

Adapteo A/S

Greve Main 33, 2670 Greve

Company reg. no. 11 03 39 11

Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 18 June 2021.

Henrik Rydiander
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of Adapteo A/S for the financial year 1 January - 31 December 2020 of Adapteo A/S.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Greve, 18 June 2021

Managing Director

Henrik Rydiander

Board of directors

Carl Michael Philip Isell Lind af
Hageby
Chairman

Henrik Rydiander

Teemu Arvo Sakari Saarela
Vice Chairman

Independent auditor's report

To the shareholders of Adapteo A/S

Opinion

We have audited the financial statements of Adapteo A/S for the financial year 1 January - 31 December 2020, comprising income statement, balance sheet, statement of changes in equity, notes and 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 Company's assets, liabilities, and financial position at 31 December 2020 and of the results of the Company's operations and cash-flow for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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, that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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

Independent auditor's report

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

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Copenhagen, 18 June 2021

KPMG

State Authorised Public Accountants
Company reg. no. 25 57 81 98

Kim Schmidt

State Authorized Public Accountant
mne34552

Company information

The company

Adapteo A/S
Greve Main 33
2670 Greve

Company reg. no. 11 03 39 11

Financial year: 1 January - 31 December

Board of directors

Carl Michael Philip Isell Lind af Hageby, Chairman
Henrik Rydiander
Teemu Arvo Sakari Saarela, Vice Chairman

Managing Director

Henrik Rydiander

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø

Subsidiary

Temporent A/S, Greve

Financial highlights

DKK in thousands.	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Income statement:					
Revenue	176.369	152.629	137.586	202.332	238.057
Gross profit	85.811	100.389	78.150	107.559	127.792
Profit from operating activities	35.674	44.684	37.335	-859	29.401
Net financials	-3.402	-4.263	-4.309	-6.050	-7.266
Net profit or loss for the year	32.272	40.421	33.026	-6.919	22.135
Statement of financial position:					
Balance sheet total	479.796	465.859	387.150	378.651	529.283
Investments in property, plant and equipment	52.196	51.705	51.013	87.334	120.695
Equity	266.959	234.686	194.263	161.329	168.251
Employees:					
Average number of full-time employees	24	26	25	75	98
Key figures in %:					
Solvency ratio	55,6	50,4	50,2	42,6	31,8
Return on assets	7,5	10,5	9,8	-0,2	6,0

The comparative figures has not been adjusted with the implementation of IFRS 16 in 2019.

For definitions of key ratios, see Accounting policies.

Management commentary

The principal activities of the company

In Denmark Adapteo A/S rents pavilions to the public sector, private customers and construction industry. Adapteo A/S have 2 sales offices and storage locations in Denmark and employs 24 employees. Adapteo A/S is a Danish company in the pan-European Adateo Group.

The group's parent company, Adapteo Plc, is listed on the Stockholm Stock Exchange and is one of Europe's leading service and equipment providers in the rental industry.

With a dedicated focus on business ethics and sustainability, Adapteo is operating in the Nordic countries of Finland, Sweden, Norway and Denmark. Adapteo also operates in Germany and Netherlands. Adapteo Group rents equipment and pavilions through 300 rental depots in a wide variety of product and rental offerings according to local demand in the Nordic countries. The group has approximately 397 employees.

Development in activities and financial matters

The revenue for the year is T.DKK 176.369 against T.DKK 152.629 last year. Income from ordinary activities after tax totals T.DKK 32.272 against T.DKK 40.421 last year. The balance shows an equity of T.DKK 266.959 for 2020.

Special risks

Operating risks

The company's main operating risk is related to market conditions, including competitive conditions. However, with Adapteo A/S being one of the largest suppliers of rental equipment in Denmark, and given the executed restructuring and adaption to the market, this risk is currently considered less significant, however Adapteo is ongoing monitoring the market situation to evaluate changes in the risk picture.

Interest rate risks

Interest-bearing net debts amounts to a relatively large share of the company's balance sheet total. However, with interest rates fixed based on 3 and 12-months Cibor rates in November 2011, changes in interest rates will not have any significant effect on earnings.

Expected developments

The result for the financial year 2020 was below expected due to a decline in market activity especially in the first half of 2020. This was mainly impacted by the Covid-19 situation. Second half the company saw an increase in market activity but not enough to close the lost revenue and EBITDA from the first half year.

Management commentary

Events occurring after the end of the financial year

Since the outbreak of the Covid-19 pandemic in Northern Europe in early 2020, Adapteo is monitoring its impact on markets, employees and business processes. Continuity plans are being continuously reviewed, processes are being optimised, and every activity is evaluated from a cost and risk perspective in order to mitigate the negative financial effects associated with the outbreak of Covid-19 in the best possible way.

Adapteo has seen a decrease in demand from the event business and other projects with short rental periods. There have also been delays and thus a lower demand for offices in the private sector as expansion plans have been postponed. The core business, social infrastructure, is more resilient. However, the ongoing outbreak of Covid-19 will affect Adapteo's customers in their decision-making processes and thus the company. The total effects of this cannot be quantified today.

Outlook

The company expects a positive result before tax for 2021.

Impact on the external environment

Efforts to protect the environment and assure quality are an important element of Adapteo A/S' activities. In order to make sure that this area is handled efficiently, Adapteo A/S has been certified according to ISO 14001 and ISO 9001, which lay down strict environmental and quality requirements.

Knowledge resources

Based on its long-standing activities in the market for rental and marketing of modular space and building and construction machinery, the company has build highly skilled and experienced staff.

Income statement 1 January - 31 December

DKK thousand.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Revenue	176.369	152.629
Other operating income	0	1.870
Direct cost	-65.032	-36.741
Other external costs	-25.526	-17.369
Gross profit	85.811	100.389
1 Staff costs	-14.899	-18.307
2 Depreciation, amortisation, and impairment	-35.238	-37.398
Operating profit	35.674	44.684
Other financial income from group enterprises	0	34
Other financial income	5	0
3 Other financial costs	-3.407	-4.297
Pre-tax net profit	32.272	40.421
Tax on ordinary results	0	0
4 Net profit for the year	32.272	40.421

Statement of financial position at 31 December

DKK thousand.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Assets		
Non-current assets		
5 Acquired intangible assets	0	0
6 Goodwill	15.758	18.222
Total intangible assets	15.758	18.222
7 Property	15.743	25.925
8 Plant and machinery	340.294	333.630
9 Other fixtures and fittings, tools and equipment	4.399	3.664
Total property, plant, and equipment	360.436	363.219
10 Deposits	2.600	2.522
11 Other receivables	1.705	0
Total investments	4.305	2.522
Total non-current assets	380.499	383.963
Current assets		
Trade receivables	51.742	46.437
Receivables from group enterprises	39.299	21.692
12 Deferred tax assets	5.183	5.183
13 Prepayments and accrued income	3.073	8.584
Total receivables	99.297	81.896
Total current assets	99.297	81.896
Total assets	479.796	465.859

Statement of financial position at 31 December

DKK thousand.

Equity and liabilities			
<u>Note</u>		<u>2020</u>	<u>2019</u>
Equity			
	Contributed capital	11.000	11.000
	Retained earnings	255.959	223.686
	Total equity	266.959	234.686
 Liabilities other than provisions			
14	Lease liabilities	12.959	29.316
	Payables to group enterprises	81.000	105.000
	Long term debt other than provisions	13	626
15	Total long term liabilities other than provisions	93.972	134.942
	Short-term part of long-term liabilities	6.397	0
	Trade payables	18.949	13.936
	Payables to group enterprises	64.607	39.397
	Other payables	15.145	10.476
16	Accruals and deferred income	13.767	32.422
	Total short term liabilities other than provisions	118.865	96.231
	Total liabilities other than provisions	212.837	231.173
	Total equity and liabilities	479.796	465.859
 17 Contingencies			
18 Related parties			

Statement of changes in equity

DKK thousand.

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2020	11.000	223.686	234.686
Profit or loss for the year brought forward	<u>0</u>	<u>32.273</u>	<u>32.273</u>
	<u>11.000</u>	<u>255.959</u>	<u>266.959</u>

Notes

DKK thousand.

	<u>2020</u>	<u>2019</u>
1. Staff costs		
Salaries and wages	13.143	16.647
Pension costs	1.274	1.111
Other costs for social security	165	189
Other staff costs	<u>317</u>	<u>360</u>
	<u>14.899</u>	<u>18.307</u>
Average number of employees	<u>24</u>	<u>26</u>
By reference to section 98(b)(ii) of the Danish Financial Statements Act, remuneration to management is not disclosed.		
2. Depreciation, amortisation, and impairment		
Amortisation of concessions, patents and licences	0	28
Amortisation of goodwill	2.464	3.022
Depreciation on production plants and machinery	27.354	23.727
Depreciation on plants, operating assets, fixtures and furniture	160	3.330
Impairment of tangible assets	8.413	8.366
Profit/loss on sale of tangible assets	<u>-3.153</u>	<u>-1.075</u>
	<u>35.238</u>	<u>37.398</u>
3. Other financial costs		
Financial costs, group enterprises	2.771	3.295
Other financial costs	<u>636</u>	<u>1.002</u>
	<u>3.407</u>	<u>4.297</u>
4. Proposed appropriation of net profit		
Transferred to retained earnings	<u>32.273</u>	<u>40.421</u>
Total allocations and transfers	<u>32.273</u>	<u>40.421</u>

Notes

DKK thousand.

5. Acquired intangible assets

Cost 1 January 2020	1.342	1.342
Cost 31 December 2020	1.342	1.342
Amortisation and writedown 1 January 2020	-1.342	-880
Amortisation for the year	0	-28
Writedown for the year	0	-434
Amortisation and writedown 31 December 2020	-1.342	-1.342
Carrying amount, 31 December 2020	0	0

6. Goodwill

Cost 1 January 2020	24.387	24.387
Cost 31 December 2020	24.387	24.387
Amortisation and writedown 1 January 2020	-6.165	-3.577
Amortisation for the year	-2.464	-2.588
Amortisation and writedown 31 December 2020	-8.629	-6.165
Carrying amount, 31 December 2020	15.758	18.222

7. Property

Cost 1 January 2020	32.970	32.518
Additions during the year	3.707	452
Disposals during the year	-7.105	0
Cost 31 December 2020	29.572	32.970
Depreciation and writedown 1 January 2020	-7.045	0
Depreciation for the year	-6.784	-7.045
Depreciation and writedown 31 December 2020	-13.829	-7.045
Carrying amount, 31 December 2020	15.743	25.925
Lease assets are recognised at a carrying amount of	15.743	25.925

Notes

DKK thousand.

	<u>31/12 2020</u>	<u>31/12 2019</u>
8. Plant and machinery		
Cost 1 January 2020	420.241	376.945
Additions during the year	45.761	50.889
Disposals during the year	<u>-14.685</u>	<u>-7.593</u>
Cost 31 December 2020	<u>451.317</u>	<u>420.241</u>
Depreciation and writedown 1 January 2020	-86.611	-60.871
Depreciation for the year	-27.354	-23.727
Writedown for the year	0	-4.355
Reversal of depreciation, amortisation and writedown, assets disposed of	<u>2.942</u>	<u>2.342</u>
Depreciation and writedown 31 December 2020	<u>-111.023</u>	<u>-86.611</u>
Carrying amount, 31 December 2020	<u>340.294</u>	<u>333.630</u>
9. Other fixtures and fittings, tools and equipment		
Cost 1 January 2020	5.155	5.386
Additions during the year	2.728	364
Disposals during the year	<u>-1.002</u>	<u>-595</u>
Cost 31 December 2020	<u>6.881</u>	<u>5.155</u>
Amortisation and writedown 1 January 2020	-1.491	-524
Depreciation for the year	-1.769	-1.476
Writedown for the year	-20	-86
Reversal of depreciation, amortisation and writedown, assets disposed of	<u>798</u>	<u>595</u>
Amortisation and writedown 31 December 2020	<u>-2.482</u>	<u>-1.491</u>
Carrying amount, 31 December 2020	<u>4.399</u>	<u>3.664</u>
Carrying amount less revaluations	<u>3.266</u>	<u>3.124</u>

Notes

DKK thousand.

	<u>31/12 2020</u>	<u>31/12 2019</u>
10. Deposits		
Cost 1 January 2020	2.522	2.522
Additions during the year	<u>78</u>	<u>0</u>
Cost 31 December 2020	<u>2.600</u>	<u>2.522</u>
Carrying amount, 31 December 2020	<u>2.600</u>	<u>2.522</u>
11. Other receivables		
Additions during the year	<u>1.705</u>	<u>0</u>
Cost 31 December 2020	<u>1.705</u>	<u>0</u>
Carrying amount, 31 December 2020	<u>1.705</u>	<u>0</u>
12. Deferred tax assets		
Deferred tax assets 1 January 2020	<u>5.183</u>	<u>5.183</u>
	<u>5.183</u>	<u>5.183</u>
13. Prepayments and accrued income		
Other prepayments	<u>3.073</u>	<u>8.584</u>
	<u>3.073</u>	<u>8.584</u>
14. Lease liabilities		
Total lease liabilities	19.355	29.316
Share of amount due within 1 year	<u>-6.396</u>	<u>0</u>
	<u>12.959</u>	<u>29.316</u>

Notes

DKK thousand.

	<u>31/12 2020</u>	<u>31/12 2019</u>
15. Long term debt other than provisions		
Total long term debt other than provisions	<u>93.971</u>	<u>134.942</u>
Share of liabilities due after 5 years	<u>0</u>	<u>0</u>
16. Accruals and deferred income		
Prepayments/deferred income	<u>13.767</u>	<u>32.423</u>
	<u>13.767</u>	<u>32.423</u>

Notes

DKK thousand.

17. Contingencies

Joint taxation

The company acts as administration company for the group of companies subject to the Danish scheme of joint taxation and is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, to pay the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Any subsequent adjustments of corporate taxes or withholding taxes, etc., may result in changes in the company's liabilities.

18. Related parties

Controlling interest

Adapteo Plc, Finland.

Majority shareholder

Transactions

The company has the following related party transactions:

	<u>2020</u>	<u>2019</u>
Sales of services to parent company	568	1.020
Purchase of services from parent company	2.958	684
Purchase of services from group entities	3.738	2.257
Sales of services group entities	<u>271</u>	<u>0</u>
Purchase of assets from group entitie	<u>11.333</u>	<u>1.987</u>
	<u>18.868</u>	<u>10.244</u>

Payables to associates and subsidiaries are disclosed in the balance sheet and financial expenses are disclosed in note 3.

Accounting policies

The annual report for Adapteo A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

Consolidated financial statements and statement of cash flows

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of Adapteo A/S and its group enterprises are included in the consolidated financial statements for Adapteo Plc, Finland, reg. no. 2982221-9.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Adapteo Plc.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or writedown for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Accounting policies

Income statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Revenue from contracts with customers is recognized on the basis of transfer of control, which according to IFRS 15 takes place at the time when control of the product delivered passes to the customer.

Control is considered passed to the customer when:

- a binding sales agreement has been made;
- delivery has been made before year end;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognized exclusive of VAT and net of discounts relating to sales.

Other operating income

Other operating income and operating expenses comprise items of secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

Direct cost

Direct cost include costs, which are directly related to the activity such as purchases of products for sale, rehired equipment and transport costs.

Other external costs

Other external costs include expenses related to distribution, sales, advertisement, administration, premises, bad debt losses, operational leases, etc.

Staff costs

Staff costs include wages and salaries, including holiday allowance and pensions as well as other social security contributions, etc., made to the entity's employees. The item is net of refunds received from public authorities.

Amortisation, depreciation and impairment losses

The item includes amortisation of intangible assets, depreciations on property, plant and equipment and impairment losses. Amortisation/depreciation is provided on a straight-line basis on cost together with the estimated useful life and residual value.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Financial income and expenses include interest income and expenses as well as additions and surcharges under the on-account tax scheme, etc.

Accounting policies

Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments for the year less the share of tax for the year that relates to changes in equity.

Current tax and deferred tax relating to changes in equity are recognised directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable by the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

The estimated useful lives for acquired IP rights are 5 years with a residual value of DKK 0.

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 10 years, with depreciation on a straight line basis on 10 years.

Property, plant, and equipment

Property, plant and equipment comprise building, plant and machinery and other fixtures and fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Buildings	10 years	40 %
Plant and machinery	3-20 years	0-15 %
Other fixtures and fittings, tools and equipment	3-7 years	0-15 %

Accounting policies

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively. Gains and losses on the disposal of property, plant and equipment are stated 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.

Leases

Lease liabilities are initially recognised at an amount equal to the present value of estimated contractual lease payments at the inception of the lease, after taking into account any options to extend the term of the lease. Lease commitments are discounted to present value using the interest rate implicit in the lease if this can be readily determined, or the applicable incremental rate of borrowing, as appropriate. Right-of-use lease assets are initially recognized at an amount equal to the lease liability, adjusted for initial direct costs in relation to the assets, then depreciated over the shortest period of the lease term and their estimated useful lives.

Impairment loss relating to non-current assets

Intangible assets and property, plant and equipment are reviewed annually for impairment. Where there is indication of impairment, an impairment test is carried out for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if this is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Investments

Other financial instruments and equity investments

Financial instruments and equity investments recognised under non-current assets comprise listed bonds and shares measured at fair value on the reporting date. Listed financial instruments are measured at market price.

Other unlisted financial instruments are measured at cost. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Accounting policies

Equity

Income tax and deferred tax

Current tax liabilities are recognised in the balance sheet as the calculated tax on the expected taxable income for the year, adjustment for tax on prior year's taxable income and tax paid on account.

Adapteo A/S is jointly taxed with the Danish group companies and acts, in this respect, as the administration company. According to the rules of joint taxation, Adapteo A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Income tax receivable" or "Income tax payable".

Provisions for deferred tax are calculated at 22% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, and temporary differences on non-amortisable goodwill.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a sett-off against tax liabilities.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

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

Financial highlights overview

$$\text{Return on assets (\%)} = \frac{\text{Profit/loss before financial income and expenses X 100}}{\text{Avg. assets}}$$

$$\text{Solvency ratio (\%)} = \frac{\text{Equity at year end X 100}}{\text{Total assets at year end}}$$