SVM Automatik A/S

Brogesvej 10
8600 Silkeborg
CVR No. 32272223

Annual report 2021

The Annual General Meeting adopted the annual report on 06.07.2022

Lars Keinicke Hansen
Chairman of the General Meeting

Contents

Entity details

Entity

SVM Automatik A/S

Brogesvej 10

8600 Silkeborg

Business Registration No.: 32272223

Registered office: Silkeborg

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Franco Moro

Lars Keinicke Hansen

Raffaele Pace

Executive Board

Lars Keinicke Hansen

Auditors

EY Godkendt Revisionspartnerselskab
Værkmestergade 25
Postboks 330
8100 Aarhus C
CVR No.: 30700228

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of SVM Automatik A/S for the financial year 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

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.

Silkeborg, 06.07.2022

Executive Board

Lars Keinicke Hansen

Board of Directors

Franco Moro

Lars Keinicke Hansen

Raffaele Pace

Independent auditor's report

To the shareholders of SVM Automatik A/S

Opinion

We have audited the financial statements of SVM Automatik A/S for the financial year 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

Aarhus, 06.07.2022

EY Godkendt Revisionspartnerselskab
CVR No. 30700228

Claus Hammer-Pedersen
State Authorised Public Accountant
Identification No (MNE) mne21334

Jonas Busk
State Authorised Public Accountant
Identification No (MNE) mne42771

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Gross profit/loss	115,373	104,835	107,767	83,043	70,492
Operating profit/loss	(21,419)	5,069	21,302	12,503	7,821
Net financials	(2,432)	1,754	(926)	(745)	(1,273)
Profit/loss for the year	(18,748)	3,121	15,824	9,135	4,987
Total assets	387,207	209,845	206,642	165,351	92,797
Equity	31,714	50,462	47,341	31,517	22,382
Average number of employees	170	141	127	110	100
Ratios					
Return on equity (%)	(25.70)	6.40	40.10	34.10	0.10
Equity ratio (%)	8.19	24.05	22.91	19.06	24.12

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

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Total assets

Primary activities

SVM Automatik A/S is specialized in designing and building customized assembly, packaging and serialization lines for the pharmaceutical industry.

For more than 40 years, it has set high standards in terms of innovative and agile working procedures. At the Silkeborg plant in Denmark, all knowledge is fully prepared to live up to the increased quality requirements demanded by pharmaceutical industry, regulatory authorities and end users.

For this reason, SVM Automatik A/S' mission is to offer easy-to-use assembly and packaging solutions that meet every type of requests from the pharmaceutical market. It processes a variety of pharmaceutical containers: vials, cartridges, syringes, devices.

SVM Automatik A/S was acquired by the Italian Stevanato Group in 2016. The Group, based in Italy (Piombino Dese, Padua), is committed to develop systems, processes and services for the pharmaceutical industry (glass primary packaging, specialty plastics, delivery devices, glass processing, inspection systems, assembly and packaging solutions).

Being part of the Group, SVM Automatik A/S is now able to widen its offerings to the market thanks to the synergies among the different companies of the Group and its Engineering Systems Division.

At year-end 2021, SVM Automatik A/S had 186 staff members among our own ranks and some regular business partners.

Development in activities and finances

During the year 2020, the Company realized a strong sales growth compared to the previous year with focus on customized projects. The Board of Directors and the Executive Board consider this financial performance fully satisfactory compared with the challenges due to Covid-19 and the expectations communicated in last year's financial statements.

The Company has not only enjoyed strong sales growth and welcomed new customers but also experienced a major growth in the number of and further development of staff, both in terms of skills and resources.

Profit/loss for the year in relation to expected developments

During the year 2021, the Company realized a strong sales growth compared to the previous year with focus on customized projects. The Board of Directors and the Executive Board consider this financial performance satisfactory compared with the challenges due to Covid-19 and the expectations communicated in last year's financial statements.

The Company has not only enjoyed strong sales growth and welcomed new customers but also experienced a major growth in the number of and further development of staff, both in terms of skills and resources.

Uncertainty relating to recognition and measurement

Recognition and measurement are subject to uncertainty. SVM Automatik A/S' customer projects typically extend to more than one financial year, resulting in fluctuations in KPIs from one year to the next.

Currency Risks

SVM Automatik A/S operates in an international market and is therefore subject to related market trends, but makes an effort to hedge against currency fluctuations and other factors. The vast majority of customers are large and firmly based groups.

Outlook

The Board of Directors expects that in 2022 the Company will start again earning a positive result.

Knowledge resources

The Company carries out significant development activities and follows defined procedures for Project and Quality Management. In 2021, several new engineers were recruited in this capacity. Also in 2022, the Company expects to employ several new staff members.

Environmental performance

The Company pursues a responsible environmental policy when carrying out its primary activities and actively seek to employ policies taking into account environmental impact and energy consumption thereof.

Research and development activities

SVM Automatik A/S has increased its focus on platform/module standardization to allow the Company to reach its growth targets with regard to earnings and revenue. A part of the projects closed in 2020 contained a.o. the planned standard platforms/modules. Accordingly, these development costs were capitalized with the criteria that the projects like modules/platforms can we resold.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Gross profit/loss		**104,676**	**104,835**
Staff costs	1	(115,039)	(92,108)
Depreciation, amortisation and impairment losses		(11,056)	(7,658)
Operating profit/loss		**(21,419)**	**5,069**
Other financial income		2	1
Other financial expenses	2	(2,434)	(1,755)
Profit/loss before tax		**(23,851)**	**3,315**
Tax on profit/loss for the year	3	5,103	(194)
Profit/loss for the year	4	**(18,748)**	**3,121**

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Completed development projects	6	19,948	27,430
Acquired intangible assets		4,345	3,108
Goodwill		0	0
Intangible assets	5	**24,293**	**30,538**
Buildings		1,223	1,255
Plant and machinery		238	350
Other fixtures and fittings, tools and equipment		4,005	3,371
Leasehold improvements		1,288	1,333
Property, plant and equipment	7	**6,754**	**6,309**
Investments in group enterprises		0	40
Deposits		425	291
Financial assets	8	**425**	**331**
Fixed assets		**31,472**	**37,178**
Raw materials and consumables		6,193	6,792
Inventories		**6,193**	**6,792**
Trade receivables		31,159	61,350
Contract work in progress	9	228,157	80,028
Receivables from group enterprises		36,318	7,717
Other receivables		7,721	73
Joint taxation contribution receivable		1,953	1,954
Prepayments	10	2,537	2,045
Receivables		**307,845**	**153,167**
Cash		**41,697**	**12,708**
Current assets		**355,735**	**172,667**
Assets		**387,207**	**209,845**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital	11	1,600	1,600
Share premium		3,779	3,779
Reserve for development expenditure		15,559	21,395
Retained earnings		10,776	23,688
Equity		**31,714**	**50,462**
Deferred tax	12	14,855	17,787
Other provisions	13	2,532	2,595
Provisions		**17,387**	**20,382**
Other payables		19,093	8,008
Non-current liabilities other than provisions	14	**19,093**	**8,008**
Prepayments received from customers		1,051	0
Contract work in progress	9	0	28,061
Trade payables		86,483	50,339
Payables to group enterprises		216,915	38,742
Other payables		14,564	13,851
Current liabilities other than provisions		**319,013**	**130,993**
Liabilities other than provisions		**338,106**	**139,001**
Equity and liabilities		**387,207**	**209,845**
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Non-arm’s length related party transactions	20		
Group relations	21		

Statement of changes in equity for 2021

	Contributed capital DKK'000	Share premium DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1,600	3,779	21,395	23,688	50,462
Transfer to reserves	0	0	(5,836)	5,836	0
Profit/loss for the year	0	0	0	(18,748)	(18,748)
Equity end of year	**1,600**	**3,779**	**15,559**	**10,776**	**31,714**

Cash flow statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		(21,419)	5,069
Amortisation, depreciation and impairment losses		11,056	7,658
Other provisions		(63)	387
Working capital changes	15	(129,336)	33,526
Cash flow from ordinary operating activities		**(139,762)**	**46,640**
Financial income received		2	1
Financial expenses paid		(2,429)	(1,754)
Taxes refunded/(paid)		2,170	0
Cash flows from operating activities		**(140,019)**	**44,887**
Acquisition etc of intangible assets		(2,881)	(12,853)
Acquisition etc of property, plant and equipment		(2,381)	(3,830)
Sale of property, plant and equipment		5	1
Acquisition of fixed asset investments		0	(40)
Disposal of enterprises		40	0
Acquistion deposits		(134)	(47)
Cash flows from investing activities		**(5,351)**	**(16,769)**
Free cash flows generated from operations and investments before financing		**(145,370)**	**28,118**
Loans raised		11,085	0
Incurrence of debt to group enterprises		163,274	0
Cash flows from financing activities		**174,359**	**0**
Increase/decrease in cash and cash equivalents		**28,989**	**28,118**
Cash and cash equivalents beginning of year		12,708	(15,410)
Cash and cash equivalents end of year		**41,697**	**12,708**
Cash and cash equivalents at year-end are composed of:			
Cash		41,697	12,708
Cash and cash equivalents end of year		**41,697**	**12,708**

Notes

1 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	96,993	78,139
Pension costs	12,627	10,374
Other staff costs	5,419	3,595
	115,039	**92,108**

Average number of full-time employees	170	141

Total remuneration to Management and the Board of Directors: DKK 1,676 thousand (2020: DKK 1,700 thousand).

2 Other financial expenses

	2021 DKK'000	2020 DKK'000
Financial expenses from group enterprises	691	181
Exchange rate adjustments	887	1,181
Other financial expenses	856	393
	2,434	**1,755**

3 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Change in deferred tax	(5,103)	194
	(5,103)	**194**

4 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Retained earnings	(18,748)	3,121
	(18,748)	**3,121**

5 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000
Cost beginning of year	39,016	11,429	500
Additions	0	2,881	0
Cost end of year	**39,016**	**14,310**	**500**
Amortisation and impairment losses beginning of year	(11,586)	(8,321)	(500)
Amortisation for the year	(7,482)	(1,644)	0
Amortisation and impairment losses end of year	**(19,068)**	**(9,965)**	**(500)**
Carrying amount end of year	**19,948**	**4,345**	**0**

6 Development projects

Completed development projects relate to development and test of assembling and packaging equipment. The projects were completed in 2015-2020 and are amortised over 5 years.

7 Property, plant and equipment

	Buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	1,260	10,543	12,316	1,982
Additions	0	0	2,070	311
Disposals	0	0	(74)	0
Cost end of year	**1,260**	**10,543**	**14,312**	**2,293**
Depreciation and impairment losses beginning of year	(5)	(10,193)	(8,945)	(649)
Depreciation for the year	(32)	(112)	(1,430)	(356)
Reversal regarding disposals	0	0	68	0
Depreciation and impairment losses end of year	**(37)**	**(10,305)**	**(10,307)**	**(1,005)**
Carrying amount end of year	**1,223**	**238**	**4,005**	**1,288**

8 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	40	291
Additions	0	134
Disposals	(40)	0
Cost end of year	**0**	**425**
Carrying amount end of year	**0**	**425**

9 Contract work in progress

	2021 DKK'000	2020 DKK'000
Contract work in progress	601,756	386,922
Progress billings regarding contract work in progress	(373,599)	(334,955)
Transferred to liabilities other than provisions	0	28,061
	228,157	**80,028**

10 Prepayments

Prepayments consists of prepaid expenses related to the Company's activities.

11 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
A shares	600	1	600
B shares	1,000	1	1,000
	1,600		**1,600**

12 Deferred tax

	2021 DKK'000	2020 DKK'000
Intangible assets	5,345	6,719
Property, plant and equipment	(545)	(551)
Financial assets	23,554	20,658
Provisions	(557)	(571)
Tax losses carried forward	(12,942)	(8,468)
Deferred tax	**14,855**	**17,787**

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	17,787	17,592
Recognised in the income statement	(2,932)	195
End of year	**14,855**	**17,787**

13 Other provisions

Other provisions consist of provisions in relation to future guarantee costs.

14 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK'000	Outstanding after 5 years 2021 DKK'000
Other payables	19,093	8,237
	19,093	**8,237**

Other payables consists of holiday allowance and tax loan.

15 Changes in working capital

	2021 DKK'000	2020 DKK'000
Increase/decrease in inventories	597	(583)
Increase/decrease in receivables	(167,996)	19,167
Increase/decrease in trade payables etc	38,063	14,942
	(129,336)	**33,526**

16 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Liabilities under rental or lease agreements until maturity in total	15,978	18,556

17 Contingent liabilities

	2021 DKK'000	2020 DKK'000
Recourse and non-recourse guarantee commitments	50,359	49,802
Contingent liabilities	**50,359**	**49,802**

In addition, the Company has assumed warranty obligations for completed projects.

The Entity participates in a Danish joint taxation arrangement where InnoScan A/S 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.

18 Assets charged and collateral

As collateral for bank balance, a company charge of DKK 25,000 thousand has been registered, secured upon ordinary claims, inventories, operation equipment, goodwill etc.

The carrying amount of the assets charged comes in at DKK 41,595 thousand broken down on ordinary claims of DKK 31,159, inventories of DKK 6,193 thousand and operating equipment etc. of DKK 4,243 thousand.

19 Related parties with controlling interest

Stevanato Group International A.S., Agátová 22, 84403, Bratislava, Slovakia.

20 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. No such transactions have been conducted in the financial year.

21 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Stevanato Group SpA, Via Molinella 17, 35017 Piombino Dese PD, Italy

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes chared on behalf of third parties. All discounts granted are deducted from revenue.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of completion method).

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 includes the cost of goods used in generating the years revenue.

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.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc. for entity staff. The item is net of refunds from public authorities.

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 dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, 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, 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).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Goodwill
Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of management's experience within the indvidual business areas. The amortisation period is usually 10 years and longest for strategically acquired entities with a strong market psotion and long-term earnings profile.

Intellectual property rights etc
Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

The useful life and residual value are reassessed annually. Changes are accounted for as accounting estimates, and the effect on amortisation is recognised prospectively.

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 entity can be established, and where is an intention to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are expensed in the income satement as incurred.

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

Indirect production overheads 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 the cost based on time spent on the individual project.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 5 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. Development projects are written down to the lower of recoverable amount and carrying amount.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straightline basis over the estimated useful life. The amortisation period is usually 5 years.

Property, plant and equipment
Plant and machinery, and other fixtures and fittings 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 self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. 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 overheads and borrowing costs are not recognised in cost.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling prices less costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively. Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

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:

Plant and machinery	3-7 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	3-5 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.

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

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

Inventories
Inventories are measured at the lower of cost using the 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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

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 bank deposits.

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.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

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.

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 taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and 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, and 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 less short-term bank loans.