
Eltronic A/S

Kilde Alle 4, DK-8722 Hedensted

Annual Report for 1 November 2023 - 31 October 2024

CVR No. 17 02 42 80

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 15/1 2025

Jens Jørgen Madsen
Chair of the general
meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Eltronic A/S for the financial year 1 November 2023 - 31 October 2024.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 October 2024 of the Company and of the results of the Company operations and cash flows for 2023/24.

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.

Hedensted, 15 January 2025

Executive Board

Morten Nordmand Svendsen
CEO

Board of Directors

Jens Jørgen Madsen
Chair

Lars Jensen

Lene Andreassen

Henrik Amsinck

Sune van der Loo
Employee representative

Claus Norring Jensen
Employee representative

Independent Auditor's report

To the shareholder of Eltronic A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 October 2024 and of the results of the Company's operations and cash flows for the financial year 1 November 2023 - 31 October 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Eltronic A/S for the financial year 1 November 2023 - 31 October 2024, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("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 Company 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 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 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 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 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 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 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 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.

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.

Trekantområdet, 15 January 2025

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Lars Almskou Ohmeyer
State Authorised Public Accountant
mne24817

Heidi Bonde
State Authorised Public Accountant
mne42815

Company information

The Company	Eltronic A/S Kilde Alle 4 DK-8722 Hedensted Telephone: +45 7674 0101 Email: info@eltronic.dk Website: www.eltronic.dk CVR No: 17 02 42 80 Financial period: 1 November 2023 - 31 October 2024 Municipality of reg. office: Hedensted
Board of Directors	Jens Jørgen Madsen, chair Lars Jensen Lene Andreassen Henrik Amsinck Sune van der Loo, employee representative Claus Norring Jensen, employee representative
Executive Board	Morten Nordmand Svendsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023/24	2022/23	2021/22	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	528,345	351,078	238,708	157,389	134,343
Gross profit	242,580	168,690	115,815	88,675	95,745
EBITDA	49,474	27,900	15,432	10,936	7,893
Depreciation, amortisation and impairment	-5,267	-4,214	-245	-51	-2,305
Profit/loss of primary operations	44,205	23,686	15,187	10,885	5,588
Profit/loss of financial income and expenses	665	-910	-189	113	769
Profit/loss before tax	44,871	22,776	14,998	10,998	6,357
Tax on profit/loss for the year	-9,894	-5,014	-2,488	-2,420	-1,416
Net profit/loss for the year	34,977	17,761	12,510	8,578	4,941
Balance sheet					
Balance sheet total	266,956	187,249	137,714	74,904	100,810
Investment in property, plant and equipment	157	754	265	540	0
Equity	77,019	42,042	34,281	27,771	19,140
Cash flows					
Cash flows from:					
- operating activities	150,263	24,702	-14,375	-18,196	19,301
- investing activities	158	-609	-12,813	4,686	205
- financing activities	-149,467	-29,500	32,213	10,747	-16,942
Change in cash and cash equivalents for the year	954	-5,407	5,025	-2,763	2,564
Number of employees	273	208	157	119	143
Ratios					
Gross margin	45.9%	48.0%	48.5%	56.3%	71.3%
Profit margin	8.4%	6.7%	6.4%	6.9%	4.2%
Return on assets	16.6%	12.6%	11.0%	14.5%	5.5%
Solvency ratio	28.9%	22.5%	24.9%	37.1%	19.0%
Return on equity	58.8%	46.5%	40.3%	36.6%	14.7%

The key figures have been prepared in accordance with the recommendations and key figures of the Finance Association. Please refer to the definitions in the section on accounting policies.

Management's review

Key activities

Eltronic is a knowledge company that develops, produces and services production technology and platforms globally for: the life science, food and manufacturing industries.

Eltronic's customer portfolio includes leading Scandinavian companies.

Development in the year

The income statement of the Company for 2023/24 shows a profit of DKK 34,976,602, and at 31 October 2024 the balance sheet of the Company shows a positive equity of DKK 77,018,890.

The global challenges concerning component shortages and logistics problems have been eliminated during 2023/24 and have not had any significant impact.

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

In the financial year, Eltronic has continued its focus on developing, manufacturing, delivering, and servicing advanced production facilities, products, processes, and digitization for the Company's Danish and foreign customers.

The annual revenue increased by 50%, significantly surpassing the anticipated 10-30% growth, due to faster-than-budgeted development in certain segments and the hiring of additional staff. This also resulted in a substantial rise in Earnings Before Tax (EBT), which grew by 97% compared to the previous year, far exceeding the expected growth of 20-40%.

The Group's management tools are continuously strengthened during 2023/24. Digitalization and automation are ongoing activities fundamental to increase productivity. The objective is to strengthen the performance culture in the entire organization to create maximum value for our customers in the future.

General risks

The Company's activities cover development, manufacturing, and delivery of large and complex production solutions to the industry, which imply both technical and contractual risks.

In Management's assessment, however, the Company currently has internal systems and procedures to ensure that the activities for the year may be carried out without any significant technical and contractual risks.

Foreign exchange risks

Most of the turnover is in DKK and EUR. As a result, the company runs a low risk of exchange rate fluctuations.

Credit risks

The Group's customer portfolio primarily comprises major well-reputed enterprises assessed to have a good financial standing. Customers are regularly subject to credit ratings, and risks are sought minimized through payment terms that reduce exposure.

Targets and expectations for the year ahead

After a year with a 30% increase in headcount – 2024/25 will focus on stabilizing the profitable growth seen the last couple of years. Next year, focus will be optimizing the procedures and still focusing on the Company's current services and customer segments.

We still expect a strong demand for the Company's core business and to realize a satisfactory profit for 2024/25 with an turnover of in the approx. 5% and a result after tax at the same level as 2023/24 of million DKK 35.

Management's review

Research and development

Development activities include product maturing of supply platforms for increased recycling, development, and integration of the Company's processes for managing all tasks across the Company.

External environment

The Company is aware of its responsibilities in relation to both the external and the internal environment and shows the necessary consideration when performing individual assignments and with respect to the environment in its services and supplies to customers. Thus, the UN Sustainable Development Goals (SDG) form the basis for the Company's strategic direction, with the clear objective of contributing with technological solutions which reduce the environmental impact. The Company has obtained the ISO 14001 environmental certification, and its environmental impact is considered to be low.

Intellectual capital resources

The Company is a knowledge-based business, and its key resources are the competencies and the knowledge possessed by its employees.

Competence development and knowledge sharing are key words. Initiatives for the retention of employees are given high priority.

Subsequent events

After the balance sheet date, no factors have materially influenced the assessment of the annual report.

Income statement 1 November 2023 - 31 October 2024

	Note	2023/24	2022/23
		DKK	DKK
Revenue		528,344,845	351,078,100
Other operating income		3,000	1,224,957
Expenses for raw materials and consumables		-245,405,614	-147,553,570
Other external expenses		-40,361,854	-36,059,830
Gross profit		242,580,377	168,689,657
Staff expenses	1	-193,106,469	-140,679,282
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-5,268,658	-4,214,420
Other operating expenses		0	-110,000
Profit/loss before financial income and expenses		44,205,250	23,685,955
Financial income	2	1,265,914	58,064
Financial expenses	3	-600,552	-968,193
Profit/loss before tax		44,870,612	22,775,826
Tax on profit/loss for the year	4	-9,894,010	-5,014,327
Net profit/loss for the year	5	34,976,602	17,761,499

Balance sheet 31 October 2024

Assets

	Note	2023/24	2022/23
		DKK	DKK
Completed development projects		3,233,078	8,265,264
Intangible assets	6	3,233,078	8,265,264
Other fixtures and fittings, tools and equipment		348,446	449,566
Leasehold improvements		373,648	351,982
Property, plant and equipment	7	722,094	801,548
Deposits	8	396,325	711,639
Fixed asset investments		396,325	711,639
Fixed assets		4,351,497	9,778,451
Inventories	9	35,198,359	56,018,732
Trade receivables		51,790,220	90,554,836
Contract work in progress	10	27,486,183	30,480,887
Receivables from group enterprises		147,027,047	361,040
Other receivables		138,536	36,160
Prepayments	11	0	8,359
Receivables		226,441,986	121,441,282
Cash at bank and in hand		964,518	10,118
Current assets		262,604,863	177,470,132
Assets		266,956,360	187,248,583

Balance sheet 31 October 2024

Liabilities and equity

	Note	2023/24	2022/23
		DKK	DKK
Share capital	12	1,200,000	1,200,000
Reserve for development costs		2,521,801	6,446,906
Retained earnings		43,297,089	34,395,381
Proposed dividend for the year		30,000,000	0
Equity		77,018,890	42,042,287
Provision for deferred tax	13	5,848,002	5,819,626
Other provisions	14	1,185,631	0
Provisions		7,033,633	5,819,626
Lease obligations		118,603	169,472
Other payables		9,351,081	8,615,740
Long-term debt	15	9,469,684	8,785,212
Credit institutions		332,278	196,237
Lease obligations	15	50,869	47,840
Prepayments received from customers		45,277,800	43,209,728
Trade payables		45,242,647	35,757,047
Contract work in progress	10	40,041,570	10,120,002
Payables to group enterprises		11,962	3,636,035
Payables to group enterprises relating to corporation tax		9,865,634	5,881,639
Other payables	15	32,611,393	31,752,930
Short-term debt		173,434,153	130,601,458
Debt		182,903,837	139,386,670
Liabilities and equity		266,956,360	187,248,583
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Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 November	1,200,000	6,446,906	34,395,382	0	42,042,288
Depreciation, amortisation and impairment for the year	0	-3,925,105	3,925,105	0	0
Net profit/loss for the year	0	0	4,976,602	30,000,000	34,976,602
Equity at 31 October	1,200,000	2,521,801	43,297,089	30,000,000	77,018,890

Cash flow statement 1 November 2023 - 31 October 2024

	Note	2023/24 DKK	2022/23 DKK
Result of the year		34,976,602	17,761,499
Adjustments	16	14,497,306	10,161,876
Change in working capital	17	106,007,040	-5,705,684
Cash flow from operations before financial items		155,480,948	22,217,691
Financial income		1,265,914	58,064
Financial expenses		-602,581	-968,193
Cash flows from ordinary activities		156,144,281	21,307,562
Corporation tax paid		-5,881,639	3,394,230
Cash flows from operating activities		150,262,642	24,701,792
Purchase of property, plant and equipment		-157,018	-754,216
Fixed asset investments made etc		0	-31,627
Sale of property, plant and equipment		0	177,000
Sale of fixed asset investments made etc		315,314	0
Cash flows from investing activities		158,296	-608,843
Reduction of lease obligations		-47,840	-12,663
Repayment of payables to group enterprises		-150,290,080	-19,833,536
Raising of loans from credit institutions		136,041	101,764
Lease obligations incurred		0	229,975
Raising of other long-term debt		735,341	14,848
Dividend paid		0	-10,000,000
Cash flows from financing activities		-149,466,538	-29,499,612
Change in cash and cash equivalents		954,400	-5,406,663
Cash and cash equivalents at 1 November		10,118	5,416,781
Cash and cash equivalents at 31 October		964,518	10,118
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		964,518	10,118
Cash and cash equivalents at 31 October		964,518	10,118

Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
1. Staff expenses		
Wages and salaries	171,709,218	124,452,672
Pensions	19,609,500	14,946,832
Other social security expenses	1,787,751	1,279,778
	193,106,469	140,679,282
 Including remuneration to the Executive Board and Board of Directors		
	2,451,392	2,044,004
 Average number of employees	273	208

The incentive scheme offered to the company's employees provides the option of issuing new shares, in the period up to 30 October 2025, of up to 3.3% of the current share capital at a subscription price of DKK 41.67 at a nominal price of DKK 1. A hurdle rate of 8% per year is added to the subscription price until the warrants are exercised. There have not been granted new warrants during the year and the outstanding warrant number at 31 October 2024 is 40,000. Incentive programmes are not recognised in the Financial Statements.

	2023/24	2022/23
	DKK	DKK
2. Financial income		
Interest received from group enterprises	1,168,092	0
Exchange gains	97,822	58,064
	1,265,914	58,064

	2023/24	2022/23
	DKK	DKK
3. Financial expenses		
Interest paid to group enterprises	0	434,942
Other financial expenses	393,964	409,519
Exchange loss	206,588	123,732
	600,552	968,193

Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
4. Income tax expense		
Current tax for the year	9,865,634	5,881,639
Deferred tax for the year	28,376	-867,312
Adjustment of tax concerning previous years	0	1,850,424
Adjustment of deferred tax concerning previous years	0	-1,850,424
	9,894,010	5,014,327

	2023/24	2022/23
	DKK	DKK
5. Profit allocation		
Proposed dividend for the year	30,000,000	0
Retained earnings	4,976,602	17,761,499
	34,976,602	17,761,499

6. Intangible fixed assets

	Completed development projects
	DKK
Cost at 1 November	12,198,000
Cost at 31 October	12,198,000
Impairment losses and amortisation at 1 November	3,932,736
Amortisation for the year	5,032,186
Impairment losses and amortisation at 31 October	8,964,922
Carrying amount at 31 October	3,233,078
Amortised over	2-3 years

Development projects relate to the development of robot-cells regarding the handling of sustainable packaging alternatives in the product environment.

Notes to the Financial Statements

7. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	DKK	DKK
Cost at 1 November	667,234	351,981
Additions for the year	96,400	60,619
Cost at 31 October	763,634	412,600
Impairment losses and depreciation at 1 November	217,668	0
Depreciation for the year	197,520	38,952
Impairment losses and depreciation at 31 October	415,188	38,952
Carrying amount at 31 October	348,446	373,648
Amortised over	3-5 years	5-10 years
Including assets under finance leases amounting to	164,079	0

8. Other fixed asset investments

	Deposits
	DKK
Cost at 1 November	711,639
Disposals for the year	-315,314
Cost at 31 October	396,325
Carrying amount at 31 October	396,325

9. Inventories

	2023/24	2022/23
	DKK	DKK
Raw materials and consumables	18,863,633	27,199,479
Work in progress	15,286,132	28,041,678
Finished goods and goods for resale	1,048,594	777,575
	35,198,359	56,018,732

Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
10. Contract work in progress		
Selling price of work in progress	317,875,969	216,382,840
Payments received on account	-330,431,356	-196,021,955
	-12,555,387	20,360,885
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	27,486,183	30,480,887
Prepayments received recognised in debt	-40,041,570	-10,120,002
	-12,555,387	20,360,885

11. Prepayments

Prepayments consist of prepaid expenses concerning licenses etc.

12. Share capital

The share capital consists of 1,200 shares of a nominal value of DKK 1,000. No shares carry any special rights.

	2023/24	2022/23
	DKK	DKK
13. Provision for deferred tax		
Deferred tax liabilities at 1 November	5,819,626	8,537,362
Amounts recognised in the income statement regarding previous years	0	-1,850,424
Amounts recognised in the income statement for the year	28,376	-867,312
Deferred tax liabilities at 31 October	5,848,002	5,819,626

The provision for deferred tax is mainly attributed to temporary differences between the accounting value and the tax value of development projects and work in progress.

Notes to the Financial Statements

14. Other provisions

Other provisions have been recognized for loss-making agreements.

Other provisions

2023/24	2022/23
DKK	DKK
1,185,631	0
1,185,631	0

The provisions are expected to mature as follows:

Within 1 year

After 5 years

1,185,631	0
0	0
1,185,631	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:

Lease obligations

After 5 years

Between 1 and 5 years

Long-term part

Within 1 year

0	0
118,603	169,472
118,603	169,472
50,869	47,840
169,472	217,312

Other payables

After 5 years

Between 1 and 5 years

Long-term part

Other short-term payables

8,848,759	8,292,163
502,322	323,577
9,351,081	8,615,740
32,611,393	31,752,930
41,962,474	40,368,670

Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
16. Cash flow statement - Adjustments		
Financial income	-1,265,914	-58,064
Financial expenses	600,552	968,193
Depreciation, amortisation and impairment losses, including losses and gains on sales	5,268,658	4,237,420
Tax on profit/loss for the year	9,894,010	5,014,327
	14,497,306	10,161,876

	2023/24	2022/23
	DKK	DKK
17. Cash flow statement - Change in working capital		
Change in inventories	20,820,373	-32,041,661
Change in receivables	41,665,303	-34,542,455
Change in other provisions	1,185,631	0
Change in trade payables, etc	42,335,733	60,878,432
	106,007,040	-5,705,684

18. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

As security for the cashpool scheme within the group, an indemnity letter of DKK 50,000k has been created on trade receivables, inventories, intangible rights and other fixtures and fittings, tools and equipment at a total carrying amount of DKK 90,570k.

Rental and lease obligations

The company has assumed lease commitments amounting to DKK 9,133,535 as at the balance sheet date.

The company has assumed rent obligations amounting to DKK 1,796,438 as at the balance sheet date.

Notes to the Financial Statements

18. 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 is disclosed in the Annual Report of Eltronic Group A/S, which is the management company of the joint taxation purposes. 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 Company's liability.

19. Related parties and disclosure of consolidated financial statements

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.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

Name	Place of registered office
Eltronic Group A/S	DK-8722 Hedensted

20. Subsequent events

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

Notes to the Financial Statements

21. Accounting policies

The Annual Report of Eltronic A/S for 2023/24 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 Financial Statements for 2023/24 are presented in DKK.

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.

Leases

All 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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

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 Company.

Notes to the Financial Statements

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 Company. 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 Company. 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 revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

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 Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

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

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

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 2-3 years.

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.

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.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Notes to the Financial Statements

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 with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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.

Prepayments

Prepayments comprise prepaid expenses concerning licenses, etc.

Equity

Dividend

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company 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 income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes to the Financial Statements

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 within the same legal tax entity.

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. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial liabilities

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

Cash Flow Statement

The cash flow statement shows the Company'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 Company'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 "Cash at bank and in hand".

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

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$