

## **Carsoe Seafood ApS**

Mineralvej 6  
9220 Aalborg Øst  
CVR No. 43187430

### **Annual report 04.04.2022 - 31.12.2022**

The Annual General Meeting adopted the  
annual report on 14.07.2023

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**Casper Villadsen**

Chairman of the General Meeting

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# Entity details

## Entity

Carsoe Seafood ApS

Mineralvej 6

9220 Aalborg Øst

Business Registration No.: 43187430

Registered office: Aalborg

Financial year: 04.04.2022 - 31.12.2022

## Board of Directors

Hugo Holst Dissing

Jeppe Christensen

Casper Villadsen

## Executive Board

Hugo Holst Dissing

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Carsoe Seafood ApS for the financial year 04.04.2022 - 31.12.2022.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 04.04.2022 - 31.12.2022.

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

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

Aalborg, 14.07.2023

## Executive Board

**Hugo Holst Dissing**

## Board of Directors

**Hugo Holst Dissing**

**Jeppe Christensen**

**Casper Villadsen**

# Independent auditor's report

## To the shareholders of Carsoe Seafood ApS

### Opinion

We have audited the financial statements of Carsoe Seafood ApS for the financial year 04.04.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 04.04.2022 - 31.12.2022 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 financial statements" section of this auditor's report. We are independent of the Entity 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 financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of 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 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 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 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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

#### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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, 14.07.2023

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Henrik Vedel**

State Authorised Public Accountant  
Identification No (MNE) mne10052

**Jakob Olesen**

State Authorised Public Accountant  
Identification No (MNE) mne34492

# Management commentary

## Financial highlights

	<b>2022</b>
	<b>DKK'000</b>
<b>Key figures</b>	
Revenue	304,349
Gross profit/loss	104,228
Operating profit/loss	11,446
Net financials	(479)
Profit/loss for the year	8,635
Total assets	306,582
Investments in property, plant and equipment	18,553
Equity	20,262
<b>Ratios</b>	
Gross margin (%)	34.25
EBIT margin (%)	3.76
Net margin (%)	2.84
Equity ratio (%)	6.61

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

### **Gross margin (%):**

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

### **EBIT margin (%):**

$\frac{\text{Operating profit/loss} * 100}{\text{Revenue}}$

Revenue

### **Net margin (%):**

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Revenue

### **Equity ratio (%):**

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets



### Primary activities

Carsoe Seafood is a leading global provider of niche processing equipment and services for the onboard seafood and food processing industries. Carsoe Seafood's activities comprise product development, manufacturing, engineering, installation, and service.

### Development in activities and finances

Carsoe Seafood was established 04.04.2022 why 2022 is the first financial year.

On November 1, 2021, Carsoe Group acquired all shares in Intech International A/S, which had overlapping businesses within food packaging and seafood processing equipment. Throughout the year, the subsidiaries in Carsoe Group underwent a legal restructuring to establish two separate and streamlined businesses. Carsoe Seafood ApS, based in Aalborg, took over the activities and subsidiaries from Carsoe ApS after which Carsoe Seafood ApS solely focuses on seafood processing equipment. The other part of the business in Carsoe Group is Intech International, based in Brønderslev, which specializes in food packaging equipment and has been rebranded as QUPAQ in 2022. This restructuring is expected to strengthen the market positions and growth opportunities of both businesses by allowing them to concentrate on their respective areas of expertise.

Carsoe Seafood aim to be one of the world's leading suppliers of on-board equipment for seafood processing. Throughout the year we have successfully managed to supply customers around the world with Carsoe Seafood's own developed solutions. Even though 2022 was a year of turmoil, Carsoe Seafood has managed to win a substantial new number of orders. The orders are geographically diverse and in line with the core offering of Carsoe Seafood. Besides the large-scale projects, Carsoe Seafood has successfully grow aftersales and widened its product portfolio. In 2022, Carsoe Seafood has focused on strengthening its supply chain resilience, including by enhancing its product value propositions and fully utilizing the merged seafood activities from Intech International.

### Outlook

In 2023, Carsoe Seafood will continue executing its growth plan, while improving operations to increase margins. The Company expects the results for 2023 to improve compared with 2022 corresponding to an EBITDA in the range of DKK 25m-29m. For the full Carsoe Group EBITDA is expected in the range of DKK 42m-53m.

Carsoe Seafood has proven its ability to grow into new markets and offer new sought-after solutions to its customers. Carsoe expects to continue strengthening its position in the consolidating market for onboard turnkey seafood processing solutions, including through a stronger aftermarket offering, while expanding its presence within new niche segments and actively selling its products standalone.

The continued market uncertainty and economic conditions may affect the demand for the products and solutions offered by Carsoe Seafood in 2023.

### Particular risks

#### Operating risks

Carsoe Seafood's most significant operating risks relate to its ability to gain and retain client relations, key employees and staying be at the forefront of technological development within Carsoe Seafood's business areas. Refer to the sections Knowledge resources and Research and development activities below for information on how Carsoe Seafood work with knowledge and development.

### Financial risks

Carsoe Seafood does not hedge the currency rate between Danish Krone (DKK) and the Euro (EUR) as this rate is fixed. Exposure to other currencies is limited, as euro is used as the main contract currency.

Currency adjustments of investments in subsidiaries which are independent entities are recognized directly in equity. As a main rule, currency risks related to the investment in subsidiaries are not hedged, as Carsoe Seafood regards these as long-term strategic investments that are not affected by short term fluctuations in currency rates. Carsoe Seafood's worldwide activities imply a credit risk in connection with sales to customers. We take measures to hedge our exposure, for instance by introducing letters of credit.

### **Knowledge resources**

Carsoe Seafood's business foundation is to supply high-tech and reliable equipment and installations for manufacturing and processing in the food and seafood industries. This places particularly high demands on our knowledge resources in the form of employee know-how and well-established business processes. The critical business processes include engineering, project execution and management, and aftermarket services.

It is essential for Carsoe Seafood to be able to recruit and retain highly educated and knowledgeable employees. In 2022, Carsoe Seafood bolstered its HR processes by providing training on technical topics, process management, and project management. This initiative aimed to enhance employees' skills, improve efficiency, and ensure successful project execution. Additionally, Carsoe Seafood continues its work to foster a strong, unified company culture focused on collaboration, innovation, and continuous improvement that supports a positive and engaging work environment.

During 2022, Carsoe Seafood has strengthened its business processes and systems, including by integrating the Intech Seafood operations and the KM Fish subsidiary into Carsoe Seafood's ERP system.

### **Research and development activities**

Our research and development activities are primarily carried out at the Carsoe Seafoods head office in Denmark. Development activities include the development of equipment and solutions within Carsoe Seafood's business areas.

A total of 8 FTEs was allocated during the financial year to development activities, with a particular focus on standardisation, automation, and leveraging the inhouse competences across all product capabilities. For specific development activities, Carsoe has concluded work on, e.g., auto freezer capacity capabilities, combination conveyers to handle both halibut and shrimp, and Japan Shrimp box erector.

### **Statutory report on corporate social responsibility**

We refer to the statement on social responsibility, which is included in the consolidated financial statements for Carsoe Group A/S.

### **Statutory report on the underrepresented gender**

We refer to the statement on the underrepresented gender, which is included in the consolidated financial statements for Carsoe Group A/S.

### **Statutory report on data ethics policy**

Carsoe ApS is responsible for processing customer information that is provided to us or collected about our customers. We treat customer information with the utmost respect for confidentiality and privacy.

We have a clear corporate policy in place that governs how we use personal information to protect the privacy of

our employees, customers, and other stakeholders. This policy is designed to ensure compliance with the Data Protection Act and the Data Protection Regulation, but as such we have not identified a need to establish a stand-alone Data Ethics Policy.

**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.

# Income statement for 2022

	Notes	2022 DKK'000
Revenue	1	304,349
Other operating income	2	3,944
Costs of raw materials and consumables		(175,538)
Other external expenses	3	(28,527)
<b>Gross profit/loss</b>		<b>104,228</b>
Staff costs	4	(92,216)
Depreciation, amortisation and impairment losses	5	(566)
<b>Operating profit/loss</b>		<b>11,446</b>
Other financial income	6	757
Other financial expenses	7	(1,236)
<b>Profit/loss before tax</b>		<b>10,967</b>
Tax on profit/loss for the year	8	(2,332)
<b>Profit/loss for the year</b>	9	<b>8,635</b>

# Balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK'000
Completed development projects	11	6,135
Acquired intangible assets		19,527
Goodwill		9,844
<b>Intangible assets</b>	<b>10</b>	<b>35,506</b>
Plant and machinery		1,972
Other fixtures and fittings, tools and equipment		2,179
Leasehold improvements		14,239
<b>Property, plant and equipment</b>	<b>12</b>	<b>18,390</b>
Investments in group enterprises		137,251
Deposits		1,909
<b>Financial assets</b>	<b>13</b>	<b>139,160</b>
<b>Fixed assets</b>		<b>193,056</b>
Raw materials and consumables		28,220
Work in progress		11,654
Manufactured goods and goods for resale		17,333
Prepayments for goods		7,771
<b>Inventories</b>		<b>64,978</b>
Trade receivables		22,274
Contract work in progress	14	3,957
Receivables from group enterprises		12,732
Other receivables		874
Prepayments	15	4,043
<b>Receivables</b>		<b>43,880</b>
<b>Cash</b>		<b>4,668</b>
<b>Current assets</b>		<b>113,526</b>
<b>Assets</b>		<b>306,582</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 DKK'000</b>
Contributed capital	16	40
Retained earnings		20,222
<b>Equity</b>		<b>20,262</b>
Deferred tax	17	3,371
<b>Provisions</b>		<b>3,371</b>
Bank loans		314
Prepayments received from customers		7,995
Contract work in progress	14	48,885
Trade payables		42,951
Payables to group enterprises		163,291
Other payables	18	19,513
<b>Current liabilities other than provisions</b>		<b>282,949</b>
<b>Liabilities other than provisions</b>		<b>282,949</b>
<b>Equity and liabilities</b>		<b>306,582</b>
Unrecognised rental and lease commitments	19	
Contingent liabilities	20	
Assets charged and collateral	21	
Related parties with controlling interest	22	
Transactions with related parties	23	
Group relations	24	

# Statement of changes in equity for 2022

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Contributed upon formation	40	0	40
Effect of mergers and business combinations	0	27,980	27,980
Difference on application of the uniting-of-interests method	0	(16,393)	(16,393)
Profit/loss for the year	0	8,635	8,635
<b>Equity end of year</b>	<b>40</b>	<b>20,222</b>	<b>20,262</b>

# Notes

## 1 Revenue

	<b>2022</b>
	<b>DKK'000</b>
Europe	289,106
Other continents	15,243
<b>Total revenue by geographical market</b>	<b>304,349</b>
Offshore	260,668
Onshore	43,681
<b>Total revenue by activity</b>	<b>304,349</b>

## 2 Other operating income

Other operating income comprises received compensation regarding staff costs of DKK 1,197k and other income.

## 3 Fees to the auditor appointed by the Annual General Meeting

Referring to section 96(3) of the Danish Financial Statements Act, fees to the auditor appointed by the Annual General Meeting has not been disclosed.

## 4 Staff costs

	<b>2022</b>
	<b>DKK'000</b>
Wages and salaries	81,205
Pension costs	10,020
Other social security costs	991
	<b>92,216</b>
Average number of full-time employees	205

	<b>Remuneration of Management 2022</b>
	<b>DKK'000</b>
Total amount for management categories	1,612
	<b>1,612</b>



**5 Depreciation, amortisation and impairment losses**

	<b>2022</b>
	<b>DKK'000</b>
Amortisation of intangible assets	403
Depreciation of property, plant and equipment	163
	<b>566</b>

**6 Other financial income**

	<b>2022</b>
	<b>DKK'000</b>
Financial income from group enterprises	726
Other interest income	31
	<b>757</b>

**7 Other financial expenses**

	<b>2022</b>
	<b>DKK'000</b>
Financial expenses from group enterprises	281
Other interest expenses	695
Exchange rate adjustments	260
	<b>1,236</b>

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

	<b>2022</b>
	<b>DKK'000</b>
Current tax	(167)
Change in deferred tax	2,499
	<b>2,332</b>

**9 Proposed distribution of profit and loss**

	<b>2022</b>
	<b>DKK'000</b>
Retained earnings	8,635
	<b>8,635</b>

## 10 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000
Addition through business combinations etc	0	0	10,238
Additions	6,135	19,536	0
<b>Cost end of year</b>	<b>6,135</b>	<b>19,536</b>	<b>10,238</b>
Amortisation for the year	0	(9)	(394)
<b>Amortisation and impairment losses end of year</b>	<b>0</b>	<b>(9)</b>	<b>(394)</b>
<b>Carrying amount end of year</b>	<b>6,135</b>	<b>19,527</b>	<b>9,844</b>

## 11 Development projects

Completed development projects comprises development etc. of machinery and equipment with the all of the Group's business areas. As of 31 December 2022 the carrying amount of completed development projects amounts to DKK 6.135k. The amortisation period for completed development projects is set to 5 years.

## 12 Property, plant and equipment

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Additions	1,972	2,342	14,239
<b>Cost end of year</b>	<b>1,972</b>	<b>2,342</b>	<b>14,239</b>
Depreciation for the year	0	(163)	0
<b>Depreciation and impairment losses end of year</b>	<b>0</b>	<b>(163)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>1,972</b>	<b>2,179</b>	<b>14,239</b>

## 13 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Additions	137,251	1,909
<b>Cost end of year</b>	<b>137,251</b>	<b>1,909</b>
<b>Carrying amount end of year</b>	<b>137,251</b>	<b>1,909</b>

The carrying amount of goodwill at 31 December 2022 amounts to DKK 21,813k and the carrying amount of other intangible assets amounts to DKK 3,179k.

<b>Investments in subsidiaries</b>	<b>Registered in</b>	<b>Corporate form</b>	<b>Equity interest %</b>
Carsoe U.S. Inc.,	USA, Seattle	Inc.	100.00
Holmtek Palletering AS,	Norway, Frei Kristiansund	AS	100.00
Freezertech Limited	United Kingdom, Humberston	Ltd.	100.00

#### 14 Contract work in progress

	<b>2022 DKK'000</b>
Contract work in progress	91,108
Progress billings regarding contract work in progress	(136,036)
Transferred to liabilities other than provisions	48,885
	<b>3,957</b>

#### 15 Prepayments

Prepayments comprises prepaid expenses such as software license, lease payments, insurance and other prepaid expenses.

#### 16 Share capital

	<b>Number</b>	<b>Par value DKK'000</b>	<b>Nominal value DKK'000</b>
Shares	40,001	0,001	40
	<b>40,001</b>		<b>40</b>

#### 17 Deferred tax

	<b>2022 DKK'000</b>
Intangible assets	1,962
Property, plant and equipment	590
Inventories	319
Receivables	4,678
Tax losses carried forward	(4,178)
<b>Deferred tax</b>	<b>3,371</b>

	<b>2022</b>
	<b>DKK'000</b>
<b>Changes during the year</b>	
Recognised in the income statement	2,499
Recognised from merger and transfer in the year	872
<b>End of year</b>	<b>3,371</b>

### 18 Other payables

	<b>2022</b>
	<b>DKK'000</b>
VAT and duties	3,925
Wages and salaries, personal income taxes, social security costs, etc payable	7,470
Holiday pay obligation	5,158
Other costs payable	2,960
	<b>19,513</b>

### 19 Unrecognised rental and lease commitments

	<b>2022</b>
	<b>DKK'000</b>
Liabilities under rental or lease agreements until maturity in total	58,365

### 20 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Carsoe Group A/S serves as the administration company. 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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend 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.

### 21 Assets charged and collateral

Bank debt is secured by floating charge of DKK 10,000k. The carrying amount of the charged assets is DKK 145,105k.

### 22 Related parties with controlling interest

Carsoe Holdco A/S, Danmark own all shares in Carsoe Seafood ApS and have controlling interest.

Carsoe Group A/S, Danmark own all shares in Carsoe Holdco A/S and have controlling interest.

Plemont Co-Investment No. 1 Separate Limited Partnership, Jersey own shares in Carsoe Group A/S and have controlling interest.

### 23 Transactions with related parties

	<b>Parent</b>	<b>Subsidiaries</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Revenue	0	120,706
Purchase of goods	0	82,328
Management fee	2,747	0
Staff costs	2,472	0
Intercompany interest (income)	281	(422)
Purchase of activities and subsidiaries	0	136,044
Receivables	0	12,761
Liabilities other than provisions	10,841	152,452

Subsidiaries comprise the affiliated companies Carsoe ApS, Carsoe U.S. Inc., Holmek Palletering AS, Freezertech LTD and Qupaq ApS. Parent companies comprise Carsoe Holdco A/S and Carsoe Group A/S.

Carsoe Seafood ApS, based in Aalborg, took over the activities and subsidiaries from Carsoe ApS after which Carsoe Seafood ApS solely focuses on seafood processing equipment.

### 24 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Carsoe Group A/S, Aalborg

# Accounting policies

## Reporting class

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

## Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

## Non-comparability

It is the company's first financial year, why there are no comparative figures

## 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.

## Business combinations

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

The modified uniting-of-interests method is applied to vertical mergers in which the participating entities are subject to the Parent's control. Under this method, assets and liabilities of the participating entities are recognised at the amounts at which they are recognised in the consolidated financial statements of the parent forming part of the merger. Vertical mergers are recognised at the merger date without restatement of comparative figures.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

### Income statement

#### Revenue

Entered contracts which is consisting of several separate contracts is divided into individual contracts according to the relative fair value method. Each individual contract is recognised in revenue when the criterias of recognising sales of goods, services and contracts are fulfilled.

A contract is divided into single transactions when it is possible to estimate the fair value of the single transaction with high certainty and each transaction has separate value for the customer. Transactions are assessed to have separate value for the customer when it is possible to identify the transaction and is normally sold on an individual basis. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### *Revenue from sale of goods*

Revenue from sale of goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer, it is possible to estimate and payment is expected.

Assessment of delivery and risk is assessed in accordance with Incoterms. In situations where goods sold is delivered on an ongoing basis and is integrated with the customers property the revenue is recognised in the income statement concurrently with delivery by which the revenue equals the fair value of the work performed.

#### *Revenue from work in progress*

Contracts where the delivery of plants with high individual adjustments is recognised in revenue concurrently with the production by which the revenue equals the fair value of the work performed (the percentage-of-completion method). If the result of a contract cannot be assessed with high certainty, the contract will only be recognised at cost in the extent that cost will be covered.

#### *Revenue from services*

Revenue from the sale of services is recognised in the income statement when delivery is made 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.

#### **Costs of raw materials and consumables**

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

#### **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 salaries and wages, 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 for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

#### **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.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

**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. For goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 20 years.

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

**Intellectual property rights etc**

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

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

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

Indirect production costs in the form of indirectly attributable staff costs of intangible assets used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised 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 5 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement. The used amortisation periods are 3-5 years.

Intellectual property rights etc are 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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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:

	<b>Useful life</b>
Plant and machinery	3 to 8 years
Other fixtures and fittings, tools and equipment	3 to 7 years
Leasehold improvements	5 to 10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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 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. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

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 positive difference between cost of investments 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. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary

nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

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

### **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.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

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

### **Receivables**

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

### **Contract work in progress**

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

### **Prepayments**

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

### **Cash**

Cash comprises cash bank deposits.

**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.

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

**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**

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Carsoe Group A/S, Business Reg. No. 39893932.