
Grafisk Maskinfabrik A/S

Klintehøj Vænge 12, DK-3460 Birkerød

Annual Report for 2023

CVR No. 15 15 52 99

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 7/5 2024

Jens Kristensen
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Grafisk Maskinfabrik A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Birkerød, 7 May 2024

Executive Board

Uffe Nielsen
CEO

Board of Directors

Jens Kristensen
Chairman

Uffe Nielsen

Erik Nielsen

Frederik Edward Aackermann

Independent Auditor's report

To the shareholder of Grafisk Maskinfabrik A/S

Opinion

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

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Grafisk Maskinfabrik A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

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

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

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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's report

Hillerød, 7 May 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen

State Authorised Public Accountant

mne17120

Company information

The Company	Grafisk Maskinfabrik A/S Klintehøj Vænge 12 DK-3460 Birkerød CVR No: 15 15 52 99 Financial period: 1 January - 31 December Municipality of reg. office: Birkerød
Board of Directors	Jens Kristensen, chairman Uffe Nielsen Erik Nielsen Frederik Edward Aackermann
Executive Board	Uffe Nielsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Milnersvej 43 DK-3400 Hillerød

Financial Highlights

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

	Group				
	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	43,038	41,727	25,174	18,700	27,594
Profit/loss of primary operations	11,491	20,507	5,437	4,906	11,693
Profit/loss of financial income and expenses	-1,313	-560	-105	-34	94
Net profit/loss for the year	8,403	15,327	4,005	7,024	9,101
Balance sheet					
Balance sheet total	182,664	160,575	118,311	104,864	95,884
Investment in property, plant and equipment	5,339	5,874	5,264	8,010	8,789
Equity	68,948	66,898	51,170	67,409	60,560
Cash flows					
Cash flows from:					
- operating activities	-7,022	16,072	4,658	7,536	8,008
- investing activities	-2,935	-4,446	2,060	7,976	-8,764
- financing activities	16,470	-1,424	-12,925	-2,491	-3,123
Change in cash and cash equivalents for the year	6,513	10,202	-4,396	9,090	2,600
Number of employees	142	138	126	111	113
Ratios					
Return on assets	6.3%	12.8%	4.6%	4.7%	12.2%
Solvency ratio	37.7%	41.7%	43.3%	64.3%	63.2%
Return on equity	12.4%	26.0%	6.8%	11.0%	15.8%

Management's review

Key activities

The Group develops advanced technology for the industrial and scientific printing industry. This includes both manufacturing of standard line machinery for self-adhesive labels and highly custom machinery for research in thin film technology, printed electronics, fuel cells, touch screen films and organic solar cells. The predominant part of the revenue comes from export markets.

Development in the year

The income statement of the Group for 2023 shows a profit of DKK 8,403,219, and at 31 December 2023 the balance sheet of the Group shows a positive equity of DKK 68,947,589.

This year showed a stabilization in turnover for the Group generally across customer segments and subsidiary.

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

In the Annual Report for 2022 there was expectations of a significant increased demands for the Groups products in 2023. The label industry market has been challenged in 2023, as to why the demand has not increased significantly in 2023. The Groups net profit is considered acceptable.

Capital resources

The Group's development and production of new products and technology is based on our highly knowledge employees and extensive experience. The Group has a large R&D department that employs a significant part of the total work force.

Operating risks

The Group's operational risks are linked to the market conditions in general under which the company operates on the domestic market as well as the export markets.

The group is not directly exposed to Russia or Ukraine, but the war is affecting clients leasing possibilities in Poland & the Baltics. This could limit sales in these specific areas.

The current interest level is predicted to continue in 2024, which can affect the demands from the market in 2024.

Targets and expectations for the year ahead

The demand for advanced label machines is expected to be very strong in 2024.

An increase in demand for scientific functional materials (solar cells & battery coating) is expected in 2024.

The expectations for net profit in 2024 are between TDKK 8,000 to TDKK 18,000.

Research and development

In addition to the Group's machines intended for the industrial label printing industry, the Group continuously seeks to further develop special machines for functional materials.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Unusual events

The financial position at 31 December 2023 of the Group and the results of the activities and cash flows of the Group for the financial year for 2023 have not been affected by any unusual events.

Management's review

Subsequent events

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

Income statement 1 January - 31 December

	Note	Group		Parent company	
		2023	2022	2023	2022
		DKK	DKK	DKK	DKK
Gross profit		43,038,269	41,726,727	35,278,431	37,442,068
Distribution expenses	1	-9,843,922	-7,914,628	-9,232,870	-7,401,283
Administrative expenses	1	-21,703,847	-13,304,998	-17,054,927	-12,284,278
Profit/loss before financial income and expenses		11,490,500	20,507,101	8,990,634	17,756,507
Income from investments in subsidiaries		0	0	2,420,027	1,886,476
Financial income		10,613	8,468	0	0
Financial expenses		-1,323,716	-568,532	-1,323,716	-564,092
Profit/loss before tax		10,177,397	19,947,037	10,086,945	19,078,891
Tax on profit/loss for the year	2	-1,774,178	-4,620,053	-1,683,726	-3,751,907
Net profit/loss for the year	3	8,403,219	15,326,984	8,403,219	15,326,984

Balance sheet 31 December

Assets

	Note	Group		Parent company	
		2023	2022	2023	2022
		DKK	DKK	DKK	DKK
Acquired licenses		3,339,403	4,207,016	3,339,403	4,207,016
Intangible assets	4	3,339,403	4,207,016	3,339,403	4,207,016
Other fixtures and fittings, tools and equipment		8,712,972	7,406,815	8,691,508	7,372,386
Leasehold improvements		1,176,373	1,048,277	979,218	1,007,120
Property, plant and equipment	5	9,889,345	8,455,092	9,670,726	8,379,506
Investments in subsidiaries	6	0	0	8,208,651	6,142,627
Fixed asset investments		0	0	8,208,651	6,142,627
Fixed assets		13,228,748	12,662,108	21,218,780	18,729,149
Inventories	7	104,124,035	101,727,625	95,170,720	94,474,121
Trade receivables		35,341,319	24,143,108	30,405,224	21,799,989
Receivables from group enterprises		0	0	5,060,797	4,488,574
Other receivables		911,224	3,190,702	885,536	3,181,579
Prepayments	8	5,050,058	1,355,650	4,933,608	1,338,369
Receivables		41,302,601	28,689,460	41,285,165	30,808,511
Cash at bank and in hand		24,008,873	17,495,524	18,832,003	11,447,286
Current assets		169,435,509	147,912,609	155,287,888	136,729,918
Assets		182,664,257	160,574,717	176,506,668	155,459,067

Balance sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2023	2022	2023	2022
		DKK	DKK	DKK	DKK
Share capital		500,000	500,000	500,000	500,000
Reserve for net revaluation under the equity method		0	0	6,189,169	4,123,145
Reserve for exchange rate conversion		47,088	401,091	0	0
Retained earnings		63,900,501	59,997,282	57,758,420	56,275,228
Proposed dividend for the year		4,500,000	6,000,000	4,500,000	6,000,000
Equity		68,947,589	66,898,373	68,947,589	66,898,373
Provision for deferred tax	9	2,973,695	2,787,221	4,470,649	3,809,571
Provisions		2,973,695	2,787,221	4,470,649	3,809,571
Lease obligations		1,076,620	1,407,460	1,076,620	1,407,460
Other payables		4,993,373	4,993,373	4,993,373	4,993,373
Long-term debt	10	6,069,993	6,400,833	6,069,993	6,400,833
Credit institutions		27,538,749	4,752,125	27,416,128	4,692,747
Lease obligations	10	309,979	295,327	309,979	295,327
Prepayments received from customers		39,633,100	32,606,124	32,851,033	28,012,036
Trade payables		20,520,841	30,181,872	19,555,828	29,109,726
Corporation tax		237,056	1,664,177	506,647	1,319,874
Other payables	10	14,062,390	12,354,371	14,007,957	12,286,286
Deferred income	11	2,370,865	2,634,294	2,370,865	2,634,294
Short-term debt		104,672,980	84,488,290	97,018,437	78,350,290
Debt		110,742,973	90,889,123	103,088,430	84,751,123
Liabilities and equity		182,664,257	160,574,717	176,506,668	155,459,067
Contingent assets, liabilities and other financial obligations	14				
Related parties	15				
Accounting Policies	16				

Statement of changes in equity

Group

	Share capital	Reserve for exchange rate conversion	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500,000	401,091	59,997,282	6,000,000	66,898,373
Ordinary dividend paid	0	0	0	-6,000,000	-6,000,000
Exchange adjustments relating to foreign entities	0	-354,003	0	0	-354,003
Net profit/loss for the year	0	0	3,903,219	4,500,000	8,403,219
Equity at 31 December	500,000	47,088	63,900,501	4,500,000	68,947,589

Parent company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500,000	4,123,145	56,275,228	6,000,000	66,898,373
Ordinary dividend paid	0	0	0	-6,000,000	-6,000,000
Exchange adjustments relating to foreign entities	0	-354,003	0	0	-354,003
Net profit/loss for the year	0	2,420,027	1,483,192	4,500,000	8,403,219
Equity at 31 December	500,000	6,189,169	57,758,420	4,500,000	68,947,589

Cash flow statement 1 January - 31 December

	Note	Group	
		2023	2022
		DKK	DKK
Result of the year		8,403,219	15,326,984
Adjustments	12	5,101,355	6,773,676
Change in working capital	13	-16,199,016	-4,024,632
Cash flow from operations before financial items		-2,694,442	18,076,028
Financial income		10,613	8,468
Financial expenses		-1,323,716	-568,532
Cash flows from ordinary activities		-4,007,545	17,515,964
Corporation tax paid		-3,014,825	-1,443,887
Cash flows from operating activities		-7,022,370	16,072,077
Purchase of intangible assets		-3,505	-4,244,512
Purchase of property, plant and equipment		-5,395,342	-5,874,217
Sale of property, plant and equipment		2,464,130	5,271,499
Other adjustments		0	401,091
Cash flows from investing activities		-2,934,717	-4,446,139
Repayment of loans from credit institutions		0	-1,384,280
Reduction of lease obligations		-316,188	-40,205
Raising of loans from credit institutions		22,786,624	0
Dividend paid		-6,000,000	0
Cash flows from financing activities		16,470,436	-1,424,485
Change in cash and cash equivalents		6,513,349	10,201,453
Cash and cash equivalents at 1 January		17,495,524	7,294,071
Cash and cash equivalents at 31 December		24,008,873	17,495,524
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		24,008,873	17,495,524
Cash and cash equivalents at 31 December		24,008,873	17,495,524

Notes to the Financial Statements

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
1. Staff				
Wages and salaries	78,068,851	72,881,338	74,617,598	69,087,941
Pensions	6,066,264	4,993,180	6,066,264	4,993,180
Other social security expenses	579,043	785,164	579,043	785,164
Other staff expenses	2,204,340	2,984,952	2,204,340	2,984,952
	86,918,498	81,644,634	83,467,245	77,851,237
Including remuneration to the Executive Board and Board of Directors	2,019,653	2,003,049	2,019,653	2,003,049
Average number of employees	142	138	137	133

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
2. Income tax expense				
Current tax for the year	2,013,446	3,787,977	1,022,648	2,183,874
Deferred tax for the year	186,473	832,076	661,078	1,568,033
Adjustment of tax concerning previous years	-425,741	0	0	0
	1,774,178	4,620,053	1,683,726	3,751,907

	Parent company	
	2023	2022
	DKK	DKK
3. Profit allocation		
Proposed dividend for the year	4,500,000	6,000,000
Reserve for net revaluation under the equity method	2,420,027	1,881,477
Retained earnings	1,483,192	7,445,507
	8,403,219	15,326,984

Notes to the Financial Statements

4. Intangible fixed assets

	<u>Group</u>	<u>Parent company</u>
	Acquired licenses	Acquired licenses
	DKK	DKK
Cost at 1 January	4,352,086	4,352,086
Additions for the year	3,503	3,503
Cost at 31 December	<u>4,355,589</u>	<u>4,355,589</u>
Impairment losses and depreciation at 1 January	145,070	145,070
Depreciation for the year	871,116	871,116
Impairment losses and depreciation at 31 December	<u>1,016,186</u>	<u>1,016,186</u>
Carrying amount at 31 December	<u>3,339,403</u>	<u>3,339,403</u>
Amortised over	<u>5 years</u>	<u>5 years</u>

5. Property, plant and equipment

	<u>Group</u>		<u>Parent company</u>	
	Other fixtures and fittings, tools and equipment	Leasehold improvements	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK	DKK	DKK
Cost at 1 January	10,488,046	1,367,416	10,429,982	1,313,454
Additions for the year	4,868,087	470,959	4,868,087	273,330
Disposals for the year	-2,747,130	0	-2,747,130	0
Cost at 31 December	<u>12,609,003</u>	<u>1,838,375</u>	<u>12,550,939</u>	<u>1,586,784</u>
Impairment losses and depreciation at 1 January	3,081,231	319,139	3,057,596	306,334
Depreciation for the year	1,407,970	342,863	1,395,005	301,232
Reversal of impairment and depreciation of sold assets	-593,170	0	-593,170	0
Impairment losses and depreciation at 31 December	<u>3,896,031</u>	<u>662,002</u>	<u>3,859,431</u>	<u>607,566</u>
Carrying amount at 31 December	<u>8,712,972</u>	<u>1,176,373</u>	<u>8,691,508</u>	<u>979,218</u>
Amortised over	<u>3-5 years</u>	<u>5 years</u>	<u>3-5 years</u>	<u>5 years</u>

Notes to the Financial Statements

	Parent company	
	2023	2022
	DKK	DKK
6. Investments in subsidiaries		
Cost at 1 January	2,019,482	2,019,482
Cost at 31 December	2,019,482	2,019,482
Value adjustments at 1 January	4,123,145	1,840,577
Exchange adjustment	-354,003	401,093
Net profit/loss for the year	4,102,717	4,490,776
Change in intercompany profit on inventories	-1,682,690	-2,609,301
Value adjustments at 31 December	6,189,169	4,123,145
Carrying amount at 31 December	8,208,651	6,142,627

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Grafisk Maskinfabrik - America LLC	Illinois	USD 1.000	100%

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
7. Inventories				
Raw materials and consumables	52,027,303	54,512,071	52,027,303	54,512,071
Work in progress	14,170,744	15,197,671	14,170,744	15,197,671
Finished goods and goods for resale	37,925,988	32,017,883	28,972,673	24,764,379
	104,124,035	101,727,625	95,170,720	94,474,121

8. Prepayments

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

Notes to the Financial Statements

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
9. Provision for deferred tax				
Deferred tax liabilities at 1 January	2,787,221	1,955,145	3,809,571	1,616,078
Adjustment regarding intercompany profit on inventories	-474,604	-1,361,417	0	0
Adjustment regarding previous years	0	625,460	0	625,460
Amounts recognised in the income statement for the year	661,078	1,568,033	661,078	1,568,033
Deferred tax liabilities at 31 December	2,973,695	2,787,221	4,470,649	3,809,571

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
10. 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	0	0	0	0
Between 1 and 5 years	1,076,620	1,407,460	1,076,620	1,407,460
Long-term part	1,076,620	1,407,460	1,076,620	1,407,460
Within 1 year	309,979	295,327	309,979	295,327
	1,386,599	1,702,787	1,386,599	1,702,787

Other payables

After 5 years	0	0	0	0
Between 1 and 5 years	4,993,373	4,993,373	4,993,373	4,993,373
Long-term part	4,993,373	4,993,373	4,993,373	4,993,373
Other short-term payables	14,062,390	12,354,371	14,007,957	12,286,286
	19,055,763	17,347,744	19,001,330	17,279,659

Notes to the Financial Statements

11. Deferred income

Deferred income consists of achieved rent discount, which is distributed over the term of the contract.

Group	
2023	2022
DKK	DKK

12. Cash flow statement - Adjustments

Financial income	-10,613	-8,468
Financial expenses	1,323,716	568,532
Depreciation, amortisation and impairment losses, including losses and gains on sales	2,368,077	1,192,468
Tax on profit/loss for the year	1,774,178	4,620,053
Exchange adjustments	-354,003	401,091
	5,101,355	6,773,676

Group	
2023	2022
DKK	DKK

13. Cash flow statement - Change in working capital

Change in inventories	-2,396,410	-29,615,876
Change in receivables	-12,613,141	1,327,095
Change in trade payables, etc	-1,189,465	24,264,149
	-16,199,016	-4,024,632

Notes to the Financial Statements

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
14. Contingent assets, liabilities and other financial obligations				
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	3,661,222	2,908,700	3,661,222	2,908,700
Between 1 and 5 years	14,644,887	11,634,800	14,644,887	11,634,800
After 5 years	14,644,887	14,543,500	14,644,887	14,543,500
	32,950,996	29,087,000	32,950,996	29,087,000

15. Related parties

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.

Notes to the Financial Statements

16. Accounting policies

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

The accounting policies applied remain unchanged from last year.

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

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Grafisk Maskinfabrik A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement

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

Notes to the Financial Statements

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

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

Production expenses

Production expenses comprise costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and cost of sales.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses 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.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 year.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years
Production buildings	25 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.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Inventories

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

Notes to the Financial Statements

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.

Prepayments

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

Equity

Dividend

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

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.

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

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Notes to the Financial Statements

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Overdraft facilities".

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

Financial Highlights

Explanation of financial ratios

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