Deloitte.

Probeco A/S

Bornholmsvej 2
9670 Løgstør
CVR No. 26535735

Annual report 2024

The Annual General Meeting adopted the annual report on 28.03.2025

Kim Fuglsang Berg Steffensen
Conductor

Contents

Entity details

Entity

Probeco A/S
Bornholmsvej 2
9670 Løgstør

Business Registration No.: 26535735
Registered office: Vesthimmerland
Financial year: 01.01.2024 - 31.12.2024

Board of Directors

Guy Marcel Georges Raynaud
Kim Fuglsang Berg Steffensen
Hans Arne Lyhr

Executive Board

Kim Fuglsang Berg Steffensen

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 Probeco A/S for the financial year 01.01.2024 - 31.12.2024.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2024 and of the results of its operations and cash flows for the financial year 01.01.2024 - 31.12.2024.

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.

Løgstør, 28.03.2025

Executive Board

Kim Fuglsang Berg Steffensen

Board of Directors

Guy Marcel Georges Raynaud

Kim Fuglsang Berg Steffensen

Hans Arne Lyhr

Independent auditor's report

To the shareholders of Probeco A/S

Opinion

We have audited the financial statements of Probeco A/S for the financial year 01.01.2024 - 31.12.2024, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2024 and of the results of its operations and cash flows for the financial year 01.01.2024 - 31.12.2024 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aalborg, 28.03.2025

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Sami Nikolai El-Galaly
State Authorised Public Accountant
Identification No (MNE) mne42793

Management commentary

Financial highlights

	2024 DKK'000	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000
Key figures					
Gross profit/loss	55,773	45,875	46,815	46,695	39,635
Operating profit/loss	16,919	10,481	10,587	10,591	5,534
Net financials	219	(770)	(533)	(435)	(499)
Profit/loss for the year	14,591	7,183	7,752	7,917	3,925
Total assets	97,732	85,200	80,490	64,795	51,031
Investments in property, plant and equipment	4,997	6,789	12,582	7,936	5,299
Equity	50,422	40,822	34,644	27,562	20,092
Ratios					
Return on equity (%)	31.98	19.04	24.92	33.23	21.12
Equity ratio (%)	51.59	47.91	43.04	42.54	39.37

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

Return on equity (%):

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

Equity ratio (%):

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

Primary activities

The Company's primary activity is to make and sell office and hobby market products for export.

Development in activities and finances

The income statement shows a profit for the year of 14,591 t.DKK. By year-end, the equity amounts to 50,422 t.DKK. The result is considered satisfactory.

Profit/loss for the year in relation to expected developments

The profit for the year amounts to 14,591 t.DKK, which exceeds the management's expectations for the financial year. The company's financial performance has surpassed last year's expectations due to higher-than-expected revenue growth.

Outlook

The Executive Board assesses the outlook as good and expect for the financial year 2025 a satisfactory result in the level of 10-12 mio. DKK.

Currency risk

The company is exposed to currency risks due to a significant portion of its transactions being conducted in USD.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2024

	Notes	2024 DKK	2023 DKK
Gross profit/loss		**55,772,645**	**45,875,140**
Staff costs	1	(34,457,799)	(30,764,330)
Depreciation, amortisation and impairment losses	2	(4,396,091)	(4,629,349)
Operating profit/loss		**16,918,755**	**10,481,461**
Income from investments in associates		1,241,243	(33,828)
Other financial income	3	2,087,114	675,700
Other financial expenses	4	(1,868,474)	(1,445,629)
Profit/loss before tax		**18,378,638**	**9,677,704**
Tax on profit/loss for the year	5	(3,787,828)	(2,494,499)
Profit/loss for the year	6	**14,590,810**	**7,183,205**

Balance sheet at 31.12.2024

Assets

	Notes	2024 DKK	2023 DKK
Completed development projects	8	15,922	53,294
Acquired intangible assets		429,301	0
Intangible assets	7	**445,223**	**53,294**
Plant and machinery		21,600,476	20,572,043
Other fixtures and fittings, tools and equipment		446,991	707,542
Leasehold improvements		449,631	163,023
Property, plant and equipment in progress		0	509,000
Property, plant and equipment	9	**22,497,098**	**21,951,608**
Investments in associates		1,289,254	45,335
Deposits		1,175,800	1,167,298
Other receivables		7,247,966	7,482,827
Financial assets	10	**9,713,020**	**8,695,460**
Fixed assets		**32,655,341**	**30,700,362**
Raw materials and consumables		9,933,429	10,025,082
Work in progress		3,668,016	3,187,378
Manufactured goods and goods for resale		3,264,859	1,549,231
Prepayments for goods		1,481,667	3,762,125
Inventories		**18,347,971**	**18,523,816**

Trade receivables		6,415,074	9,050,128
Receivables from group enterprises		20,591,666	17,425,719
Receivables from associates		9,120,209	876,308
Other receivables		4,819,172	5,857,272
Joint taxation contribution receivable		800,609	0
Prepayments	11	47,113	94,345
Receivables		**41,793,843**	**33,303,772**
Cash		**4,935,085**	**2,671,799**
Current assets		**65,076,899**	**54,499,387**
Assets		**97,732,240**	**85,199,749**

Equity and liabilities

	Notes	2024 DKK	2023 DKK
Contributed capital		3,490,000	3,490,000
Reserve for net revaluation according to the equity method		1,173,749	0
Reserve for development expenditure		347,274	41,569
Retained earnings		39,443,324	32,297,292
Proposed dividend		5,968,000	4,993,443
Equity		**50,422,347**	**40,822,304**
Deferred tax	12	2,548,644	2,763,000
Provisions		**2,548,644**	**2,763,000**
Lease liabilities		10,708,403	12,295,039
Other payables		2,127,095	2,377,904
Non-current liabilities other than provisions	13	**12,835,498**	**14,672,943**
Current portion of non-current liabilities other than provisions	13	4,171,390	4,355,920
Bank loans		1,991,439	5,132,271
Payables to other credit institutions		7,160,796	4,585,365
Deposits		678,576	640,747
Trade payables		6,394,687	5,575,482
Payables to group enterprises		630,120	337,009
Payables to associates		1,541,573	0
Tax payable		3,690,806	1,095,141
Other payables		5,666,364	5,219,567
Current liabilities other than provisions		**31,925,751**	**26,941,502**
Liabilities other than provisions		**44,761,249**	**41,614,445**
Equity and liabilities		**97,732,240**	**85,199,749**
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
Related parties with controlling interest	18		
Non-arm’s length related party transactions	19		
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Statement of changes in equity for 2024

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	3,490,000	0	41,569	32,367,463	4,993,443
Changes in accounting policies	0	0	0	(70,171)	0
Adjusted equity, beginning of year	**3,490,000**	**0**	**41,569**	**32,297,292**	**4,993,443**
Ordinary dividend paid	0	0	0	0	(4,993,443)
Exchange rate adjustments	0	2,676	0	0	0
Transfer to reserves	0	1,171,073	305,705	(1,476,778)	0
Profit/loss for the year	0	0	0	8,622,810	5,968,000
Equity end of year	**3,490,000**	**1,173,749**	**347,274**	**39,443,324**	**5,968,000**

	Total DKK
Equity beginning of year	40,892,475
Changes in accounting policies	(70,171)
Adjusted equity, beginning of year	**40,822,304**
Ordinary dividend paid	(4,993,443)
Exchange rate adjustments	2,676
Transfer to reserves	0
Profit/loss for the year	14,590,810
Equity end of year	**50,422,347**

Contributed capital consist of 3,490 shares of 1,000 DKK. amounting to 3,490,000 DKK.

Cash flow statement for 2024

	Notes	2024 DKK	2023 DKK
Operating profit/loss		16,918,755	10,481,461
Amortisation, depreciation and impairment losses		4,396,091	4,629,349
Working capital changes	14	(2,365,469)	(5,092,285)
Gain on sales of fixed assets		87,843	0
Cash flow from ordinary operating activities		**19,037,220**	**10,018,525**
Financial income received		2,087,114	684,125
Financial expenses paid		(1,868,474)	(1,445,629)
Taxes refunded/(paid)		(1,406,519)	(2,092,456)
Cash flows from operating activities		**17,849,341**	**7,164,565**
Acquisition etc of intangible assets		(510,822)	(37,250)
Acquisition etc of property, plant and equipment		(4,997,481)	(6,788,799)
Sale of property, plant and equipment		87,000	30,000
Deposits		(8,502)	557,760
Cash flows from investing activities		**(5,429,805)**	**(6,238,289)**
Free cash flows generated from operations and investments before financing		**12,419,536**	**926,276**
Loans raised		2,657,179	4,864,631
Repayments of loans etc		(4,679,154)	(4,921,792)
Dividend paid		(4,993,443)	(968,500)
Other cash flows from financing activities		(3,140,832)	1,050,913
Cash flows from financing activities		**(10,156,250)**	**25,252**
Increase/decrease in cash and cash equivalents		**2,263,286**	**951,528**
Cash and cash equivalents beginning of year		2,671,799	1,720,271
Cash and cash equivalents end of year		**4,935,085**	**2,671,799**
Cash and cash equivalents at year-end are composed of:			
Cash		4,935,085	2,671,799
Cash and cash equivalents end of year		**4,935,085**	**2,671,799**

Notes

1 Staff costs

	2024 DKK	2023 DKK
Wages and salaries	30,770,659	27,579,118
Pension costs	2,735,467	2,341,457
Other social security costs	951,673	843,755
	34,457,799	**30,764,330**

Average number of full-time employees	65	59

According to section 98B(2)no.2 of the Danish Financial Statement Act, remuneration to management has not been disclosed for 2020 and 2019, because it will lead to an individual's remuneration disclosed.
The Board of Directors does not receive remuneration.

2 Depreciation, amortisation and impairment losses

	2024 DKK	2023 DKK
Amortisation of intangible assets	118,943	212,733
Depreciation of property, plant and equipment	4,277,148	4,416,616
	4,396,091	**4,629,349**

3 Other financial income

	2024 DKK	2023 DKK
Financial income from group enterprises	2,075,596	651,459
Other interest income	1,286	5,893
Other financial income	10,232	18,348
	2,087,114	**675,700**

4 Other financial expenses

	2024 DKK	2023 DKK
Other interest expenses	1,540,067	953,736
Other financial expenses	328,407	491,893
	1,868,474	**1,445,629**

5 Tax on profit/loss for the year

	2024 DKK	2023 DKK
Current tax	4,002,184	1,899,141
Change in deferred tax	(214,356)	644,000
Adjustment concerning previous years	0	(48,642)
	3,787,828	**2,494,499**

6 Proposed distribution of profit and loss

	2024 DKK	2023 DKK
Ordinary dividend for the financial year	5,968,000	4,993,443
Retained earnings	8,622,810	2,189,762
	14,590,810	**7,183,205**

7 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK
Cost beginning of year	124,833	0
Additions	0	510,872
Cost end of year	**124,833**	**510,872**
Amortisation and impairment losses beginning of year	(71,539)	0
Amortisation for the year	(37,372)	(81,571)
Amortisation and impairment losses end of year	**(108,911)**	**(81,571)**
Carrying amount end of year	**15,922**	**429,301**

8 Development projects

Completed development projects compromises implementation of new production method and new products delivered to one of the Company's clients.

9 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
Cost beginning of year	56,204,370	3,129,419	352,316	509,000
Transfers	509,000	0	0	(509,000)
Additions	4,629,466	19,755	348,260	0
Disposals	(427,673)	(308,251)	0	0
Cost end of year	**60,915,163**	**2,840,923**	**700,576**	**0**
Depreciation and impairment losses beginning of year	(35,632,327)	(2,421,877)	(189,293)	0
Depreciation for the year	(3,935,990)	(279,506)	(61,652)	0
Reversal regarding disposals	253,630	307,451	0	0
Depreciation and impairment losses end of year	**(39,314,687)**	**(2,393,932)**	**(250,945)**	**0**
Carrying amount end of year	**21,600,476**	**446,991**	**449,631**	**0**
Recognised assets not owned by entity	10,262,388	296,825	0	0

10 Financial assets

	Investments in associates DKK	Deposits DKK	Other receivables DKK
Cost beginning of year	115,505	1,167,298	7,482,827
Transfers	0	0	2,952,429
Additions	0	8,502	432,830
Disposals	0	0	(3,620,120)
Cost end of year	**115,505**	**1,175,800**	**7,247,966**
Revaluations beginning of year	(70,170)	0	0
Exchange rate adjustments	2,676	0	0
Share of profit/loss for the year	1,241,243	0	0
Revaluations end of year	**1,173,749**	**0**	**0**
Carrying amount end of year	**1,289,254**	**1,175,800**	**7,247,966**

Other receivables comprise finansial lease contracts where Probeco A/S acts as lessor. The contracts have a repayment period of up to 5 years.

Investments in associates	Registered in	Corporate form	Equity interest %
T3L USA Inc.	USA	Inc.	25

11 Prepayments

Prepayments consists of prepaid costs.

12 Deferred tax

	2024 DKK	2023 DKK
Intangible assets	(10,335)	(5,500)
Property, plant and equipment	1,155,766	5,858,000
Financial assets	2,323,027	0
Receivables	2,353,741	0
Liabilities other than provisions	(3,273,555)	(3,089,500)
Deferred tax	**2,548,644**	**2,763,000**

Changes during the year	2024 DKK	2023 DKK
Beginning of year	2,763,000	2,119,000
Recognised in the income statement	(214,356)	644,000
End of year	**2,548,644**	**2,763,000**

13 Non-current liabilities other than provisions

	Due within 12 months 2024 DKK	Due within 12 months 2023 DKK	Due after more than 12 months 2024 DKK	Outstanding after 5 years 2024 DKK
Lease liabilities	4,171,390	4,355,920	10,708,403	1,479,734
Other payables	0	0	2,127,095	2,127,095
	4,171,390	**4,355,920**	**12,835,498**	**3,606,829**

14 Changes in working capital

	2024 DKK	2023 DKK
Increase/decrease in inventories	175,845	(17,097)
Increase/decrease in receivables	(8,255,260)	(4,721,901)
Increase/decrease in trade payables etc	5,713,946	(353,287)
	(2,365,469)	**(5,092,285)**

15 Unrecognised rental and lease commitments

	2024 DKK	2023 DKK
Liabilities under rental or lease agreements until maturity in total	11,301,443	4,193,926

16 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. 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 these entities.

17 Assets charged and collateral

Bank debt is secured by way of floating company charge for DKK 5,500k and of a deposited mortgage deed registered to the mortgager for DKK 9,000k. Floating company charge and deposited mortgage deed is related to operating equipment, intangible assets and inventories at a carrying amount of DKK 41,290k.

Other credit institutions are secured by trade receivables of DKK 5,813k.

The company is liable for the affiliated company 3L Office Products A/S debts to bank connections. As of 31th of December 2024 Bank debt in affiliated companies amounts to DKK 0.

18 Related parties with controlling interest

T3L Holding SAS, France, wholly owns the shares of the Entity and thus has control over the Entity.

19 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report.

The following transactions have been conducted in the financial year.

Probeco A/S acts as the lessor for the related party "T3L US, INC.". Probeco A/S has in these arrangements with the above-mentioned related party not incorporated any interest. Due to the missing interest in the arrangement, Probeco A/S has not recognised approximately DKK 210K of interest in the income statement.

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
T3L Holding SAS, France

Copies of the consolidated financial statements of T3L Holding SAS, France may be ordered at the following address: T3L Holding SAS, France

Accounting policies

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

Changes in accounting policies and correction of errors in prior year presentation
The Entity has changed its accounting policies regarding the recognition of investments in associated companies. Previously, these investments were recognised using the cost method, but going forward, they will be recognised using the equity method.

The entity has adjusted its accounting policy regarding the presentation of its lease assets made available to lessees. Previously, these assets were presented together with the entity's other fixed assets, but going forward, they will be presented as receivables.

The changes to the entity's accounting policies have collectively led to an increase in assets of DKK 1,173,748 in 2024 and a decrease in 2023 of DKK 70,171, and an increase in equity of DKK 1,173,748 in 2024 and a decrease in 2023 of DKK 70,171. The change regarding the presentation of the entity's lease assets has resulted in the allocation between fixed assets and current assets amouting to DKK 7,247,967 and DKK 3,450,857, respectively in 2024, the allocation in 2023 amouts to DKK 2,773,805 and 7,482,827, respectively for fixed assets and current assets. Consequently, the total effect of the change in accounting policies is an increase in this year's pre-tax profit of DKK 1,241,243, and a decrease of DKK 33,828 in 2023. The change in accounting policies has no tax effect.

The comparative figures have been restated following changes in accounting policies. This also applies to the financial highlights figures for 2023 and 2024, where changes have also been incorporated.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with 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, changes in inventories of finished goods and work in progress, own work capitalised, 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 is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

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

Cost of sales

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

Costs of raw materials and consumables

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after pro rata elimination of intra-group profits or losses.

Other financial income
Other financial income comprises interest income.

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

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

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

Balance sheet

Intellectual property rights etc
Intellectual property rights etc comprise development projects completed with related intellectual property rights and acquired intellectual property rights.

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

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 5 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

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

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Plant and machinery as well as 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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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

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
Plant and machinery	5 - 8 years
Other fixtures and fittings, tools and equipment	2 - 5 years
Leasehold improvements	5 years

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

Estimated useful lives and residual values are reassessed annually. Residual value max is 20 % of cost for plant and machinery.

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

Investments in associates
Investments in associates are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Investments in associates fall within the definitions of both participating interests and associates, yet in the financial statements they have been presented as investments in associates because this designation reflects more accurately the Company's involvement in the relevant entities.

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

Receivables include lease contracts and other receivables associated with the lease contracts. The lease contracts are treated as finance leases. The lease contracts are valued at the original principal amount less repayments.

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

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

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

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

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for 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.

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.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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.

Tax receivable or payable

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.