1.827	1.169	-420	0
	-1.911	**1.372**	**-1.827**	**1.168**

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TEUR	TEUR	TEUR	TEUR
12 Deferred tax asset				
Deferred tax asset at 1 January	4	0	0	0
Amounts recognised in the income statement for the year	184	6	0	0
Amounts recognised in equity for the year	0	-2	0	0
Deferred tax asset at 31 December	**188**	**4**	**0**	**0**

The recognised tax asset comprises tax loss carry-forwards expected to be utilised within the next three to four years.

13 Deferred income

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

14 Cash flow statement - adjustments

Financial income	-438	-294
Financial expenses	554	248
Depreciation, amortisation and impairment losses, including losses and gains on sales	1.629	868
Tax on profit/loss for the year	-183	456
Other adjustments	38	13
	1.600	**1.291**

15 Cash flow statement - change in working capital

Change in inventories	-131	-1.426
Change in receivables	-757	-241
Change in trade payables, etc	1.515	1.205
	627	**-462**

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Group has entered into a lease contract, where the lease has an annual rent of TEUR 160. The lease can be terminated with 7 months' notice and the total rent obligation during the period of notice is thus TEUR 93.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of SCME Holding ApS, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of SCME Holding ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2022 are presented in TEUR.

Recognition and measurement

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

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

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

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

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, SCME Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company’s investments in the consolidated subsidiaries are set off against the Parent Company’s share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

17 Accounting Policies (continued)

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

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

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Notes to the Financial Statements

17 Accounting Policies (continued)

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years

Notes to the Financial Statements

17 Accounting Policies (continued)

Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of .

Inventories

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

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

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

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Notes to the Financial Statements

17 Accounting Policies (continued)

Receivables

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

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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

Notes to the Financial Statements

17 Accounting Policies (continued)

Deferred income

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

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\dfrac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$

Notes to the Financial Statements

17 Accounting Policies (continued)

Return on equity $$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$