



ETK Finans ApS

Lysholt Allé 10
7100 Vejle
CVR No. 42623172

Annual report 23.08.2021 - 30.06.2022

The Annual General Meeting adopted the
annual report on 30.12.2022

Christian Møller Christensen
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management on the annual report	3
Independent auditor's report	4
Management commentary	7
Consolidated income statement for 2021/22	10
Consolidated balance sheet at 30.06.2022	11
Consolidated statement of changes in equity for 2021/22	14
Consolidated cash flow statement for 2021/22	15
Notes to consolidated financial statements	16
Parent income statement for 2021/22	20
Parent balance sheet at 30.06.2022	21
Parent statement of changes in equity for 2021/22	23
Notes to parent financial statements	24
Accounting policies	26

Entity details

Entity

ETK Finans ApS

Lysholt Allé 10

7100 Vejle

Business Registration No.: 42623172

Date of foundation: 23.08.2021

Registered office: Vejle

Financial year: 23.08.2021 - 30.06.2022

Executive Board

Christian Møller Christensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of ETK Finans ApS for the financial year 23.08.2021 - 30.06.2022.

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

In my opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.06.2022 and of the results of their operations and the consolidated cash flows for the financial year 23.08.2021 - 30.06.2022.

I believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

I recommend the annual report for adoption at the Annual General Meeting.

Skanderborg, 30.12.2022

Executive Board

Christian Møller Christensen

Independent auditor's report

To the shareholders of ETK Finans ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of ETK Finans ApS for the financial year 23.08.2021 - 30.06.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.06.2022 and of the results of their operations and the consolidated cash flows for the financial year 23.08.2021 - 30.06.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 financial statements" section of this auditor's 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Aarhus, 30.12.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Søren Marquart Alsen

State Authorised Public Accountant
Identification No (MNE) mne40040

Lena Lykkegård

State Authorised Public Accountant
Identification No (MNE) mne47836

Management commentary

Financial highlights

	2021/22
	DKK'000
Key figures	
Gross profit/loss	66,169
Operating profit/loss	7,459
Net financials	(7,361)
Profit/loss for the year	(1,825)
Profit for the year excl. minority interests	(1,257)
Balance sheet total	448,039
Investments in property, plant and equipment	47,975
Equity	147,536
Equity excl. minority interests	88,580
Cash flows from operating activities	(47,963)
Cash flows from investing activities	(258,552)
Cash flows from financing activities	245,410
Ratios	
Equity ratio (%)	19.77

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

Equity ratio (%):

Equity excl. minority interests * 100

Balance sheet total

Primary activities

The activities consisted of development, production and trading of electronic components and equipment and the attached services.

Development in activities and finances

The income statement for the year ending June 30th, 2022 shows a loss of DKK 1,8m and an equity of DKK 88.6m

The year was challenging, as we had to deal with multiple challenges arising from covid related restrictions and constraints, international unrest arising from the Russian invasion of Ukraine, global tensions leading to trade wars on materials and hoarding of components, and unprecedented price increases on raw materials, components and energy.

Despite these challenges, we managed to secure reliable and steady supplies to our customers.

We have continued investing in new and improved technology for our production, and additional, new machinery will also be installed during 2022-23.

Our AI driven planning systems have secured increased efficiency at all production sites, and in parallel to this secured more independency for the individual employees.

ETK's Sourcing and Purchase teams have succeeded to secure components for our customers utilizing alternative routes. Intensive search and sourcing within the global broker market has proven to become a significant share of today's Purchase activities.

Our Sourcing and Purchase teams have also managed to work around the clock from Thailand, enabling them to act immediately even during working hours in Europe and in the US.

Our customers have also been very forthcoming in accepting alternative components and in working on re-designs.

The satisfactory increase in our revenue is a confirmation of our ability to scale and grow in a strong co-operation with our existing customers and to support them in their expansions.

The year 2021-22 has also brought new customers to the business where we have been able to diversify our skills and competencies to serve new product segments in new and developing markets within electric components.

ETK has experienced significant growth in several segments such as Robotics, Medico, Healthcare and Agriculture.

Expansion of the business with new ownership

At the beginning of the financial year 2021-22, we invited Blue Equity, a Danish Private Equity Fund, to join the partnership, still maintaining a substantial ownership with the original partners.

The purpose of the partnership is to enforce the successful development of the business into new markets and to further improve and increase the services offered to our existing customers.

A first result of this expansion in the ownership is the recent acquisition of Alpha Electronic A/S, based in Næstved, Eastern Denmark.

Alpha Electronic A/S, now ETK EMS Næstved A/S, is now fully integrated as a 100 % owned subsidiary in the ETK EMS Group with our digital set-up being fully implemented.

ESG performance

During 2021-22 we have made further progress in our ESG activities.

Measures have been taken and investments made to reduce energy consumption, and a full scale project on identifying and mapping carbon emission, scope 1, 2 and 3 has been initiated.

During the financial year 2022-23 we expect to be able to map and report the carbon emission arising from our activities and to set up goals for a reduction of the emissions.

Our social activities for all our ETK EMS employees and their families came back to normal after years of Covid restrictions.

Outlook

We realize that many of the challenges that prevailed during 2021-22 will form a new normal in the years to come, and we are confident that we hold the abilities and potential to steer towards further growth and success together with our existing and new customers.

Market conditions are still very unstable, and lead times for semiconductors have not improved significantly during the last year.

Manufacturer's expectations are, that the market situation will continue yet another year, unless global recession in the consumer industry will have positive impact to the industrial segment.

Events after the balance sheet date

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

Consolidated income statement for 2021/22

	Notes	2021/22 DKK
Gross profit/loss		66,168,978
Staff costs	2	(45,570,812)
Depreciation, amortisation and impairment losses	3	(13,139,430)
Operating profit/loss		7,458,736
Other financial income	4	32,173
Other financial expenses	5	(7,393,636)
Profit/loss before tax		97,273
Tax on profit/loss for the year	6	(1,922,231)
Profit/loss for the year	7	(1,824,958)

Consolidated balance sheet at 30.06.2022

Assets

	Notes	2021/22 DKK
Goodwill		157,673,046
Intangible assets	8	157,673,046
Plant and machinery		9,229,784
Other fixtures and fittings, tools and equipment		8,936,745
Leasehold improvements		261,378
Property, plant and equipment	9	18,427,907
Deposits		2,577,973
Other receivables		786,672
Financial assets		3,364,645
Fixed assets		179,465,598
Raw materials and consumables		130,772,630
Work in progress		8,272,214
Manufactured goods and goods for resale		26,889,154
Prepayments for goods		3,601,613
Inventories		169,535,611

Trade receivables		89,320,911
Deferred tax	10	3,009,207
Other receivables		213,874
Tax receivable		976,887
Prepayments	11	1,462,702
Receivables		94,983,581
<hr/>		
Cash		4,054,141
<hr/>		
Current assets		268,573,333
<hr/>		
Assets		448,038,931
<hr/>		

Equity and liabilities

	Notes	2021/22 DKK
Contributed capital		100,000
Retained earnings		88,479,821
Equity belonging to Parent's shareholders		88,579,821
Equity belonging to minority interests		58,955,876
Equity		147,535,697
Bank loans		83,333,000
Lease liabilities		3,037,522
Other payables		5,141,756
Non-current liabilities other than provisions	12	91,512,278
Current portion of non-current liabilities other than provisions	12	17,719,242
Bank loans		65,159,388
Prepayments received from customers		755,027
Trade payables		72,899,914
Payables to associates		23,065,353
Tax payable		11,677,284
Other payables		17,714,748
Current liabilities other than provisions		208,990,956
Liabilities other than provisions		300,503,234
Equity and liabilities		448,038,931
Events after the balance sheet date	1	
Contingent liabilities	14	
Assets charged and collateral	15	
Transactions with related parties	16	
Group relations	17	
Subsidiaries	18	

Consolidated statement of changes in equity for 2021/22

	Contributed capital DKK	Retained earnings DKK	Equity belonging to Parent's shareholders DKK	Equity belonging to minority interests DKK	Total DKK
Contributed upon formation	40,000	0	40,000	0	40,000
Increase of capital	60,000	87,450,000	87,510,000	58,000,000	145,510,000
Exchange rate adjustments	0	2,286,393	2,286,393	1,524,262	3,810,655
Profit/loss for the year	0	(1,256,572)	(1,256,572)	(568,386)	(1,824,958)
Equity end of year	100,000	88,479,821	88,579,821	58,955,876	147,535,697

Consolidated cash flow statement for 2021/22

	Notes	2021/22 DKK
Operating profit/loss		7,458,736
Amortisation, depreciation and impairment losses		13,139,430
Working capital changes	13	(59,648,036)
Cash flow from ordinary operating activities		(39,049,870)
Financial income received		32,173
Financial expenses paid		(7,393,636)
Taxes refunded/(paid)		(1,551,915)
Cash flows from operating activities		(47,963,248)
Acquisition etc. of property, plant and equipment		(6,551,999)
Acquisition of enterprises		(252,000,000)
Cash flows from investing activities		(258,551,999)
Free cash flows generated from operations and investments before financing		(306,515,247)
Loans raised		100,000,000
Cash capital increase		145,410,000
Cash flows from financing activities		245,410,000
Increase/decrease in cash and cash equivalents		(61,105,247)
Cash and cash equivalents end of year		(61,105,247)
Cash and cash equivalents at year-end are composed of:		
Cash		4,054,141
Short-term bank loans		(65,159,388)
Cash and cash equivalents end of year		(61,105,247)

Notes to consolidated financial statements

1 Events after the balance sheet date

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

2 Staff costs

	2021/22
	DKK
Wages and salaries	40,370,398
Pension costs	4,178,391
Other social security costs	988,085
Other staff costs	33,938
	45,570,812
Average number of full-time employees	323

3 Depreciation, amortisation and impairment losses

	2021/22
	DKK
Amortisation of intangible assets	9,435,072
Depreciation on property, plant and equipment	3,182,479
Profit/loss from sale of intangible assets and property, plant and equipment	521,879
	13,139,430

4 Other financial income

	2021/22
	DKK
Other interest income	30,223
Other financial income	1,950
	32,173

5 Other financial expenses

	2021/22
	DKK
Financial expenses from associates	484,725
Other interest expenses	2,311,574
Exchange rate adjustments	4,419,452
Other financial expenses	177,885
	7,393,636

6 Tax on profit/loss for the year

	2021/22
	DKK
Current tax	4,931,438
Change in deferred tax	(3,009,207)
	1,922,231

7 Proposed distribution of profit/loss

	2021/22
	DKK
Retained earnings	(1,256,572)
Minority interests' share of profit/loss	(568,386)
	(1,824,958)

8 Intangible assets

	Goodwill
	DKK
Addition through business combinations etc	167,108,118
Cost end of year	167,108,118
Amortisation for the year	(9,435,072)
Amortisation and impairment losses end of year	(9,435,072)
Carrying amount end of year	157,673,046

9 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Addition through business combinations etc	8,676,092	29,153,404	3,593,932
Exchange rate adjustments	342,414	0	0
Additions	1,348,878	5,203,121	0
Disposals	(549,236)	(30,166,806)	0
Cost end of year	9,818,148	4,189,719	3,593,932
Addition through business combinations etc	0	(19,369,691)	(3,291,723)
Depreciation for the year	(746,978)	(2,394,670)	(40,831)
Reversal regarding disposals	158,614	26,511,387	0
Depreciation and impairment losses end of year	(588,364)	4,747,026	(3,332,554)
Carrying amount end of year	9,229,784	8,936,745	261,378

10 Deferred tax

	2021/22 DKK
Changes during the year	
Recognised in the income statement	3,009,207
End of year	3,009,207

Deferred tax assets

Deferred tax consist of temporary differences on depreciation of tangible assets.

11 Prepayments

Prepayments recognised under assets include expenses incurred relating to subsequent financial years. Prepayments are measured at cost.

12 Non-current liabilities other than provisions

	Due within 12 months 2021/22 DKK	Due after more than 12 months 2021/22 DKK	Outstanding after 5 years 2021/22 DKK
Bank loans	16,667,000	83,333,000	0
Lease liabilities	1,052,242	3,037,522	0
Other payables	0	5,141,756	5,141,756
	17,719,242	91,512,278	5,141,756

13 Changes in working capital

	2021/22
	DKK
Increase/decrease in inventories	(84,154,546)
Increase/decrease in receivables	(40,778,997)
Increase/decrease in trade payables etc.	65,285,507
	(59,648,036)

14 Contingent liabilities

The Parent and the Danish subsidiaries participate in a Danish joint taxation arrangement in which ETK Finans ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Parent and the Danish subsidiaries are therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

15 Assets charged and collateral

All shares in subsidiaries have been posted as security for bank debt and bank debt.

ETK EMS Group ApS has issued a support letter for ETK EMS Næstved A/S.

16 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

17 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
ETK Finans ApS, 8600 Skanderborg

18 Subsidiaries

	Registered in	Ownership
		%
BE ETK Holding ApS	Denmark	60.00
ETK EMS Group ApS	Denmark	100.00
ETK EMS Frederikssund A/S	Denmark	100.00
ETK EMS Næstved A/S	Denmark	100.00
ETK EMS Sønderborg A/S	Denmark	100.00
ETK EMS Skanderborg A/S	Denmark	100.00
ETK EMS Asia Ltd	Thailand	100.00

Parent income statement for 2021/22

	Notes	2021/22 DKK
Gross profit/loss		(413,568)
Income from investments in group enterprises		(852,580)
Other financial expenses	2	(1,825)
Profit/loss before tax		(1,267,973)
Tax on profit/loss for the year	3	11,402
Profit/loss for the year	4	(1,256,571)

Parent balance sheet at 30.06.2022

Assets

	Notes	2021/22 DKK
Investments in group enterprises		88,433,813
Financial assets	5	88,433,813
Fixed assets		88,433,813
Deferred tax	6	11,402
Receivables		11,402
Cash		184,607
Current assets		196,009
Assets		88,629,822

Equity and liabilities

	Notes	2021/22 DKK
Contributed capital		100,000
Reserve for net revaluation according to equity method		1,433,813
Retained earnings		87,046,009
Equity		88,579,822
Other payables		50,000
Current liabilities other than provisions		50,000
Liabilities other than provisions		50,000
Equity and liabilities		88,629,822
Events after the balance sheet date	1	
Employees	7	
Contingent liabilities	8	
Assets charged and collateral	9	
Transactions with related parties	10	

Parent statement of changes in equity for 2021/22

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Contributed upon formation	40,000	0	0	40,000
Increase of capital	60,000	0	87,450,000	87,510,000
Value adjustments	0	2,286,393	0	2,286,393
Profit/loss for the year	0	(852,580)	(403,991)	(1,256,571)
Equity end of year	100,000	1,433,813	87,046,009	88,579,822

Notes to parent financial statements

1 Events after the balance sheet date

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

2 Other financial expenses

	2021/22
	DKK
Other interest expenses	1,715
Other financial expenses	110
	1,825

3 Tax on profit/loss for the year

	2021/22
	DKK
Change in deferred tax	(11,402)
	(11,402)

4 Proposed distribution of profit and loss

	2021/22
	DKK
Retained earnings	(1,256,571)
	(1,256,571)

5 Financial assets

	Investments in group enterprises DKK
Additions	87,000,000
Cost end of year	87,000,000
Share of profit/loss for the year	(852,580)
Other adjustments	2,286,393
Revaluations end of year	1,433,813
Carrying amount end of year	88,433,813

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

6 Deferred tax

	2021/22
	DKK
Changes during the year	
Recognised in the income statement	11,402
End of year	11,402

Deferred tax assets

Deffered tax is expected to be used in the joint taxation.

7 Employees

The Entity has no employees other than the Executive Board. The Executive Officer has not received any remuneration.

8 Contingent liabilities

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

9 Assets charged and collateral

Shares in all subsidiaries have been posted as security for bank debt and bank debt in ETK EMS Skanderborg A/S and ETK EMS Frederikssund A/S.

ETK EMS Group ApS has issued a letter of support for ETK EMS Næstved A/S.

10 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

Accounting policies

Reporting class

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

Recognition and measurement

Assets are recognised 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 recognised 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 effected 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 recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise 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 or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of 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 recognised 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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, costs of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme 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 recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation periods used are 15 years, which is based on an assesment from management that the value of the investment is expected to be returned over a longer period.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

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

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

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

	Useful life Years
Plant and machinery	3-8 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	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.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed

based on the experience gained by Management for each business area. The amortisation periods used are 15 years, which is based on an assesment from management that the value of the investment is expected to be returned over a longer period.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Inventories

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

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Minority interests

On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement

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

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

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

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

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