Adapteo A/S

Greve Main 33, 2670 Greve

Company reg. no. 11 03 39 11

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the

Mads Blom
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS British 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 2019 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 2019 and of the company's results of activities in the financial year 1 January – 31 December 2019.

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, 31 August 2020

Managing Director

Mads Blom

Board of directors

Carl Michael Philip Isell Lind af Hageby Chairman	Mads Blom	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 the Company for the financial year 1 January - 31 December 2019, comprising income statement, balance sheet, statement of changes in equity and notes. 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 2019 and of the results of the Company's operations and cash-flow for the financial year 1 January - 31 December 2019 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

- 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, 31 August 2020

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

Kim Schmidt

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 Mads Blom Teemu Arvo Sakari Saarela, Vice Chairman	
Managing Director	Mads Blom	
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 København Ø	
Subsidiary	Temporent A/S, Greve	

Financial highlights

DKK in thousands.	2019	2018	2017	2016	2015
Income statement:					
Revenue	152.629	137.586	202.332	238.057	210.742
Gross profit	100.389	78.150	107.559	127.792	103.892
Profit from ordinary operating activities	44.684	37.335	-859	29.401	12.076
Net financials	-4.263	-4.309	-6.050	-7.266	-6.569
Net profit or loss for the year	40.421	33.026	-6.919	22.135	10.690
Statement of financial position:					
Balance sheet total	465.859	387.150	378.651	529.283	456.780
Investments in property, plant and equipment	51.705	51.013	87.334	120.695	154.338
Equity	234.686	194.263	161.329	168.251	86.116
Employees:					
Average number of full-time employees	26	25	75	98	100
Key figures in %:					
Solvency ratio	50,4	50,2	42,6	31,8	18,9
Return on assets	10,48	9,75	-0,20	5,98	2,93

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

For definitions of key ratios, see Accounting policies.

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 26 employees. Adapteo A/S is a Danish company in the pan-Euopean Adateo Group.

The group's parent company, Adapteo Plc, is listed on the Helsinki Stock Exchance 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 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 370 employees.

Development in activities and financial matters

The revenue for the year is T.DKK 152.629 against T.DKK 137.586 last year. Income from ordinary activities after tax totals T.DKK 40.421 against T.DKK 33.026 last year. The balance shows an equity of T.DKK 234.686 for 2019.

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 2019 was as expected.

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 2020.

Impact on the external enviroment

Efforts to protect the enviroment 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 enviromental 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.

Social responsibility CSR

Adapteo A/S is a member of UN Global Campact, the world's largest voluntary corporate social responsibility network. Members actively support the UN's fundamental values and principles in the area of human rights, labor, enviroment and anti-corruption.

Within the framework of UN Global Compact, the Adapteo Group has drawn up a set of ethical rules to be complied with by all group employees. The decision to join UN Global Compact was made by group management but encompasses all Adapteo Group entities and divisions.

Income statement 1 January - 31 December

DKK thousand.

Note		2019	2018
	Revenue	152.629	137.586
	Other operating income	1.870	3.356
	Direct cost	-36.741	-41.591
	Other external costs	-17.369	-21.201
	Gross profit	**100.389**	**78.150**
1	Staff costs	-18.307	-17.174
2	Depreciation, amortisation, and impairment	-37.398	-23.641
	Operating profit	**44.684**	**37.335**
	Other financial income from group enterprises	34	0
3	Other financial costs	-4.297	-4.309
	Pre-tax net profit	**40.421**	**33.026**
	Tax on ordinary results	0	0
4	**Net profit for the year**	**40.421**	**33.026**

Statement of financial position at 31 December

DKK thousand.

Note	Assets	2019	2018
	Non-current assets		
	Intagible assets		
5	Acquired intangible assets	0	462
6	Goodwill	18.222	20.810
	Total intangible assets	18.222	21.272
	Property, plant and equipment		
7	Property	25.925	0
8	Plant and machinery	333.630	316.074
9	Other fixtures and fittings, tools and equipment	3.664	780
	Total property, plant, and equipment	363.219	316.854
10	Deposits	2.522	2.522
	Total investments	2.522	2.522
	Total non-current assets	**383.963**	**340.648**
	Current assets		
	Trade receivables	46.437	39.006
	Receivables from group enterprises	21.692	2.270
11	Deferred tax assets	5.183	5.183
12	Prepayments and accrued income	8.584	0
	Total receivables	81.896	46.459
	Cash on hand and demand deposits	0	43
	Total current assets	**81.896**	**46.502**
	Total assets	**465.859**	**387.150**

Statement of financial position at 31 December

DKK thousand.

Note	Equity and liabilities	2019	2018
	Equity		
	Share capital	11.000	11.000
	Retained earnings	223.686	183.263
	Total equity	**234.686**	**194.263**
	Liabilities other than provisions		
13	Lease liabilities	29.316	0
	Payables to group enterprises	105.000	141.000
	Other payables	626	0
14	Total long-term liabilities other than provisions	134.942	141.000
	Bank loans	0	6.701
	Trade payables	13.936	6.384
	Payables to group enterprises	39.397	2.317
	Other payables	10.476	4.567
15	Accruals and deferred income	32.422	31.918
	Total short-term liabilities other than provisions	96.231	51.887
	Total liabilities other than provisions	**231.173**	**192.887**
	Total equity and liabilities	**465.859**	**387.150**

16 Implementation of IFRS 16

17 Contingencies

18 Related parties

Statement of changes in equity

DKK thousand.

	Share capital	Retained earnings	Total
Equity 1 January 2018	11.000	150.329	161.329
Profit or loss for the year brought forward	0	33.026	33.026
Adjustment prior	0	-92	-92
Equity 1 January 2019	11.000	183.263	194.263
Profit or loss for the year brought forward	0	40.423	40.423
Equity 31 December 2019	**11.000**	**223.686**	**234.686**

The share capital consists of 11,000 shares of a nominal value of DKK 1,000 each. No shares carry any special rights.

The Company's share capital has remained unchanged in the amount of DKK 11,000,000 in the past 5 years.

Notes

DKK thousand.

		2019	2018
1.	**Staff costs**		
	Salaries and wages	16.647	15.646
	Pension costs	1.111	1.054
	Other costs for social security	189	141
	Other staff costs	360	333
		18.307	**17.174**
	Average number of employees	26	25

By reference to section 98(b)(ii) of the Danish Financial Statements Act, remuneration to management is not disclosed.

		2019	2018
2.	**Depreciation, amortisation, and impairment**		
	Amortisation of concessions, patents and licences	28	168
	Amortisation of goodwill	3.022	2.588
	Depreciation on production plants and machinery	27.057	21.211
	Impairment of tangible assets	8.366	0
	Profit/loss on sale of tangible assets	-1.075	-326
		37.398	**23.641**
3.	**Other financial costs**		
	Financial costs, group enterprises	3.295	4.020
	Other financial costs	1.002	289
		4.297	**4.309**
4.	**Proposed appropriation of net profit**		
	Transferred to retained earnings	40.423	33.026
	Total allocations and transfers	**40.423**	**33.026**

DKK thousand.

5. Acquired intangible assets

Cost 1 January 2019	1.342	1.342
Cost 31 December 2019	**1.342**	**1.342**
Amortisation and writedown 1 January 2019	-880	-712
Amortisation for the year	-28	-168
Writedown for the year	-434	0
Amortisation and writedown 31 December 2019	**-1.342**	**-880**
Carrying amount, 31 December 2019	**0**	**462**

6. Goodwill

Cost 1 January 2019	24.387	24.387
Cost 31 December 2019	**24.387**	**24.387**
Amortisation and writedown 1 January 2019	-3.577	-989
Amortisation for the year	-2.588	-2.588
Amortisation and writedown 31 December 2019	**-6.165**	**-3.577**
Carrying amount, 31 December 2019	**18.222**	**20.810**

7. Property

Cost 1 January 2019	32.518	0
Additions during the year	452	0
Cost 31 December 2019	**32.970**	**0**
Depreciation for the year	-7.045	0
Depreciation and writedown 31 December 2019	**-7.045**	**0**
Carrying amount, 31 December 2019	**25.925**	**0**
Lease assets are recognised at a carrying amount of	25.925	0

DKK thousand.

		31/12 2019	31/12 2018
8.	**Plant and machinery**		
	Cost 1 January 2019	376.945	332.966
	Additions during the year	50.889	50.217
	Disposals during the year	-7.593	-6.219
	Transfers	0	-19
	Cost 31 December 2019	**420.241**	**376.945**
	Depreciation and writedown 1 January 2019	-60.871	-40.901
	Depreciation for the year	-23.727	-21.040
	Writedown for the year	-4.355	0
	Reversal of depreciation, amortisation and writedown, assets disposed of	2.342	1.051
	Transfers	0	19
	Depreciation and writedown 31 December 2019	**-86.611**	**-60.871**
	Carrying amount, 31 December 2019	**333.630**	**316.074**

		31/12 2019	31/12 2018
9.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2019	5.386	489
	Additions during the year	364	796
	Disposals during the year	-595	0
	Transfers	0	19
	Cost 31 December 2019	**5.155**	**1.304**
	Amortisation and writedown 1 January 2019	-524	-334
	Depreciation for the year	-1.476	-171
	Writedown for the year	-86	0
	Reversal of depreciation, amortisation and writedown, assets disposed of	595	0
	Transfers	0	-19
	Amortisation and writedown 31 December 2019	**-1.491**	**-524**
	Carrying amount, 31 December 2019	**3.664**	**780**
	Lease assets are recognised at a carrying amount of	3.124	0

Notes

DKK thousand.

		31/12 2019	31/12 2018
10.	**Deposits**		
	Cost 1 January 2019	2.522	2.522
	Cost 31 December 2019	**2.522**	**2.522**
	Carrying amount, 31 December 2019	**2.522**	**2.522**
11.	**Deferred tax assets**		
	Deferred tax assets 1 January 2019	5.183	5.183
		5.183	**5.183**
12.	**Prepayments and accrued income**		
	Other prepayments	8.584	0
		8.584	**0**
13.	**Lease liabilities**		
	Total lease liabilities	**29.316**	**0**
14.	**Long term debt other than provisions**		
	Total long term debt other than provisions	**134.942**	**141.000**
	Share of liabilities due after 5 years	0	105.000
15.	**Accruals and deferred income**		
	Prepayments/deferred income	32.422	31.918
		32.422	**31.918**

DKK thousand.

16. Implementation of IFRS 16

The implementation of IFRS 16 in Adapteo A/S increased the company's right-to-use assets and lease liabilities. The impact on the adoption of IFRS 16 January 1, 2019 is shown below:

Minimum lease commitments	**1 January 2019**
Property	
Within one year	7.458
Between one and five years	22.466
Beyond five years	2.594
	32.518
Other fixtures and fittings, tools and equipment	
Within one year	1.165
Between one and five years	2.916
Beyond five years	0
	4.081
Total minimum lease commitments	**36.599**
Low-value leases and short-term leases excluded	0
Discounted to present value	0
To be capitalised as right-of-use assets at 1 January 2019	**36.599**

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:

	2019	2018
Sales of services to parent company	1.020	2.296
Sales of services to group entities	0	729
Purchase of services from parent company	684	3.275
Purchase of services from group entities	2.257	1.107
Purchase of assets from group entities	1.987	2.837
	5.948	**10.244**

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).

Change of accounting policies regarding IFRS 16
For 2019, the Adapteo Group has implemented IFRS 16. As a result the annual report for the financial year of 2019 is presented in accordance with IFRS 16. This has led to an increase of assets before deprecation of T.DKK 37.415 and deprecations of T.DKK 8.366. Adapteo A/S has choosen not to adjust the comparative figures with the implementation of IFRS 16.

With effect from 1 January 2019, Adapteo A/S has adopted IFRS 16 Leases to contractual agreements concerning lease of assets, and consequently recognises right-of-use assets and lease liabilities at the commencement of the leasing arrangement. The assets are included as part of property in note 7, other fixtures, tools and equipment in note 9 and the liabilities as part of the leasing liabilities in note 13.

By adopting IFRS 16, Adapteo A/S has applied the modified retrospective approach with no adjustment of the comparative figures as permitted by the Standard.

Adapteo A/S has taken advantage of certain practical approaches available according to the standard. Therefore, previously concluded leases have not been reassessed at the date of implementation. Instead, the use allowance is set equal to the lease obligation adjusted for prepayments.

In addition, as part of the implementation, Adapteo A/S has:
- applied a single discount rate to portfolios of leases with reasonably similar characteristics
- has assessed whether individual leases are onerous prior to applying the Standard
- has applied hindsight in determining the lease term if the contract contains options to extend or terminate the lease
- has not applied the capitalisation requirements of the Standard to leases for which the lease term ends within 12 months of the date of initial application.

For leasing arrangements entered after 1 January 2019, Adapteo A/S has also adopted several practical expedients available under the Standard including not applying the recognition and measurement requirements of IFRS 16 to short-term leases (leases of less than 12 months maximum duration) and to leases of low-value assets. Except for property-related leases, non-lease components have not been separated from lease components.

Adapteo A/S will continue to report recognised assets and liabilities under leases within tangible fixed assets rather than show these as separate items on the balance sheet.

The adjustment made during 2019 has not affected the equity. See note 16 for the effect on the balance sheet as of 1 January 2019.

Change of accounting policies regarding IFRS 15 and IFRS 16

With effect for the financial year 1 January 2019 – 31 December 2019, Adapteo A/S has chosen to apply the options cf. the Danish Financial Statements Act of applying IFRS 15, Revenue from contracts with customers, and IFRS 16, Leases, within the framework. Thus, the Company has changed its accounting policies, cf. below. Adapteo A/S' accounting policies have been changed as it is Management's assessment that the changed accounting policies give a more true and fair view of the financial position and the results of the Company.

Moreover, the change means that the Company now applies the same accounting policies as the rest of the Adapteo Group, to which the Company belongs.

IFRS 15, Revenue from contracts with Customers

The Company has changed its accounting policy for the recognition of revenue from contracts with customers. This means that the Company applies IFRS 15 for recognition and measurement of revenue.

The change of accounting policy is based on the transitional rules of IFRS 15:
•comparative figures have not been restated;
•contracts completed before 1 January 2019 according to the previous accounting policy are not reassessed.

IFRS 15 are applied to transactions carried out on or after 1 January 2019 or transactions that were in progress at the beginning of the financial year.

The change of accounting policy has had no effect on revenue, net profit, total assets and equity.

Changes to classification of accounts

In the balance sheet, a reclassification of DKK 24.825 t.kr. between "Accruals and Deferred income" and "Other payables" has been made in the comparative figures for 2018. Apart from the above changes in accounting policy, the accounting policies are consistent with those of last year.

Consilidated 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 transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

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 and other non-monetary assets acquired in foreign currency and not considered to be investment assets are measured using the exchange rate at the transaction date.

If the foreign group enterprises and associates meet the criteria for independent entities, their income statements are translated using an average exchange rate for the period in question and the balance sheet items are translated using the closing rate. Differences arising from translating the equity of foreign group enterprises at the beginning of the year using the closing rate are recognised directly in equity. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

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.

Translation adjustment of balances with foreign group enterprises considered part of the total investment in group enterprises are recognised directly in equity. Likewise, foreign exchange gains and losses on loans and derivatives for the currency hedging of independent foreign group enterprises are recognised directly in equity.

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 bereceived.

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 usefull 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.

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 takes place on a straight line basis and based on an evaluation 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 %

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 of fixed 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.

Prepayments and accrued income

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

Cash on hand and demand deposits

Cash on hand and demand deposits comprise of cash at bank and in hand.

Equity

Dividends proposed for the financial year are presented as a seperate item under equity.

Corporation 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 exeption of temporary differences occuring 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 hightlights overview

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

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