P-Sealing System A/S

Hedemarken 1, DK-7200 Grindsted

Annual Report for
17 January - 31 December 2023

CVR No. 43 79 14 27

The Annual Report was presented and adopted at the Annual General Meeting of the company on 11/6 2024

Ole 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 P-Sealing System A/S for the financial year 17 January - 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 2023.

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.

Grindsted, 11 June 2024

Executive Board

Henrik Bonnerup
Manager

Board of Directors

Jan Johan Kühl Chairman	Allan Bach Pedersen	Henrik Bonnerup

Independent Auditor's report

To the shareholder of P-Sealing System 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 17 January - 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 P-Sealing System A/S for the financial year 17 January - 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.

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

Herning, 11 June 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F Christiansen
State Authorised Public Accountant
mne18628

Daniel Mogensen
State Authorised Public Accountant
mne45831

Company information

The Company	P-Sealing System A/S Hedemarken 1 7200 Grindsted CVR No: 43 79 14 27 Financial period: 17 January - 31 December Municipality of reg. office: Billund
Board of Directors	Jan Johan Kühl, chairman Allan Bach Pedersen Henrik Bonnerup
Executive Board	Henrik Bonnerup
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Platanvej 4 DK-7400 Herning

Group Chart

Company	Residence	Ownership
P-Sealing System A/S	**Grindsted, Denmark**	
Sealing System HoldCo A/S	Grindsted, Denmark	70,6 %
Sealing System BidCo A/S	Grindsted, Denmark	100,0 %
Lead Robotics Scandinavia A/S	Grindsted, Denmark	100,0 %
Sealing System A/S	Grindsted, Denmark	100,0 %
Sealing System Norway AS	Oslo, Norway	100,0 %

Financial Highlights

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

	Group
	2023
	TDKK 11 months
Key figures	
Profit/loss	
Gross profit/loss	59,439
Profit/loss of primary operations	-14,320
Profit/loss of financial income and expenses	-4,492
Net profit/loss for the year	-21,002
Balance sheet	
Balance sheet total	327,205
Investment in property, plant and equipment	1,521
Equity	122,490
Cash flows	
Cash flows from:	
- operating activities	-3,358
- investing activities	-179,017
- financing activities	182,604
Change in cash and cash equivalents for the year	229
Number of employees	145
Ratios	
Return on assets	-4.4%
Solvency ratio	37.4%
Return on equity	-34.3%

Management's review

Key activities

As in previous years, the main activity has consisted of the sale of intelligent and complete, automated end-of-line and intralogistics solutions. The solutions are based on packaging and palletizing machines as well as robot technology built around the market's best technology portfolios.

Development in the year

The income statement of the Group for 2023 shows a loss of TDKK 21,002, and at 31 December 2023 the balance sheet of the Group shows a positive equity of TDKK 122,490.

The past year and follow-up on development expectations from last year

The Operating Company continued to develop positively during 2023 and achieved both the highest revenue and EBITDA in the Operating Company's history. Both revenue and normalized EBITDA were in line with the budget for the year.

During the year, the working capital of the Operating Company has increased significantly due to a shift in project mix and the result of the project portfolio on average having a longer duration time than normal. The associated liquidity effects from the adverse development in working capital has been resolved by additional capital from owners and financing providers. Improvements in working capital is a focus area for 2024. As of 31st May 2023, Polaris Private Equity acquired the majority of the shares in the Operating Company. As a result, the Group had a large number of one-off costs related to the transaction, which lowered the Operating Company's result before tax for 2023. On a normalized basis, EBITDA for 2023 amounted to DKK 25m.

Credit risks

The Group's maximum credit risk corresponds to the value of receivables, as shown in the balance sheet. Major customers are subject to credit assessment, and credit is only granted within the agreed credit limits.

Liquidity risks

Management assesses that the Group has the necessary funds available to meet the continued development of its activities. Further, the Group's owner and financing providers are continuously assessing the liquidity sufficiency of the Group and are ready to support if required.

Targets and expectations for the year ahead

The Operating Company's focus in the coming year is to establish a solid foundation for future growth. This relates to both continued improvements in operational excellence, expansion into new adjacent geographies as well as further development of the current core segments in Europe. As a result of the many strategic initiatives, the Operating Company is currently investing significantly in additional employees. Consequently, the Operating Company is expected to continue the positive trajectory with continued revenue and EBITDA growth, although the latter is somewhat affected by the large short-term organizational investments.

Research and development

The development costs incurred during the year include further development and strengthening of the product program within rail and transport systems, increased standardization of the program platform as well as solutions for data management and data collection. This has also resulted in a number of patent filings by the Group.

The newly developed products have already had a positive effect on sales in 2024 and are expected to contribute to positive development in activity and results in the coming years.

Management's review

External environment

The Operating Company follows applicable legislation in the area and has environmental approvals for the current activity.

It is the management's assessment that the Operating Company's activity does not have a significant impact on the environment, and the Operating Company works in accordance with current regulations on the working environment.

Intellectual capital resources

The Operating Company's business foundation is based on the delivery of services and goods, which place great demands on the employees' knowledge resources and training.

In order to be able to continuously deliver the services, it is crucial that the Operating Company can recruit and retain employees with a high professional level.

A large proportion of the Operating Company's employees therefore regularly participate in continuing education both externally and internally in all forms of technology that the Operating Company needs.

Branches abroad

The Operating Company did not have any major activities abroad last year but has strengthened its activities in several existing and new markets within Europe.

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 2023 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 17 January - 31 December

	Note	Group	Parent company
		2023	2023
		TDKK 11 months	TDKK 11 months
Gross profit/loss		**59,439**	-7
Staff expenses	1	-55,569	0
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-11,450	0
Other operating expenses		-6,740	0
Profit/loss before financial income and expenses		**-14,320**	-7
Income from investments in subsidiaries		0	-14,833
Financial income	2	128	12
Financial expenses	3	-4,620	0
Profit/loss before tax		**-18,812**	**-14,828**
Tax on profit/loss for the year	4	-2,190	0
Net profit/loss for the year	5	**-21,002**	**-14,828**

Balance sheet 31 December

Assets

	Note	Group	Parent company
		2023	2023
		TDKK	TDKK
Completed development projects		16,308	0
Acquired licenses		22,029	0
Acquired other similar rights		43,443	0
Goodwill		86,311	0
Development projects in progress		8,298	0
Intangible assets	6	**176,389**	**0**
Other fixtures and fittings, tools and equipment		5,283	0
Leasehold improvements		172	0
Property, plant and equipment	7	**5,455**	**0**
Investments in subsidiaries	8	0	85,998
Other receivables	9	1,556	0
Fixed asset investments		**1,556**	**85,998**
Fixed assets		**183,400**	**85,998**
Inventories	10	**41,556**	**0**
Trade receivables		32,531	0
Contract work in progress	11	62,080	0
Receivables from group enterprises		0	197
Other receivables		3,504	500
Prepayments	12	3,905	0
Receivables		**102,020**	**697**
Cash at bank and in hand		**229**	**0**
Current assets		**143,805**	**697**
Assets		**327,205**	**86,695**

Balance sheet 31 December

Liabilities and equity

	Note	Group 2023	Parent company 2023
		TDKK	TDKK
Share capital		10,505	10,505
Share premium account		0	0
Retained earnings		76,190	76,190
Equity attributable to shareholders of the Parent Company		**86,695**	**86,695**
Minority interests		35,795	0
Equity		**122,490**	**86,695**
Provision for deferred tax	13	18,954	0
Other provisions	14	23,709	0
Provisions		**42,663**	**0**
Credit institutions		28,000	0
Other payables		3,466	0
Long-term debt	15	**31,466**	**0**
Credit institutions	15	67,179	0
Lease obligations		550	0
Trade payables		38,862	0
Contract work in progress	11	14,689	0
Payables to group enterprises		170	0
Other payables	15	9,136	0
Short-term debt		**130,586**	**0**
Debt		**162,052**	**0**
Liabilities and equity		**327,205**	**86,695**
Contingent assets, liabilities and other financial obligations	18		
Related parties	19		
Accounting Policies	20		

Statement of changes in equity

Group

	Share capital	Share premium account	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cash payment concerning formation of entity	504	504	0	1,008	0	1,008
Cash capital increase	10,001	90,012	0	100,013	0	100,013
Additions for the year	0	0	0	0	41,760	41,760
Other equity movements	0	0	502	502	209	711
Net profit/loss for the year	0	0	-14,828	-14,828	-6,174	-21,002
Transfer from share premium account	0	-90,516	90,516	0	0	0
Equity at 31 December	**10,505**	**0**	**76,190**	**86,695**	**35,795**	**122,490**

Parent company

	Share capital	Share premium account	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cash payment concerning formation of entity	504	504	0	0	1,008
Cash capital increase	10,001	90,012	0	0	100,013
Other equity movements	0	0	502	0	502
Net profit/loss for the year	0	0	-502	-14,326	-14,828
Transfer from share premium account	0	-90,516	0	90,516	0
Equity at 31 December	**10,505**	**0**	**0**	**76,190**	**86,695**

Cash flow statement 17 January - 31 December

	Note	Group 2023 TDKK 11 months
Result of the year		-21,002
Adjustments	16	18,132
Change in working capital	17	4,004
Cash flow from operations before financial items		**1,134**
Financial income		128
Financial expenses		-4,620
Cash flows from operating activities		**-3,358**
Purchase of intangible assets		-10,328
Purchase of property, plant and equipment		-1,521
Business acquisition		-167,168
Cash flows from investing activities		**-179,017**
Reduction of lease obligations		-140
Raising of loans from credit institutions		39,082
Raising of payables to group enterprises		170
Cash capital increase		142,781
Other equity entries		711
Cash flows from financing activities		**182,604**
Change in cash and cash equivalents		**229**
Cash and cash equivalents at 31 December		**229**
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		229
Cash and cash equivalents at 31 December		**229**

Notes to the Financial Statements

	Group	Parent company
	2023	2023
	TDKK 11 months	TDKK 11 months
1. Staff Expenses		
Wages and salaries	48,805	0
Pensions	6,046	0
Other social security expenses	13	0
Other staff expenses	705	0
	55,569	**0**
Including remuneration to the :		
Executive board	0	0
Board of directors	0	0
	0	**0**
Average number of employees	**145**	**0**

In 2023, the group has issued 54,434,508 warrants with an exercise price of 0.161061. The term of the issued warrants is fixed at 5 years.

	Group	Parent company
	2023	2023
	TDKK 11 months	TDKK 11 months
2. Financial income		
Interest received from group enterprises	0	5
Other financial income	128	7
	128	**12**

Notes to the Financial Statements

	Group	Parent company
	2023	2023
	TDKK 11 months	TDKK 11 months
3. Financial expenses		
Interest paid to group enterprises	86	0
Other financial expenses	4,534	0
	4,620	**0**

	Group	Parent company
	2023	2023
	TDKK 11 months	TDKK 11 months
4. Income tax expense		
Deferred tax for the year	2,190	0
	2,190	**0**

	Group	Parent company
	2023	2023
	TDKK	TDKK
5. Profit allocation		
Reserve for net revaluation under the equity method	0	-502
Minority interests' share of net profit/loss of subsidiaries	-6,174	0
Retained earnings	-14,828	-14,326
	-21,002	**-14,828**

Notes to the Financial Statements

6. Intangible fixed assets

Group

	Completed develop-ment projects	Acquired licenses	Acquired other similar rights	Goodwill	Develop-ment projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 17 January	0	0	0	0	0
Net effect from merger and acquisition	25,135	23,394	45,194	91,934	0
Additions for the year	2,030	0	0	0	8,298
Cost at 31 December	27,165	23,394	45,194	91,934	8,298
Impairment losses and amortisation at 17 January	0	0	0	0	0
Net effect from merger and acquisition	8,890	0	115	300	0
Amortisation for the year	1,967	1,365	1,636	5,323	0
Impairment losses and amortisation at 31 December	10,857	1,365	1,751	5,623	0
Carrying amount at 31 December	**16,308**	**22,029**	**43,443**	**86,311**	**8,298**

Notes to the Financial Statements

7. Property, plant and equipment
Group

	Other fixtures and fittings, tools and equipment	Leasehold improve-ments
	TDKK	TDKK
Cost at 17 January	0	0
Net effect from merger and acquisition	12,141	0
Additions for the year	1,349	172
Disposals for the year	-1,182	0
Cost at 31 December	12,308	172
Impairment losses and depreciation at 17 January	0	0
Net effect from merger and acquisition	7,048	0
Depreciation for the year	1,159	0
Reversal of impairment and depreciation of sold assets	-1,182	0
Impairment losses and depreciation at 31 December	7,025	0
Carrying amount at 31 December	**5,283**	**172**
Including assets under finance leases amounting to	684	0

Notes to the Financial Statements

	Parent company
	2023
	TDKK

8. Investments in subsidiaries

Cost at 17 January	0
Additions for the year	100,329
Cost at 31 December	100,329
Net profit/loss for the year	-14,833
Other adjustments	502
Value adjustments at 31 December	-14,331
Carrying amount at 31 December	**85,998**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Sealing System HoldCo A/S	Grindsted	TDKK 14.209	70,6%
Sealing System BidCo A/S	Grindsted	TDKK 10.877	100,0%
Lead Robotics Scandinavia A/S	Grindsted	TDKK 1.000	100,0%
Sealing System A/S	Grindsted	TDKK 1.500	100,0%
Sealing System Norway AS	Oslo	TNOK 31	100,0%

9. Other fixed asset investments

Group

	Other receivables
	TDKK
Cost at 17 January	0
Net effect from merger and acquisition	1,156
Transfers for the year	400
Cost at 31 December	1,556
Carrying amount at 31 December	**1,556**

Notes to the Financial Statements

	Group	Parent company
	2023	2023
	TDKK	TDKK
10. Inventories		
Raw materials and consumables	34,634	0
Work in progress	5,744	0
Finished goods and goods for resale	1,178	0
	41,556	**0**

	Group	Parent company
	2023	2023
	TDKK 11 months	TDKK 11 months
11. Contract work in progress		
Contract work in progress is recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	62,080	0
Prepayments received recognised in debt	-14,689	0
	47,391	**0**

12. Prepayments

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

	Group	Parent company
	2023	2023
	TDKK	TDKK
13. Provision for deferred tax		
Additions for the year	16,764	0
Amounts recognised in the income statement for the year	2,190	0
Deferred tax liabilities at 31 December	**18,954**	**0**

14. Other provisions

	Group	Parent company
	2023	2023
	TDKK	TDKK
Other provisions	23,709	0
	23,709	**0**
The provisions are expected to mature as follows:		
After 5 years	23,709	0
	23,709	**0**

15. Long-term debt

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	Parent company
	2023	2023
	TDKK	TDKK
Credit institutions		
After 5 years	0	0
Between 1 and 5 years	28,000	0
Long-term part	28,000	0
Within 1 year	7,000	0
Other short-term debt to credit institutions	60,179	0
	95,179	**0**

Notes to the Financial Statements

15. Long-term debt

	Group 2023 TDKK	Parent company 2023 TDKK
Other payables		
After 5 years	0	0
Between 1 and 5 years	3,466	0
Long-term part	3,466	0
Other short-term payables	9,136	0
	12,602	**0**

16. Cash flow statement - Adjustments

	Group 2023 TDKK 11 months
Financial income	-128
Financial expenses	4,620
Depreciation, amortisation and impairment losses, including losses and gains on sales	11,450
Tax on profit/loss for the year	2,190
	18,132

17. Cash flow statement - Change in working capital

	Group 2023 TDKK 11 months
Change in inventories	-11,610
Change in receivables	-29,992
Change in other provisions	23,709
Change in trade payables, etc	21,897
	4,004

	Group	Parent company
	2023	2023
	TDKK	TDKK
18. Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Deed of indemnity (business mortgage) of a total of TDKK 15,046, which provides a mortgage on inventory, simple claims arising from the sale of goods and motor vehicles that are not or have previously been registered for a total accounting value of	72,589	0

Rental and lease obligations

The Company has lease obligations (equipment) expiring no later than 31 august 2027. The residual lease obligation as per 31 december 2023 is TDKK 6,928.

The Company has entered into lease contracts (rent) with an annual obligation of TDKK 3,308 and a total residual obligation per 31 December 2023 of DKK TDKK 28,168

Other contingent liabilities

The company has warranty obligations for work carried out for the amount TDKK 25,810

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 0. 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.

19. Related parties

	Basis
Controlling interest	
Polaris Private Equity V K/S	Copenhagen, ultimate owner

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

20. Accounting policies

The Annual Report of P-Sealing System A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2023 are presented in TDKK.

Recognition and measurement

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

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

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

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

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, P-Sealing System 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.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Minority interests

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

Business acquisitions carried through on or after 1 July 2018

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

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

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

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.

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

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

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

Expenses for raw materials and consumables

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

Notes to the Financial Statements

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 comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

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 . 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).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 10 years, determined on the basis of Management's experience with the individual business areas.

Technology

Technology is amortised on a straight-line basis over the estimated useful life of 10 years.

Costumer relations

Costumer relations are amortised on a straight-line basis over the estimated useful life of 17 years.

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5-10 year.

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:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

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.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

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 other receivables.

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.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

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.

Notes to the Financial Statements

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.

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 .

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