

# ***Schlumberger Danmark ApS***

**CVR No 17 37 14 44**

**Tværkaj 2, DK-6700 Esbjerg**

## **Annual Report for 1 January - 31 December 2021**

The Annual Report was presented and adopted at  
the Annual General Meeting of the Company on  
1 July 2022

Øystein Randeberg  
Chairman of the General

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## **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Schlumberger Danmark ApS for the financial year 1 January - 31 December 2021.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

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

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

Esbjerg, 1 July 2022

### **Executive Board**

Frank Lind

CEO

### **Board of Directors**

Øystein Randeberg

Chairman

## **Independent Auditor's Report**

To the Shareholders of Schlumberger Danmark ApS

### **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 for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Schlumberger Danmark ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

### **Basis for Opinion**

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

### **Statement on Management's Review**

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## **Independent Auditor's Report**

### **Auditor's responsibilities for the audit of the Financial Statements (continued)**

- 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.

Hellerup, 1 July 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Søren Alexander

State Authorised Public Accountant

mne42824

Frederik Tvedeskov Jantzen

State Authorised Public Accountant

mne47815

## **Company Information**

### **The Company**

Schlumberger Danmark ApS

Tværkaj 2

DK-6700 Esbjerg

CVR No: 17 37 14 44

Financial period: 1 January - 31 December

Municipality of reg. office: Esbjerg

### **Board of Directors**

Øystein Randeberg, Chairman

### **Executive Board**

Frank Lind

### **Auditors**

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

DK-2900 Hellerup

## Financial Highlights

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

	<u>2021</u> TDKK	<u>2020</u> TDKK	<u>2019</u> TDKK	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	241,122	179,765	369,031	358,628	640,589
Profit/loss before financial income and expenses	24,508	(23,247)	3,934	(20,575)	45,636
Net financials	(2,304)	(1,694)	3,438	(5,278)	8,817
Net profit/loss for the year	22,204	(24,940)	5,190	(31,469)	32,201
<b>Balance sheet</b>					
Balance sheet total	249,083	202,325	323,414	320,221	341,449
Equity	101,137	79,174	104,114	98,924	162,594
Investment in property, plant and equipment	2,208	11,058	4,859	4,860	7,990
Number of employees	76	84	90	129	169
<b>Ratios</b>					
Gross margin	41.1%	39.1%	28.7%	47.4%	0.0%
Profit margin	11.2%	-12.9%	1.1%	-5.7%	7.1%
Return on assets	9.8%	-11.5%	1.2%	-6.4%	13.4%
Solvency ratio	40.6%	39.1%	32.2%	30.9%	47.6%
Return on equity	24.4%	-27.2%	5.1%	-24.1%	22.0%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

## Management's Review

Financial Statements of Schlumberger Danmark ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C medium.

The Annual Report has been prepared under the same accounting policies as last year.

### Key activities

Schlumberger Danmark ApS provides products and services to the oil & gas industry.

The portfolio of services the company provides includes:

Well Services - provides services used during oil and gas well drilling and completion as well as those used to maintain optimal production throughout the life of a well. Such services include pressure pumping, well cementing and stimulation, and coiled tubing equipment for downhole mechanical well intervention, reservoir monitoring and downhole data acquisition.

Drilling & Measurements - provides mud logging services for geological and drilling surveillance, directional drilling, measurement-while-drilling and logging-while-drilling services for all well profiles as well as engineering support.

Testing services - provides exploration and production pressure and flow-rate measurement services both at the surface and downhole. Testing has a network of laboratories that conduct rock and fluid characterization. Testing also provides tubing-conveyed perforating services.

Wireline - provides the information necessary to evaluate subsurface formation rocks and fluids to plan and monitor well construction, and to monitor and evaluate well production. Wireline offers both openhole and cased-hole services including wireline perforating. Slickline services provide downhole mechanical well intervention.

Completions - supplies well completion services and equipment that include packers, safety valves, sand control technology as well as a range of intelligent well completions technology and equipment.

Software Integrated Solutions (SIS) - sells proprietary software and provides consulting, information management and IT infrastructure services to customers in the oil and gas industry. SIS also offers expert consulting services for reservoir characterization, field development planning and production enhancement, as well as industry leading petrotechnical data services and training solutions.

Artificial Lift - provides production equipment and optimization services using electrical submersible pumps, gas lift equipment, rod lift systems, progressing cavity pumps and surface horizontal pumping systems.

M-I Swaco is a supplier of drilling fluid systems engineered to improve drilling performance by anticipating fluids-related problems; fluid systems and specialty equipment designed to optimize wellbore productivity; and production technology solutions formulated to maximize production rates. M-I Swaco also provides engineered managed pressure drilling and underbalanced drilling solutions, as well as environmental services and products to safely manage waste volumes generated in both drilling and production operations.

Schlumberger Danmark ApS is a Schlumberger Group Company.

No particular recognition and measurement uncertainties are considered to have an impact on the recognition of the Company's assets and liabilities.

### Development in the year

The Income Statement of the Company for 2021 shows a gain of DKK 21,962,930 and the Balance Sheet of the Company as at 31 December 2021 shows equity of DKK 101,136,993.

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

In 2021, the Company's revenue amounted to DKK 241,122,108 against DKK 179,764,711 last year. The income statement for 2021 shows a gain of DKK 21,962,930 against a loss of DKK 24,940,101 last year, and the balance sheet as at 31 December 2021 shows equity of DKK 101,136,993.

The company had expected 2021 revenues and activity to be increase compared to 2020. The higher revenue in 2021 are mainly due to increase of revenue from Total E&P Danmark contract where the pricing has increases approximately 20% to 25% in 2021. In Q4 2021 the company has new contract with Total E&P Danmark.



## **Management's Review (continued)**

### **Special risks - operating risks and financial risks**

Demand for the majority of our services depends substantially on the level of expenditures by the oil and gas industry for the exploration, development and production of oil and natural gas reserves. These expenditures are generally dependent on the industry's view of future oil and natural gas prices and are sensitive to the industry's view of future economic growth and the resulting impact on demand for oil and natural gas. Since 2021, oil and gas prices have increased significantly resulting in higher global demand.

The prices for oil and natural gas have historically been volatile and can be affected by a variety of factors, including:

- Demand for hydrocarbons, which is affected by general economic and business conditions;
- The ability or willingness of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels for oil;
- Oil and gas production levels by non-OPEC countries;
- The level of excess production capacity;
- Political and economic uncertainty and geopolitical unrest;
- The level of worldwide oil and gas exploration and production activity;
- Access to potential resources;
- Governmental policies and subsidies;
- The costs of exploring, producing and delivering of oil and gas;
- Technological advances affecting energy consumption; and
- Weather conditions.

There can be no assurance that the demand or pricing for oil and natural gas will follow historic patterns or recover in the near term. Continued or worsening conditions in the oil and gas industry could adversely affect our financial condition, results of operations and cash flows.

### **External environment**

Quality, Health, Safety, Environment (QHSE) remains a constant priority for the Company. A number of policies and procedures have been developed to secure a consistent approach to QHSE throughout the organisation. The Company continually trains and develops personnel in the field of QHSE.

The main objective of the environmental work is concentrated on preventing harmful discharges.

### **Subsequent events**

In March 2022, Schlumberger Group decided to immediately suspend new investment and technology deployment to its Russia operations. The company continues to actively monitor this dynamic situation and comply with applicable international laws and sanctions.

### **Outlook**

In 2022 we expect an increased activity level compared to 2021 due to the new contract signed with Total E&P Danmark. The expected increase in the revenue is DKK 100 million, and the expected profitability for the contract is 12%. The expected total revenue for year 2022 is between DKK 340 million and DKK 380 million.

## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Revenue	1	<b>241,122,108</b>	179,764,711
Other operating income		<b>51,549,102</b>	62,062,559
Expenses for raw materials and consumables		<b>(172,850,039)</b>	(132,774,753)
Other external expenses		<b>(20,621,141)</b>	(38,807,996)
<b>Gross profit</b>		<b>99,200,030</b>	70,244,521
Staff expenses	2	<b>(69,126,570)</b>	(86,997,372)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<b>(5,565,685)</b>	(6,493,741)
<b>(Loss)/Profit before financial income and expenses</b>		<b>24,507,775</b>	(23,246,592)
Finance income	3	<b>15,293,075</b>	10,366,502
Finance expenses	4	<b>(17,597,257)</b>	(12,060,010)
<b>(Loss)/Profit before tax</b>		<b>22,203,593</b>	(24,940,100)
Tax on loss/profit for the year	5	<b>(240,663)</b>	-
<b>(Loss)/Profit for the year</b>		<b>21,962,930</b>	(24,940,100)

## Balance Sheet 31 December

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
<b>ASSETS</b>			
Plant and machinery		6,906,208	9,691,361
Other fixtures and fittings, tools and equipment		5,470,473	7,054,802
Leasehold improvements		1,660,482	2,312,678
Property, plant and equipment in progress		1,528,672	-
<b>Property, plant and equipment</b>		<b>15,565,835</b>	<b>19,058,841</b>
Deposits	7	71,800	96,100
<b>Fixed asset investments</b>		<b>71,800</b>	<b>96,100</b>
<b>Fixed assets</b>		<b>15,637,635</b>	<b>19,154,941</b>
<b>Inventories</b>			
	8	21,111,288	14,753,838
Trade receivables		33,145,698	24,111,830
Receivables from group enterprises		151,377,952	86,122,422
Other receivables		2,645,745	72,787
Corporation tax		-	-
Prepayments	9	-	6,096
Deferred Tax Assets	12	401,837	-
<b>Receivables</b>		<b>187,571,232</b>	<b>110,313,135</b>
<b>Cash at bank and in hand</b>		<b>24,762,732</b>	<b>58,103,379</b>
<b>Current assets</b>		<b>233,445,252</b>	<b>183,170,352</b>
<b>Assets</b>		<b>249,082,887</b>	<b>202,325,293</b>
<b>LIABILITIES AND EQUITY</b>			
Share capital	10	20,001,000	20,001,000
Retained earnings	11	81,135,993	59,173,063
<b>Equity</b>		<b>101,136,993</b>	<b>79,174,063</b>
Provision for deferred tax	12	-	825,795
Other payables		-	7,361,274
<b>Long-term debt</b>		<b>-</b>	<b>8,187,069</b>
Trade payables		49,786,247	30,350,957
Credit institutions		46,933,777	22,603,392
Current tax liabilities		1,452,266	2,829
Payables to group enterprises		35,241,681	41,228,438
Deferred income	13	5,041,620	2,244,533
Other payables		9,490,303	18,534,012
<b>Short-term debt</b>		<b>147,945,894</b>	<b>114,964,161</b>
<b>Debt</b>		<b>147,945,894</b>	<b>114,964,161</b>
<b>Liabilities and equity</b>		<b>249,082,887</b>	<b>202,325,293</b>

## Balance Sheet 31 December (continued)

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## Statement of Changes in Equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	DKK	DKK	DKK
Equity at 1 January 2021	20,001,000	59,173,063	79,174,063
Net profit for the year	-	21,962,930	21,962,930
Equity at 31 December 2021	20,001,000	81,135,993	101,136,993

## Notes to the Financial Statements

### 1 Revenue

Revenue in all material respects is from Denmark or the North Sea Area.

#### Business segments

	<u>2021</u> DKK	<u>2020</u> DKK
Drilling	485,498	293,585
Characterization	187,454,253	157,893,518
Completions	53,182,358	21,577,608
	<u>241,122,109</u>	<u>179,764,711</u>

### 2 Staff expenses

	<u>2021</u> DKK	<u>2020</u> DKK
Wages and salaries	63,396,092	79,263,422
Pensions	5,730,478	6,815,604
Other social security expenses	-	-
Other staff expenses	-	918,346
	<u>69,126,570</u>	<u>86,997,372</u>

Including remuneration to the Executive Board of:

Executive Board	<u>4,611,119</u>	-
	<u>4,611,119</u>	-

<b>Average number of employees</b>	<u>76</u>	<u>84</u>
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In accordance with the Danish Financial Statements Act section 98 b, 3 (2), the Company has not disclosed any remuneration in respect of 2020.

### 3 Finance income

	<u>2021</u> DKK	<u>2020</u> DKK
Interest received from group enterprises	26	144,395
Other finance income	93,723	362,635
Exchange gains	15,199,326	9,859,472
	<u>15,293,075</u>	<u>10,366,502</u>

## Notes to the Financial Statements (continued)

### 4 Finance expenses

	<u>2021</u> DKK	<u>2020</u> DKK
Interest paid to group enterprise	4	18,333
Exchange loss	<u>17,597,253</u>	<u>12,041,677</u>
	<u>17,597,257</u>	<u>12,060,010</u>

### 5 Tax on loss/profit for the year

	<u>2021</u> DKK	<u>2020</u> DKK
Current tax for the year	1,391,295	-
Deferred tax for the year	(1,227,632)	-
Adjustment of tax concerning previous years	<u>77,000</u>	<u>-</u>
	<u>240,663</u>	<u>-</u>

Notes to the Financial Statements (continued)

6 Property, plant and equipment

	<u>Plant and machinery</u> DKK	<u>Other fixtures and fittings, tools and equipment</u> DKK	<u>Leasehold improvements</u> DKK	<u>Property, plant and equipment in progress</u> DKK	<u>Total</u> DKK
Cost at 1 January	43,041,024	12,971,577	7,469,724	-	63,482,325
Additions for the year	169,524	509,618	-	1,528,672	2,207,814
Disposals for the year	(3,420,104)	(3,193)	-	-	(3,423,297)
Cost at 31 December	39,790,444	13,478,002	7,469,724	1,528,672	62,266,842
Impairment losses and depreciation at 1 January	33,349,663	5,916,775	5,157,046	-	44,423,484
Depreciation for the year	2,820,476	2,093,947	652,197	-	5,566,620
Reversal of impairment and depreciation of sold assets	(3,285,903)	(3,193)	-	-	(3,289,096)
Impairment losses and depreciation at 31 December	32,884,236	8,007,529	5,809,243	-	46,701,008
Carrying amount at 31 December	<b>6,906,207</b>	<b>5,470,473</b>	<b>1,660,482</b>	<b>1,528,672</b>	<b>15,565,835</b>



## Notes to the Financial Statements (continued)

### 7 Fixed asset investments

	<u>Deposits</u> DKK
Cost at 1 January	96,100
Disposals for the year	<u>(24,300)</u>
Cost at 31 December	<u>71,800</u>
<b>Carrying amount at 31 December</b>	<b><u>71,800</u></b>

### 8 Inventories

	<u>2021</u> DKK	<u>2020</u> DKK
Raw materials and consumables	<b>19,273,465</b>	14,177,488
Finished goods and goods for resale	<b><u>1,837,823</u></b>	<u>576,350</u>
	<b><u>21,111,288</u></b>	<u>14,753,838</u>

### 9 Prepayments

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

### 10 Share Capital

The share capital consists of 20,001,000 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	<u>2021</u> DKK	<u>2020</u> DKK	<u>2019</u> DKK	<u>2018</u> DKK	<u>2017</u> DKK
Share capital at 1 January	20,001,000	20,001,000	20,001,000	20,001,000	20,001,000
Capital increase	-	-	-	-	-
Capital decrease	-	-	-	-	-
<b>Share capital at 31 December</b>	<b><u>20,001,000</u></b>	<b><u>20,001,000</u></b>	<b><u>20,001,000</u></b>	<b><u>20,001,000</u></b>	<b><u>20,001,000</u></b>

### 11 Distribution of profit

	<u>2021</u> DKK	<u>2020</u> DKK
Retained earnings	<b><u>21,962,930</u></b>	<u>(24,940,100)</u>
	<b><u>21,962,930</u></b>	<b><u>(24,940,100)</u></b>

## Notes to the Financial Statements (continued)

### 12 Provision for deferred tax

	<u>2021</u> DKK	<u>2020</u> DKK
Provision for deferred tax at 1 January	825,795	825,795
Amounts recognised in the income statement for the year	(1,227,632)	-
Amounts recognised in equity for the year	-	-
Provision for deferred tax at 31 December	<u>(401,837)</u>	<u>825,795</u>
Property, plant and equipment	(401,837)	825,795
Tax loss carry forward	-	-
	<u>(401,837)</u>	<u>825,795</u>

### 13 Deferred income

Deferred income comprises payments relating to sale which will not be recognised as income until in the subsequent financial year once the recognition criteria are satisfied.

### 14 Contingent assets, liabilities and other financial obligations

	<u>2021</u> DKK	<u>2020</u> DKK
<b>Contractual Commitments</b>		
Other rent and lease liabilities	<u>5,704,873</u>	<u>4,815,654</u>

The Company has placed guarantees in relation to customer warranties and customs of total 1,816 thousand (2020: 1,802 thousand).

## Notes to the Financial Statements (continued)

### 15 Related parties

#### Controlling interest

Schlumberger B.V.

Parkstraat 83 - 89, 2514 JG

The Hague, The Netherlands

#### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

All transactions with related parties have been carried through on normal terms.

#### Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Schlumberger B.V.

Parkstraat 83-89, 2514 JG

The Hague, The Netherlands

#### Consolidated Financial Statements

Schlumberger Ltd is the only entity within the group that consolidates the Schlumberger Danmark ApS figures in its financial reporting. No consolidation takes place at a lower level.

The Group Annual Report of Schlumberger Ltd. may be obtained at the following address:  
<https://investorcenter.slb.com/financial-information/annual-reports>

## Notes to the Financial Statements (continued)

### 16 Accounting policies

The Annual Report of Schlumberger Danmark ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in DKK.

#### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Schlumberger Ltd., the Company has not prepared a cash flow statement.

#### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

#### Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

#### Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction.

Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in finance income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in finance income and expenses in the income statement.

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

## **Notes to the Financial Statements (continued)**

### **16 Accounting Policies (continued)**

#### **Income Statement**

##### **Revenue**

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

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

##### **Expenses for raw materials and consumables**

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

##### **Other external expenses**

Other external expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### **Staff expenses**

Staff expenses comprise wages and salaries as well as payroll expenses.

##### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

##### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains on sale of fixed assets and renting out staff.

##### **Finance income and expenses**

Finance income and expenses are recognised in the income statement at the amounts relating to the financial year.

## Notes to the Financial Statements (continued)

### 16 Accounting Policies (continued)

#### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

#### Balance Sheet

##### Property, plant and equipment

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

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

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

Customer contracts	7 years
Plant and machinery	2 - 8 years
Other fixtures and fittings, tools and equipment	4 - 8 years
Leasehold improvement	5 - 30 years

Depreciation period and residual value are reassessed annually.

##### Impairment of fixed assets

Every year, property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made 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 it is lower than the carrying amount.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

##### Fixed asset investments

Fixed asset investments consist of deposits.

##### Inventories

Inventories are measured in accordance with the weighted average cost.

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 goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

## Notes to the Financial Statements (continued)

### 16 Accounting Policies (continued)

#### Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Prepayments

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

#### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

#### Equity

##### Dividend

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

#### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes in tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

#### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in finance income and expenses.

#### Financial debts

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

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

#### Deferred income

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

## Notes to the Financial Statements (continued)

### 16 Accounting Policies (continued)

#### Financial Highlights

##### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$