DANISH AEROSPACE COMPANY A/S

Hvidkærvej 31, st.
5250 Odense SV
CVR No. 12424248

Annual report 2021

The Annual General Meeting adopted the annual report on 27.04.2022

Chantal Pernille Patel
Chairman of the General Meeting

Contents

Entity details

Entity
DANISH AEROSPACE COMPANY A/S
Hvidkærvej 31, st.
5250 Odense SV

Business Registration No.: 12424248
Registered office: Odense
Financial year: 01.01.2021 - 31.12.2021

Board of Directors
Niels Thomas Heering, chairman
Søren Bjørn Hansen, deputy chairman
Tina Moe
James Vernon Zimmerman

Executive Board
Thomas Axel Esbern Andersen

Auditors
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Munkebjergvænget 1, 3. og 4. sal
5230 Odense M
CVR No.: 33 77 12 31

Statement by Management

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

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Odense, 28.03.2022

Executive Board

Thomas Axel Esbern Andersen

Board of Directors

Niels Thomas Heering
chairman

Søren Bjørn Hansen
deputy chairman

Tina Moe

James Vernon Zimmerman

Independent Auditor's Report

To the Shareholders of DANISH AEROSPACE COMPANY A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Danish Aerospace Company A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company 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 Mangement'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 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 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 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 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 judgment and maintain professional skepticism 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 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.

Odense, 28.03.2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31

René Otto Poulsen
State Authorised Public Accountant
Identification No (MNE) mne26718

Kristian Rath
State Authorised Public Accountant
Identification No (MNE) mne42817

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000
Key figures		
Revenue	20,354	22,072
Gross profit/loss	15,638	16,891
EBITDA	2,236	3,019
Operating profit/loss	1,101	1,538
Net financials	(116)	(374)
Profit/loss for the year	175	233
Total assets	28,170	31,487
Equity	19,727	19,869
Ratios		
Gross margin (%)	76.83	76.53
Equity ratio (%)	70.03	63.10

Gross margin (%):
<u>Gross profit/loss * 100</u>
Revenue

Return on equity (%):
Equity ratio (%):
<u>Equity * 100</u>
Total assets

Primary activities

Danish Aerospace Company A/S (DAC) develops innovative technological solutions for the purpose of exploration of space and other extreme environments. The activities are comprised of design, development and manufacturing of medical monitoring and exercise equipment, as well as support in connection with preparations for and completion of human space flights. Danish Aerospace Company A/S is listed on Nasdaq First North Growth Market in Copenhagen.

Development in activities and finances

DAC realized earnings from operations before depreciations and amortization (EBITDA) of DKK 2.2 million. Earnings before tax were DKK 0.4 million. The Company's equity amount to DKK 19.7 million as of December 31st., 2021.

The company's revenue decreased a little in 2021 to DKK 20.4 million, which primarily is caused by delays in activities and incoming contracts. In the light of COVID-19, Management finds it very satisfactory that it again has not lost a single order during this time, except the subcontract due to the Ohmatex bankruptcy, which did not have a notable impact. The annual results, however, have still been affected by delays due to the pandemic, which specifically has caused part of the revenue, approx. DKK 1,7 million including earnings of DKK 0.8 million to be pushed into 2022.

The development of NASA's new FERGO ergometer, of E4D and other contracts, continued overall according to plan, however, with minor delays. During the year, the company has shipped two complete FERGO flight models to NASA of which the first is scheduled to launch for the International Space Station in late spring. Furthermore, NASA has ordered a third flight model of the FERGO ergometer. ESA has substantially expanded the E4D contract during the year; firstly, with the incorporation of extra requirements and functions on E4D and new software tools, and later, with the order of an additional E4D flight model including spare parts.

Sales initiatives and business development activities have, in the first three quarters, been significantly affected by COVID-19, however, they have begun to slowly increase in the last quarter. This caused a natural delay of the company's business development activities in the years' first half. Despite this, DAC has still seen a solid increase of new contracts, contract extensions and additions to existing development- and service contracts.

The thriving development on the commercial manned space market, especially in the US with the suborbital manned flights and plans for commercial space stations and space station models, creates a breeding ground for a growing potential market for the company's exercise-, health monitoring- and wearable technologies.

Danish Aerospace Company has in 2021 completed its participation in the NORDIN 2020 Cohort project, to explore the possibilities for cooperation within wearables- and space technology in India. This has provided new collaboration opportunities which will now be pursued further, when circumstances allows.

In line with the company's strategy for developing wearable technologies for extreme environments on Earth, DAC has received support from the European Defense Industrial Development program 2020 (EDIDP) for participation in the CUIIS project (Comprehensive Underwater Intervention Information System) along with companies and research institutions from six other countries. The project will develop under water technologies with sensors-, monitoring- and control systems for military divers. The project kickstarts in 2022.

Shortly before the end of the year, the company in cooperation with its joint-venture Aquaporin Space Alliance ApS (ASA), received a letter of support from ESA's GSTP (General Support Technology Program) to develop a full prototype of future water purification systems for space called WRU - Water Recovery Unit. This activity are expected to kick off in 2022.

Again, this year, the company passed the regular audit of the company's AS/EN9100 standard, rev. D quality control system by Bureau Veritas and are thus still one of the very few space companies in Denmark with this certification.

Outlook

DAC expects higher revenue and operating profit in 2022. The company is working determinedly with new internal development projects for promising areas within space travel and the commercial market for extreme environments. Delays on components and materials could affect development in 2022, primarily with certain activities being delayed due to delivery due to longer lead times.

DAC's expectations for 2022 are:

- Revenue of DKK 24-27 million; and
- Operating profit (EBITDA) of approx. DKK 3-4 million.

Events after the balance sheet date

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

Income statement for 2021

	Notes	2021 DKK	2020 DKK
Revenue		20,353,842	22,071,844
Own work capitalised		144,576	109,457
Costs of raw materials and consumables		(1,647,865)	(1,863,029)
Other external expenses		(3,212,606)	(3,427,023)
Gross profit/loss		**15,637,947**	**16,891,249**
Staff costs	1	(13,402,330)	(13,872,168)
Depreciation, amortisation and impairment losses	2	(1,134,370)	(1,480,867)
Operating profit/loss		**1,101,247**	**1,538,214**
Income from investments in group enterprises		(601,050)	(671,901)
Income from investments in associates		(9,427)	(3,873)
Other financial income	3	243,986	163,573
Other financial expenses	4	(359,901)	(537,152)
Profit/loss before tax		**374,855**	**488,861**
Tax on profit/loss for the year	5	(199,580)	(255,521)
Profit/loss for the year		**175,275**	**233,340**
Proposed distribution of profit and loss:			
Retained earnings		175,275	233,340
Proposed distribution of profit and loss		**175,275**	**233,340**

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Completed development projects	7	803,320	1,374,630
Acquired patents		523,865	362,445
Development projects in progress	7	254,033	109,457
Intangible assets	6	**1,581,218**	**1,846,532**
Other fixtures and fittings, tools and equipment		1,251,549	1,605,330
Leasehold improvements		579,128	493,842
Property, plant and equipment	8	**1,830,677**	**2,099,172**
Investments in group enterprises		0	2,478
Investments in associates		46,948	56,375
Financial assets	9	**46,948**	**58,853**
Fixed assets		**3,458,843**	**4,004,557**
Raw materials and consumables		193,312	806,376
Inventories		**193,312**	**806,376**
Trade receivables		1,382,555	4,610,939
Contract work in progress	10	15,524,451	17,583,549
Receivables from group enterprises		3,935,037	2,900,362
Other receivables		420,665	655,573
Income tax receivable	11	31,807	317,752
Prepayments		540,455	449,461
Receivables		**21,834,970**	**26,517,636**
Cash		**2,682,873**	**158,064**
Current assets		**24,711,155**	**27,482,076**
Assets		**28,169,998**	**31,486,633**

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		1,090,833	1,090,833
Reserve for development expenditure		824,735	1,060,394
Retained earnings		17,810,947	17,717,364
Equity		**19,726,515**	**19,868,591**
Deferred tax		3,743,849	3,276,189
Provisions		**3,743,849**	**3,276,189**
Other payables		1,109,683	1,095,102
Non-current liabilities other than provisions	12	**1,109,683**	**1,095,102**
Bank loans		0	4,486,867
Prepayments received from customers		29,782	269,612
Trade payables		425,248	410,037
Other payables		3,134,921	2,080,235
Current liabilities other than provisions		**3,589,951**	**7,246,751**
Liabilities other than provisions		**4,699,634**	**8,341,853**
Equity and liabilities		**28,169,998**	**31,486,633**
Contingent liabilities	14		
Assets charged and collateral	15		

Statement of changes in equity for 2021

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,090,833	1,060,394	17,717,364	19,868,591
Exchange rate adjustments	0	0	(317,351)	(317,351)
Transfer to reserves	0	(235,659)	235,659	0
Profit/loss for the year	0	0	175,275	175,275
Equity end of year	**1,090,833**	**824,735**	**17,810,947**	**19,726,515**

Cash flow statement for 2021

	Notes	2021 DKK	2020 DKK
Operating profit/loss		1,101,247	1,538,214
Amortisation, depreciation and impairment losses		1,134,370	1,480,867
Working capital changes	13	4,938,509	(7,838,646)
Cash flow from ordinary operating activities		**7,174,126**	**(4,819,565)**
Financial income received		243,986	163,573
Financial expenses paid		(359,901)	(537,152)
Taxes refunded/(paid)		554,026	(2,094,134)
Cash flows from operating activities		**7,612,237**	**(7,287,278)**
Acquisition etc of intangible assets		(329,911)	(219,931)
Acquisition etc of property, plant and equipment		(270,650)	(1,149,637)
Cash flows from investing activities		**(600,561)**	**(1,369,568)**
Free cash flows generated from operations and investments before financing		**7,011,676**	**(8,656,846)**
Loans raised		0	4,486,867
Repayments of loans etc		(4,486,867)	0
Cash flows from financing activities		**(4,486,867)**	**4,486,867**
Increase/decrease in cash and cash equivalents		**2,524,809**	**(4,169,979)**
Cash and cash equivalents beginning of year		158,064	4,328,043
Cash and cash equivalents end of year		**2,682,873**	**158,064**
Cash and cash equivalents at year-end are composed of:			
Cash		2,682,873	158,064
Cash and cash equivalents end of year		**2,682,873**	**158,064**

Notes

1 Staff costs

	2021 DKK	2020 DKK
Wages and salaries	12,313,530	12,774,099
Pension costs	783,660	781,362
Other social security costs	184,086	154,015
Other staff costs	121,054	162,692
	13,402,330	**13,872,168**

Average number of full-time employees	**24**	**25**

2 Depreciation, amortisation and impairment losses

	2021 DKK	2020 DKK
Amortisation of intangible assets	595,225	912,237
Depreciation of property, plant and equipment	539,145	568,630
	1,134,370	**1,480,867**

3 Other financial income

	2021 DKK	2020 DKK
Financial income from group enterprises	189,445	163,573
Exchange rate adjustments	54,541	0
	243,986	**163,573**

4 Other financial expenses

	2021 DKK	2020 DKK
Other interest expenses	235,414	78,161
Exchange rate adjustments	124,487	458,991
	359,901	**537,152**

5 Tax on profit/loss for the year

	2021 DKK	2020 DKK
Current tax	(31,807)	0
Change in deferred tax	231,387	255,521
	199,580	**255,521**

6 Intangible assets

	Completed development projects DKK	Acquired patents DKK	Development projects in progress DKK
Cost beginning of year	4,717,765	3,889,707	109,457
Additions	0	185,335	144,576
Cost end of year	**4,717,765**	**4,075,042**	**254,033**
Amortisation and impairment losses beginning of year	(3,343,135)	(3,527,262)	0
Amortisation for the year	(571,310)	(23,915)	0
Amortisation and impairment losses end of year	**(3,914,445)**	**(3,551,177)**	**0**
Carrying amount end of year	**803,320**	**523,865**	**254,033**

7 Development projects

The Company's portfolio of internal development projects comprises a new generation of exercise and medical monitoring equipment for astronauts. The expectation is that the improved and new products may be sold to commercial private aerospace companies such as ESA and NASA. The depreciation periods have been adjusted to the expected sales periods. Projects in progress are progressing as planned and the Company has sufficient resources to complete the projects within the deadlines set out.

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	3,872,540	1,276,136
Additions	58,289	212,361
Cost end of year	**3,930,829**	**1,488,497**
Depreciation and impairment losses beginning of year	(2,267,210)	(782,294)
Depreciation for the year	(412,070)	(127,075)
Depreciation and impairment losses end of year	**(2,679,280)**	**(909,369)**
Carrying amount end of year	**1,251,549**	**579,128**

9 Financial assets

	Investments in group enterprises DKK	Investments in associates DKK
Cost beginning of year	5,592,667	40,000
Cost end of year	**5,592,667**	**40,000**
Revaluations beginning of year	0	16,375
Share of profit/loss for the year	0	(9,427)
Revaluations end of year	**0**	**6,948**
Impairment losses beginning of year	(5,590,189)	0
Exchange rate adjustments	(317,351)	0
Share of profit/loss for the year	(373,426)	0
Adjustment of intra-group profits	(227,624)	0
Investments with negative equity value depreciated over receivables	915,923	0
Impairment losses end of year	**(5,592,667)**	**0**
Carrying amount end of year	**0**	**46,948**

Investments in subsidiaries	**Registered in**	**Corporate form**	**Equity interest %**
Danish Aerospace Company - North America, Inc.	USA	Inc.	100
Danish Aerospace Company - France S.A.	France	S.A.	100
Danish Aerospace Medical Company A/S	Odense	A/S	100

Investments in associates	**Registered in**	**Corporate form**	**Equity interest %**
Aquaporin Space Alliance ApS	Odense	ApS	50

10 Contract work in progress

	2021 DKK	2020 DKK
Contract work in progress	50,984,749	38,349,778
Progress billings regarding contract work in progress	(35,460,298)	(20,766,229)
	15,524,451	**17,583,549**

11 Tax receivable

According to LL §8X, receivable tax is regarding tax credit for incurred development costs which is expected to be paid in November 2022.

12 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK	Outstanding after 5 years 2021 DKK
Other payables	1,109,683	1,109,683
	1,109,683	**1,109,683**

13 Changes in working capital

	2021 DKK	2020 DKK
Increase/decrease in inventories	613,064	(806,376)
Increase/decrease in receivables	3,480,797	(8,570,695)
Increase/decrease in trade payables etc	844,648	1,538,425
	4,938,509	**(7,838,646)**

14 Contingent liabilities

The Company has a rent obligation of DKK 413k.

The Company has an accumulated lease obligation of DKK 820k.

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

15 Assets charged and collateral

Credit facilities are secured by a mortgage on following assets:
Corporate mortgage in the company's receivables, inventory, fixed assets, equipment and intangible fixed assets for a total of DKK 6,000k. The carrying amount of pledged assets for credit facilities amounts to DKK 25,444k.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

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

Consolidated financial statements
Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Changes in accounting estimates
The company have for some development projects changed the depreciation horizon from 5 to 10 years with effect from the 1st of July 2021. The impact of the change is DKK 204.530 before tax.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

Costs of raw materials and consumables

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

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

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

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

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

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

Balance sheet

Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5-10 years.

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

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

Property, plant and equipment
Buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

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

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

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

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

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

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

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

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. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

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

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

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

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

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

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

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

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement

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

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

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

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

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