Estron Investment A/S

C/O Erhvervsinvest Management A/S, Jægersborg Alle 4, 5.,
DK-2920 Charlottenlund

Annual Report for 13 December 2022 - 31 December 2023

CVR No. 43 70 58 49

The Annual Report was presented and adopted at the Annual General Meeting of the company on 5/4 2024

Kasper Sandø Jensen
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Estron Investment A/S for the financial year 13 December 2022 - 31 December 2023.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Charlottenlund, 26 March 2024

Executive Board

Thomas Marstrand
Manager

Board of Directors

Anders Schnettler Kristensen Chairman	Thomas Marstrand	Allan Sørrig Dodt
Sune Lilbæk	Kasper Sandø Jensen	

Independent Auditor's report

To the shareholders of Estron Investment A/S

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 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 13 December 2022 - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Estron Investment A/S for the financial year 13 December 2022 - 31 December 2023, 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 Financial 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.

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 Group´s and the Parent Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s and the Parent Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the 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.

Independent Auditor's report

Trekantområdet, 26 March 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Henrik Skriver Lykke
State Authorised Public Accountant
mne15094

Company information

The Company	Estron Investment A/S C/O Erhvervsinvest Management A/S Jægersborg Alle 4, 5. DK-2920 Charlottenlund CVR No: 43 70 58 49 Financial period: 13 December 2022 - 31 December 2023 Incorporated: 13 December 2022 Financial year: 1st financial year Municipality of reg. office: Gentofte
Board of Directors	Anders Schnettler Kristensen, chairman Thomas Marstrand Allan Sørrig Dodt Sune Lilbæk Kasper Sandø Jensen
Executive Board	Thomas Marstrand
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Group Chart

Company	Residence	Ownership
Estron Investment A/S	**Hjemsted**	
Estron A/S	Them	100%
Vietnam Estron Company Ltd	Ho Chi Minh City	100%

Financial Highlights

Seen over a 1-year period, the development of the Group is described by the following financial highlights:

	Group
	2022/23
	TDKK 13 months
Key figures	
Profit/loss	
Gross profit/loss	42,906
Profit/loss of primary operations	5,711
Profit/loss of financial income and expenses	-6,474
Net profit/loss for the year	-2,065
Balance sheet	
Balance sheet total	280,353
Investment in property, plant and equipment	1,482
Equity	138,245
Cash flows	
Cash flows from:	
- operating activities	13,688
- investing activities	-261,104
- financing activities	259,458
Change in cash and cash equivalents for the year	12,042
Number of employees	336
Ratios	
Return on assets	2.0%
Solvency ratio	49.3%
Return on equity	-3.0%

Management's review

Key activities

The Group's main activity consists of design, development and production of wire solutions and connectors for the hearing aid industry as well as cables and sockets for the worldwide audio and security industries.

Development in the year

The income statement of the Group for 2022/23 shows a loss of DKK 2,064,611, and at 31 December 2023 the balance sheet of the Group shows a positive equity of DKK 138,245,140.

Results for the year are considered satisfactory and in line with expectations.

In 2023 the focus of the global supply chain and customers has shifted from securing high buffer stock to reduce working capital and thereby reduce inventory levels. This is opposite the trend in 2022, where estron a/s supported strong build-up of customer inventory levels. The shift in customer focus has been expected and is the primary reason for the lower result.

At the production site in Vietnam investments have continued which expanded the available capacity. As a consequence, all production from Mexico was transferred to Vietnam and the production site in Mexico were closed down. This transition and close-down of Mexico will improve the general cost structure going forward while having a one-off negative impact on the Group result in 2023.

The estron group has continued an unchanged level of investments in product development, production facilities and machinery to support all customers with the needed production capacity.

The acquisition of estron a/s was closed on 3 February 2023.

Special risks - operating risks and financial risks

Financial risks

Since most of the Group's revenue and internal business are generated in foreign currencies, the Group is exposed to foreign exchange risks. The primary currencies used are EUR and USD which are well balanced. The Management have evaluated the risk to be low.

Special risks

In Management's opinion, the Group has not assumed any special risks, besides ordinary business risks.

Targets and expectations for the year ahead

In 2024, the estron group expects the revenue to grow compared to 2023, which is due to a general completion of customers adjustment of inventory levels and expansion of product portfolio as well as customer base.

Demand for the Group's products and solutions is expected to grow steadily in the years to come. This applies to all the Group's segments/industries.

As a consequence of the anticipated revenue growth, the profit in 2024 is expected to be in the range of DKK 5-13 million.

Material assumptions and uncertainties

The very high inflation rates in both USA and Europe have incurred a constant attention to cost focus. In addition, with the war between Ukraine and Russia there are still significant uncertainties in 2024.

Management's review

Employees

The Group is pleased to note great employee satisfaction. In 2023 estron have managed to recruit several new employees securing the right organisation and skills.

Attracting and retaining talented employees remain a top priority for the Group management. End of 2023 intensive recruitment activities were initiated in Vietnam to increase production capacity for expected growth. The onboarding program includes a comprehensive introduction program and training.

Moreover, employees develop their knowledge through internal and external courses, network, and relevant external seminars.

Environment and working environment

estron's production constitutes a clean production process of small components. All estron's production units observe all existing environmental and working environment requirements, and the Company constantly works on protecting the surrounding environment as well as its employees. Further description of the corporate social responsibility is available on the Company's website.

Statement on gender composition

estron strive to ensure gender diversification at all levels of the organisation as Management believes that the diversity provide the best working environment and thereby supports vision of estron. Amongst the top management of the Group 62% are female while the Board of Directors is 100% male.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Unusual events

The financial position at 31 December 2023 of the Group and the results of the activities and cash flows of the Group for the financial year for 2022/23 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 13 December 2022 - 31 December 2023

	Note	Group	Parent company
		2022/23	2022/23
		DKK 13 months	DKK 13 months
Gross profit/loss		**42,906,353**	**-723,080**
Staff expenses	1	-23,430,133	0
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-13,145,630	0
Other operating expenses		-619,547	0
Profit/loss before financial income and expenses		**5,711,043**	**-723,080**
Income from investments in subsidiaries	2	0	3,082,160
Financial income	3	4,034,208	436,338
Financial expenses		-10,507,884	-6,119,035
Profit/loss before tax		**-762,633**	**-3,323,617**
Tax on profit/loss for the year	4	-1,301,978	1,259,006
Net profit/loss for the year	5	**-2,064,611**	**-2,064,611**

Balance sheet 31 December 2023

Assets

	Note	Group 2022/23 DKK	Parent company 2022/23 DKK
Acquired patents		1,230,414	0
Goodwill		214,975,512	0
Intangible assets	6	**216,205,926**	**0**
Plant and machinery		5,709,727	0
Other fixtures and fittings, tools and equipment		0	0
Leasehold improvements		78,430	0
Property, plant and equipment in progress		1,985,966	0
Property, plant and equipment	7	**7,774,123**	**0**
Investments in subsidiaries	8	0	268,391,911
Other receivables	9	432,296	0
Fixed asset investments		**432,296**	**268,391,911**
Fixed assets		**224,412,345**	**268,391,911**
Inventories	10	**29,340,222**	**0**
Trade receivables		11,493,042	0
Receivables from group enterprises		0	43,834
Other receivables		655,755	0
Deferred tax asset	11	321,471	0
Corporation tax		0	1,259,006
Prepayments	12	2,088,523	0
Receivables		**14,558,791**	**1,302,840**
Cash at bank and in hand		**12,041,652**	**0**
Current assets		**55,940,665**	**1,302,840**
Assets		**280,353,010**	**269,694,751**

Balance sheet 31 December 2023

Liabilities and equity

	Note	Group	Parent company
		2022/23	2022/23
		DKK	DKK
Share capital		820,363	820,363
Share premium account		0	0
Reserve for net revaluation under the equity method		0	0
Retained earnings		137,424,777	137,424,777
Equity		**138,245,140**	**138,245,140**
Credit institutions		74,805,208	74,805,208
Other payables		32,190,081	30,929,589
Long-term debt	13	**106,995,289**	**105,734,797**
Credit institutions	13	25,740,279	25,694,814
Trade payables		3,343,182	20,000
Corporation tax		1,671,751	0
Other payables	13	4,357,369	0
Short-term debt		**35,112,581**	**25,714,814**
Debt		**142,107,870**	**131,449,611**
Liabilities and equity		**280,353,010**	**269,694,751**
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Statement of changes in equity

Group

	Share capital	Share premium account	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Exchange adjustments	0	0	-690,249	0	-690,249
Cash payment concerning formation of entity	400,000	0	0	0	400,000
Cash capital increase	420,363	140,179,637	0	0	140,600,000
Net profit/loss for the year	0	0	690,249	-2,754,860	-2,064,611
Transfer from share premium account	0	-140,179,637	0	140,179,637	0
Equity at 31 December	**820,363**	**0**	**0**	**137,424,777**	**138,245,140**

Parent company

	Share capital	Share premium account	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Exchange adjustments	0	0	-690,249	0	-690,249
Cash payment concerning formation of entity	400,000	0	0	0	400,000
Cash capital increase	420,363	140,179,637	0	0	140,600,000
Net profit/loss for the year	0	0	690,249	-2,754,860	-2,064,611
Transfer from share premium account	0	-140,179,637	0	140,179,637	0
Equity at 31 December	**820,363**	**0**	**0**	**137,424,777**	**138,245,140**

Cash flow statement 13 December 2022 - 31 December 2023

	Note	Group 2022/23 DKK 13 months
Result of the year		-2,064,611
Adjustments	14	20,810,533
Change in working capital	15	2,151,216
Cash flow from operations before financial items		**20,897,138**
Financial income		4,034,208
Financial expenses		-10,502,676
Cash flows from ordinary activities		**14,428,670**
Corporation tax paid		-741,069
Cash flows from operating activities		**13,687,601**
Purchase of intangible assets		-214,313
Purchase of property, plant and equipment		-1,482,011
Fixed asset investments made etc		-3,493
Business acquisition		-259,404,000
Cash flows from investing activities		**-261,103,817**
Repayment of loans from credit institutions		-5,208
Raising of loans from credit institutions		87,533,487
Raising of other long-term debt		30,929,589
Cash capital increase		141,000,000
Cash flows from financing activities		**259,457,868**
Change in cash and cash equivalents		**12,041,652**
Cash and cash equivalents at 31 December		**12,041,652**
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		12,041,652
Cash and cash equivalents at 31 December		**12,041,652**

Notes to the Financial Statements

1. Staff Expenses

	Group 2022/23 DKK 13 months	Parent company 2022/23 DKK 13 months
Wages and salaries	19,725,989	0
Pensions	3,311,856	0
Other social security expenses	392,288	0
	23,430,133	**0**
Including remuneration to the Board of Directors	**450,000**	**0**
Average number of employees	**336**	**0**

2. Income from investments in subsidiaries

	Parent company 2022/23 DKK 13 months
Share of profits	13,292,648
Amortisation of goodwill	-10,210,488
	3,082,160

3. Financial income

	Group 2022/23 DKK 13 months	Parent company 2022/23 DKK 13 months
Interest received from group enterprises	0	436,338
Other financial income	177,111	0
Exchange adjustments	3,857,097	0
	4,034,208	**436,338**

Notes to the Financial Statements

4. Income tax expense

	Group 2022/23 DKK 13 months	Parent company 2022/23 DKK 13 months
Current tax for the year	2,498,425	-1,259,006
Deferred tax for the year	-288,813	0
Adjustment of tax concerning previous years	-514,560	0
Adjustment of deferred tax concerning previous years	-393,074	0
	1,301,978	**-1,259,006**

5. Profit allocation

	Parent company 2022/23 DKK
Reserve for net revaluation under the equity method	690,249
Retained earnings	-2,754,860
	-2,064,611

6. Intangible fixed assets
Group

	Acquired patents DKK	Goodwill DKK
Cost at 13. December	0	0
Net effect from merger and acquisition	5,122,807	225,186,000
Additions for the year	214,313	0
Disposals for the year	-148,680	0
Cost at 31. December	5,188,440	225,186,000
Impairment losses and depreciation at 13. December	0	0
Net effect from merger and acquisition	3,836,744	0
Depreciation for the year	269,962	10,210,488
Reversal of impairment and depreciation of sold assets	-148,680	0
Impairment losses and depreciation at 31. December	3,958,026	10,210,488
Carrying amount at 31. December	**1,230,414**	**214,975,512**

Notes to the Financial Statements

7. Property, plant and equipment

Group

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 13. December	0	0	0	0
Exchange adjustment	-700,358	0	-24,384	0
Net effect from merger and acquisition	30,180,764	149,140	2,013,916	601,884
Additions for the year	73,396	0	0	1,408,615
Disposals for the year	-760,316	-149,140	-801,224	-24,533
Cost at 31. December	28,793,486	0	1,188,308	1,985,966
Impairment losses and depreciation at 13. December	0	0	0	0
Exchange adjustment	-454,864	0	-18,139	0
Net effect from merger and acquisition	21,041,179	22,371	1,130,677	0
Depreciation for the year	2,809,117	11,466	236,341	0
Reversal of impairment and depreciation of sold assets	-311,673	-33,837	-239,001	0
Impairment losses and depreciation at 31. December	23,083,759	0	1,109,878	0
Carrying amount at 31. December	**5,709,727**	**0**	**78,430**	**1,985,966**

Notes to the Financial Statements

		Parent company
		2022/23
		DKK
8.	**Investments in subsidiaries**	
	Cost at 13 December	0
	Additions for the year	273,500,000
	Cost at 31 December	273,500,000
	Exchange adjustment	-690,249
	Net profit/loss for the year	13,292,648
	Dividend to the Parent Company	-7,500,000
	Amortisation of goodwill	-10,210,488
	Value adjustments at 31 December	-5,108,089
	Carrying amount at 31 December	**268,391,911**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Estron A/S	Them	500,000	100%

9. Other fixed asset investments
Group

	Other receivables
	DKK
Cost at 13. December	0
Net effect from merger and acquisition	503,803
Additions for the year	3,493
Disposals for the year	-75,000
Cost at 31. December	432,296
Carrying amount at 31. December	**432,296**

10. Inventories

	Group 2022/23 DKK	Parent company 2022/23 DKK
Raw materials and consumables	13,967,471	0
Work in progress	8,079,049	0
Finished goods and goods for resale	7,293,702	0
	29,340,222	**0**

11. Deferred tax asset

	Group 2022/23 DKK	Parent company 2022/23 DKK
Amounts recognised in the income statement for the year	288,813	0
Amounts recognised in equity for the year	32,658	0
Deferred tax asset at 31 December	**321,471**	**0**

12. Prepayments

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

13. Long-term debt

	Group	Parent company
	2022/23	2022/23
	DKK	DKK

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group 2022/23 DKK	Parent company 2022/23 DKK
Credit institutions		
After 5 years	0	0
Between 1 and 5 years	74,805,208	74,805,208
Long-term part	74,805,208	74,805,208
Within 1 year	25,625,000	25,625,000
Other short-term debt to credit institutions	115,279	69,814
	100,545,487	**100,500,022**

	Group 2022/23 DKK	Parent company 2022/23 DKK
Other payables		
After 5 years	0	0
Between 1 and 5 years	32,190,081	30,929,589
Long-term part	32,190,081	30,929,589
Other short-term payables	4,357,369	0
	36,547,450	**30,929,589**

14. Cash flow statement - Adjustments

	Group 2022/23 DKK 13 months
Financial income	-4,034,208
Financial expenses	10,507,884
Depreciation, amortisation and impairment losses, including losses and gains on sales	13,725,128
Tax on profit/loss for the year	1,301,978
Exchange adjustments	-690,249
	20,810,533

	Group
	2022/23
	DKK 13 months

15. Cash flow statement - Change in working capital

Change in inventories	3,743,778
Change in receivables	1,292,680
Change in trade payables, etc	-2,885,242
	2,151,216

	Group	Parent company
	2022/23	2022/23
	DKK	DKK

16. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:		
Shares in Estron A/S with a carrying amount of	0	268,391,911
Company charge provided as security for balance with a credit institution with a charge on ordinary claims relating to trade receivables, inventories, intellectual property rights as well as operating fixtures and equipment and machinery and equipment	1,000,000	0

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:		
Within 1 year	55,156	0
Between 1 and 5 years	15,978	0
	71,134	**0**

The Group has entered into tenancy agreements with a period of notice of up to 6 months. The obligation amounts to DKK 861,468 (2022: DKK 841,845)

Guarantee obligations

The parent entity Estron Investment A/S has guaranteed Estron A/S's debt to credit institutions.

	Group	Parent company
	2022/23	2022/23
	DKK	DKK

16. Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The 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 by the Group amounts to DKK 1,671,751. Moreover, the 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.

17. Related parties and disclosure of consolidated financial statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Erhvervsinvest V K/S	Charlottenlund

18. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

19. Accounting policies

The Annual Report of Estron Investment A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2022/23 are presented in DKK.

Recognition and measurement

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, Estron Investment A/S, 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.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

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.

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 the consolidated revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales 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, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

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 deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Estron A/S. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 20 years, determined on the basis of Management's experience with the individual business areas.

Other intangible fixed assets

Patents, licences and rights are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 7 years. Software licences and rights are amortised over the period of the agreements, which is 7 years and 7 years, respectively.

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 contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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:

Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	4 years
Leasehold improvements	4-5 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 and investments 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 recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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 and costs of completion. 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.

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

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

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.

Notes to the Financial Statements

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” and ”Overdraft facilities”.

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

Financial Highlights

Explanation of financial ratios

Return on assets	Profit/loss of ordinary primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity