



Precision Technic Defence A/S

Lansen 13 B
9230 Svenstrup J
CVR No. 79218928

Annual report 01.04.2022 - 31.03.2023

The Annual General Meeting adopted the
annual report on 29.06.2023

Jeppe Müller

Chairman of the General Meeting

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Entity details

Entity

Precision Technic Defence A/S

Lansen 13 B

9230 Svenstrup J

Business Registration No.: 79218928

Registered office: Aalborg

Financial year: 01.04.2022 - 31.03.2023

Board of Directors

Lene-Christine Knüttel Winther

Jeppe Müller

Thomas Henrik Dresler Petersen

Martin Holmgaard Thomsen

Executive Board

Jesper Rom Knudsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Østre Havnepromenade 26, 4th floor

9000 Aalborg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Precision Technic Defence A/S for the financial year 01.04.2022 - 31.03.2023.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.03.2023 and of the results of its operations for the financial year 01.04.2022 - 31.03.2023.

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

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

Svenstrup, 29.06.2023

Executive Board

Jesper Rom Knudsen

Board of Directors

Lene-Christine Knüttel Winther

Jeppe Müller

Thomas Henrik Dresler Petersen

Martin Holmgaard Thomsen

Independent auditor's report

To the shareholders of Precision Technic Defence A/S

Opinion

We have audited the financial statements of Precision Technic Defence A/S for the financial year 01.04.2022 - 31.03.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.03.2023 and of the results of its operations for the financial year 01.04.2022 - 31.03.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Effective from this financial year, the Entity has opted to have its financial statements audited under the International Standards on Auditing. We point out that, as disclosed in the financial statements, the comparative figures in the financial statements have not been audited but subjected to extended review.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aalborg, 29.06.2023

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

René Winther Pedersen

State Authorised Public Accountant

Identification No (MNE) mne34173

Management commentary

Primary activities

The Company's most important activities are to sell and develop product to the defense industry – primarily to the Nordic Defense customers. Products include clothing, protective equipment, electronics, displays, navigation equipment, cameras, vehicle, and platform equipment.

A large part of the company's activities is to maintain out frame contracts entered with the Danish Defence Forces and to win new contracts with the defense and police authorities in Denmark and the Nordic countries. In addition to that, the company provides training and service on the abovementioned equipment.

Development in activities and finances

The company experienced a very positive development, with key figures showing significant progress. The annual financial statement for 2022/2023 showed a turnover that was 16% lower than the revised budget. However, the turnover increased by 163% compared to the 2021/2022 fiscal year.

The global situation affected our business, and the two primary areas of impact were:

Suppliers/Partners

Many of our suppliers and partners are affected by the war in Ukraine. This has and will continue to have an impact on the global supply chain, leading to significant price increases and delays in deliveries.

On some of our existing framework agreements, we are experiencing price adjustments from suppliers that are not regulated according to the contract. This presents challenges when negotiating extraordinary price increases with the Danish Ministry of Defence Acquisition and Logistics Organisation (DALO).

Therefore, we need to have a greater focus on this aspect in relation to the supplier even before entering into a contract with DALO, ensuring that the supplier understands and accepts the most essential/unconditional requirements and conditions that are decisive for the framework agreement (rules for price adjustments, delivery times, minimum orders, potential penalty sizes, etc.). The longer the framework agreement, the more important it is for the supplier to be aware of the conditions.

Rising component costs

The worldwide component shortage had a significant price impact on raw materials such as connectors, active and passive electronic components. These components had, on average, increased by 10-30% over the past year, but we also saw price increases of over 100% for certain components. Unfortunately, this has had a significant negative effect on our procurement prices.

It mainly affected some of our existing framework agreements, where the company is bound by contractual terms and conditions. To mitigate significant losses on several item numbers, the company had to request extraordinary price adjustments the Danish Ministry of Defence Acquisition and Logistics Organisation (DALO) to bring sales prices to an acceptable level.

The war in Ukraine

The war in Ukraine had a major impact on our procurement prices, with significant increases on many different products. We attempted to cover some of the increases in our sales prices, but where it was not possible, we had to reduce our margin.

The war has also led Denmark to establish various donation programs in support of Ukraine. These programs had a significant influence on our turnover.

The donations accounted for approximately 25% of the total turnover in 2022/2023.

Key activities in the fiscal year 2022/2023

The donation programs became an important focus area and with the government's decision to establish the national donation fund, this will require additional resources the next 2-3 years.

The contract for the Modular Sensor System (MSS), which was signed back in January 2022, was postponed to December 2022 due to various reasons. Unfortunately, we had to realize that FMI once again had to postpone the project when the previous government called for parliamentary elections in November 2022. With additional delays in Q1-2023 we do not expect to receive orders before summer 2023.

Employee Status

As of August 1, 2022, the management of PTD A/S has undergone changes. Jeppe Müller has transitioned from CEO to Chairman of the Board, and Jesper Rom Knudsen has transitioned from COO to CEO.

Additionally, a new board of directors has been established with expertise in the legal and business development fields.

The company has also hired a new Sales Director and a Product Manager within the Platform & Sensor Systems pillar. Furthermore, a new employee has been hired in Inside Sales, and a student assistant has been hired in Finance.

The Finance, Shipping, and Inside Sales departments are central and crucial functions for the company, and it is essential that employees possess the necessary skills as they hold key positions.

Due to the increased activities in the donations area, efforts are currently underway to strengthen the Product Management department with an additional staff member.

Standards

The company has initiated the preparations for obtaining the necessary certifications in NATO quality standards (AQAP). We are working on the implementation of the AQAP 2110 standard (requirements for design, development, and production), which is one of the primary quality standards, as well as the AQAP 2105 standard (additional requirements for quality plans), which is one of the two secondary quality standards.

Sustainability strategy

During the last year, the company has initiated work on our future sustainability strategy. The strategy will be developed in accordance with the requirements expected from our customers. Furthermore, our sustainability strategy will reflect the goals described in the "Ministry of Defense's Green Action Plan 2021-2025."

The company is committed to integrating green initiatives into our business practices. The company has adopted a sustainable approach to our operations and strives to reduce our environmental impact. Some of the green initiatives the company has implemented:

The company has implemented energy-efficient LED lighting everywhere in the building to reduce our energy consumption.

The company has initiated the first waste management activities that focuses on waste reduction, reuse of materials whenever possible, and recycling. Additionally, we will work closely with our suppliers and partners to reduce packaging waste and promote recyclable alternatives.

The company has been working towards obtaining the environmental certifications ISO 14001, which recognizes our commitment to environmental management and sustainable practices. The certifications serve as confirmation of the company's efforts to minimize our environmental footprint.

Through these first green initiatives, the Company demonstrates our commitment to operating an environmentally responsible business.

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Through these first green initiatives, the Company demonstrates our commitment to operating an environmentally responsible business.

Corporate Social Responsibility

The company's Corporate Social Responsibility (CSR) aim to have a positive impact on the society and the environment, and our CSR initiatives includes:

Social initiatives and engagement. The company conducts various social activities with the purpose of strengthening collaboration and improving the quality of life for our employees.

Some of our most important social initiatives are our support for veterans. The company has today employed two veterans and we have for several years financially supported the veteran organization Operators Hockey Club.

Employee well-being: The company prioritizes the well-being of our employees by providing a safe and inclusive work environment, offering training and education opportunities, and we have implemented policies that promote work-life balance.

Ethical business practices: The company has a well-described CSR policy which ensures that the company and the employees adhere to the described ethical principles.

Stakeholder engagement: The company actively engages with our customers, suppliers, and employees to understand their needs and concerns.

Overall, the company's CSR initiatives aim to create a positive impact beyond our business operations.

Customer satisfaction and feedback from relevant stakeholders

In December 2022, an external consultant conducted a survey with key individuals from DALO and the Army Operational Command regarding "Future Procurement Processes" and "The Danish Defense Sustainability Agenda."

Based on the various feedback received, we received positive responses regarding the company and employees' product knowledge and their ability to support and advise our customers. Additionally, there were areas identified where our customers felt we could improve.

The feedback has subsequently been used in the development of the company's strategic plan for 2023-2026. The overall assessment is generally satisfactory.

Events after the balance sheet date

From the balance sheet date until today, no circumstances have arisen that upset the assessment of the annual report.

Income statement for 2022/23

| | Notes | 2022/23 DKK | 2021/22 DKK |
|--|-------|-------------------|-------------------|
| Gross profit/loss | 1 | 33,952,175 | 14,459,733 |
| Staff costs | 2 | (8,809,755) | (6,453,455) |
| Depreciation, amortisation and impairment losses | | (458,169) | (245,703) |
| Operating profit/loss | | 24,684,251 | 7,760,575 |
| Other financial income | 3 | 3,014,381 | 559,383 |
| Other financial expenses | 4 | (3,437,954) | (499,239) |
| Profit/loss before tax | | 24,260,678 | 7,820,719 |
| Tax on profit/loss for the year | 5 | (5,324,343) | (1,707,661) |
| Profit/loss for the year | | 18,936,335 | 6,113,058 |
| Proposed distribution of profit and loss | | | |
| Ordinary dividend for the financial year | | 15,000,000 | 0 |
| Extraordinary dividend distributed in the financial year | | 6,500,000 | 0 |
| Retained earnings | | (2,563,665) | 6,113,058 |
| Proposed distribution of profit and loss | | 18,936,335 | 6,113,058 |

Balance sheet at 31.03.2023

Assets

| | Notes | 2022/23 DKK | 2021/22 DKK |
|--|-------|--------------------|-------------------|
| Development projects in progress | 7 | 5,017,681 | 4,792,222 |
| Intangible assets | 6 | 5,017,681 | 4,792,222 |
| Other fixtures and fittings, tools and equipment | | 602,094 | 97,078 |
| Leasehold improvements | | 388,491 | 451,045 |
| Property, plant and equipment | 8 | 990,585 | 548,123 |
| Deposits | | 253,500 | 212,955 |
| Financial assets | 9 | 253,500 | 212,955 |
| Fixed assets | | 6,261,766 | 5,553,300 |
| Manufactured goods and goods for resale | | 3,375,961 | 1,764,126 |
| Prepayments for goods | | 2,359,418 | 8,211,538 |
| Inventories | | 5,735,379 | 9,975,664 |
| Trade receivables | | 30,452,068 | 14,379,845 |
| Receivables from group enterprises | | 103,974,183 | 19,663,106 |
| Other receivables | | 100,000 | 62,500 |
| Income tax receivable | | 0 | 11,878 |
| Prepayments | | 609,771 | 460,575 |
| Receivables | | 135,136,022 | 34,577,904 |
| Cash | | 5,100,471 | 2,173,573 |
| Current assets | | 145,971,872 | 46,727,141 |
| Assets | | 152,233,638 | 52,280,441 |

Equity and liabilities

| | Notes | 2022/23 DKK | 2021/22 DKK |
|--|--------------|------------------------|------------------------|
| Contributed capital | | 500,000 | 500,000 |
| Reserve for development expenditure | | 3,913,791 | 3,737,933 |
| Retained earnings | | 14,941,445 | 17,680,968 |
| Proposed dividend | | 15,000,000 | 0 |
| Equity | | 34,355,236 | 21,918,901 |
| Deferred tax | | 1,200,483 | 1,022,000 |
| Provisions | | 1,200,483 | 1,022,000 |
| Other payables | | 424,977 | 477,723 |
| Non-current liabilities other than provisions | 10 | 424,977 | 477,723 |
| Current portion of non-current liabilities other than provisions | 10 | 65,187 | 0 |
| Bank loans | | 88,944,464 | 13,599,635 |
| Prepayments received from customers | | 1,722 | 7,604,888 |
| Trade payables | | 19,108,786 | 1,785,937 |
| Payables to group enterprises | | 38,026 | 0 |
| Joint taxation contribution payable | | 5,145,860 | 1,668,619 |
| Other payables | | 2,948,897 | 4,202,738 |
| Current liabilities other than provisions | | 116,252,942 | 28,861,817 |
| Liabilities other than provisions | | 116,677,919 | 29,339,540 |
| Equity and liabilities | | 152,233,638 | 52,280,441 |
| Unrecognised rental and lease commitments | 11 | | |
| Contingent liabilities | 12 | | |
| Assets charged and collateral | 13 | | |
| Group relations | 14 | | |

Statement of changes in equity for 2022/23

| | Contributed capital DKK | Reserve for development expenditure DKK | Retained earnings DKK | Proposed extraordinary dividend DKK | Proposed dividend DKK | Total DKK |
|-----------------------------|-------------------------------|--|-----------------------------|--|-----------------------------|-------------------|
| Equity beginning of year | 500,000 | 3,737,933 | 17,680,968 | 0 | 0 | 21,918,901 |
| Extraordinary dividend paid | 0 | 0 | 0 | (6,500,000) | 0 | (6,500,000) |
| Transfer to reserves | 0 | 175,858 | (175,858) | 0 | 0 | 0 |
| Profit/loss for the year | 0 | 0 | (2,563,665) | 6,500,000 | 15,000,000 | 18,936,335 |
| Equity end of year | 500,000 | 3,913,791 | 14,941,445 | 0 | 15,000,000 | 34,355,236 |

Notes

1 Gross profit/loss

The company has received ordinary salary compensation, which amounts to 55 t.DKK in the year 2021/22. No compensation received in 2022/23.

2 Staff costs

| | 2022/23 | 2021/22 |
|---------------------------------------|------------------|------------------|
| | DKK | DKK |
| Wages and salaries | 7,673,966 | 5,576,647 |
| Pension costs | 1,019,302 | 777,830 |
| Other social security costs | 116,487 | 98,978 |
| | 8,809,755 | 6,453,455 |
| Average number of full-time employees | 14 | 11 |

3 Other financial income

| | 2022/23 | 2021/22 |
|---|------------------|----------------|
| | DKK | DKK |
| Financial income from group enterprises | 2,928,308 | 239,999 |
| Other interest income | 6,406 | 0 |
| Exchange rate adjustments | 79,667 | 319,384 |
| | 3,014,381 | 559,383 |

4 Other financial expenses

| | 2022/23 | 2021/22 |
|---------------------------|------------------|----------------|
| | DKK | DKK |
| Other interest expenses | 1,209,443 | 186,389 |
| Exchange rate adjustments | 1,587,489 | 54,177 |
| Other financial expenses | 641,022 | 258,673 |
| | 3,437,954 | 499,239 |

5 Tax on profit/loss for the year

| | 2022/23 | 2021/22 |
|------------------------|------------------|------------------|
| | DKK | DKK |
| Current tax | 5,145,860 | 1,656,741 |
| Change in deferred tax | 178,483 | 50,920 |
| | 5,324,343 | 1,707,661 |

6 Intangible assets

| | Development projects in progress DKK |
|------------------------------------|---|
| Cost beginning of year | 4,792,222 |
| Additions | 225,459 |
| Cost end of year | 5,017,681 |
| Carrying amount end of year | 5,017,681 |

7 Development projects

The development projects are expected to be completed in the financial year of 2023/2024, when products is sold, which is expected during first half of the financial year 2032/24. There are indications of future positive cash flows from the development projects which exceeds the capitalized development costs.

8 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment DKK | Leasehold improvements DKK |
|---|--|----------------------------------|
| Cost beginning of year | 333,587 | 979,324 |
| Additions | 776,174 | 124,461 |
| Cost end of year | 1,109,761 | 1,103,785 |
| Depreciation and impairment losses beginning of year | (236,509) | (528,279) |
| Depreciation for the year | (271,158) | (187,015) |
| Depreciation and impairment losses end of year | (507,667) | (715,294) |
| Carrying amount end of year | 602,094 | 388,491 |

9 Financial assets

| | Deposits DKK |
|------------------------------------|-----------------|
| Cost beginning of year | 212,955 |
| Additions | 40,545 |
| Cost end of year | 253,500 |
| Carrying amount end of year | 253,500 |

10 Non-current liabilities other than provisions

| | Due within 12 months 2022/23 DKK | Due after more than 12 months 2022/23 DKK | Outstanding after 5 years 2022/23 DKK |
|----------------|---|---|--|
| Other payables | 65,187 | 424,977 | 307,832 |
| | 65,187 | 424,977 | 307,832 |

Other payables consists of holiday pay obligation regarding frozen holiday obligation.

11 Unrecognised rental and lease commitments

| | 2022/23 DKK | 2021/22 DKK |
|--|----------------|----------------|
| Liabilities under rental or lease agreements until maturity in total | 972,091 | 788,534 |

12 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Precision Global ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

13 Assets charged and collateral

The company's bank connection, Danske Bank, has a corporate mortgage in the company amounting to 15.0 mdkk. The bank has security in simple claims, stock, operating assets and intangible rights, which has an accounting value of 146.523 mdkk.

Security has been provided to Danske Bank for inter-company receivables. The accounting value of inter-company receivables is 103.974 mdkk.

Collateral provided for group enterprises

The Entity has guaranteed the group enterprises' debts with Danske Bank. The maximum limit of the guarantee is DKK 75.0m. Bank loans of group enterprises amount to DKK 0.

14 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Precision Global ApS, Aalborg

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

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

Foreign currency translation

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of raw materials and consumables and external expenses.

Revenue

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

Own work capitalised

Own work capitalised comprises staff costs incurred in the financial year and recognised in cost for proprietary intangible assets.

Other operating income

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

Cost of sales

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

Other financial income

Other financial income comprises interest income, payables and transactions in foreign currencies and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Intellectual property rights etc.**

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

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income

statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

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

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

| | Useful life |
|--|--------------------|
| Other fixtures and fittings, tools and equipment | 3-5 years |
| Leasehold improvements | 3 years |

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

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

Receivables

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

Tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Prepayments received from customers

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

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.