handicare
Making everyday life easier

HANDICARE AUTO A/S

Baggeskærvej 48, DK-7400 Herning

ANNUAL REPORT 2018

1 JANUARY – 31 DECEMBER 2018

CVR 18 66 91 37

The Annual Report was presented and adopted at
the Annual General Meeting of the Company on 21.06.2019

Chairman

CONTENTS

MANAGEMENT'S STATEMENT

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Handicare Auto A/S for the financial year 1 January - 31 December 2018.

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 2018 and of the results of the Company's operations for 2018.

In our opinion, the 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.

Herning, 21 June 2019

Executive Board

Jesper Skov Rosenbrock
Managing Director

Board of Directors

Stephan Ferenc Peter H M Révay Chairman	Jesper Skov Rosenbrock	Nicolai Mølgaard

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Handicare Auto A/S

Opinion

We have audited the financial statements of Handicare Auto A/S for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 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 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 the financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 note 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 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.

Herning, 21 June 2019

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-no 30 70 02 28

Lene Thorgård Andersen
State Authorised Public Accountant
mne42790

COMPANY INFORMATION

The Company	**Handicare Auto A/S** Baggeskærvej 48 DK-7400 Herning Telephone: +45 97 12 96 22 Website; www.handicare.dk E-mail: auto@handicare.dk CVR no: 18 66 91 37 Financial Year: 1 January – 31 December Municipality of reg. office: Herning, Denmark
Board of Directors	Stephan Ferenc Peter H M Révay, Chairman Jesper Skov Rosenbrock Nicolai Mølgaard
Executive Board	Jesper Skov Rosenbrock
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Industrivej Nord 9 7400 Herning
Bankers	Handelsbanken DNB
Consolidated Financial Statements	The Company is included in the Consolidated Financial Statements of Handicare Group AB, Sweden

FINANCIAL HEADLIGHTS

Seen over a 5-year period, the development of the Company may be described by means of the following financial hightlights:

	2018	2017	2016	2015	2014
	DKK	DKK	DKK	DKK	DKK
Key figures					
Profit and loss					
Gross profit	26.966	33.998	39.307	40.018	44.415
Profit before financial income and expenses	-8.396	-4.606	1.238	2.881	5.416
Net financials	-68	-246	-6	6	-15
Net profit for the year	-6.598	-3.905	948	2.196	4.076
Balance sheet					
Balance sheet total	61.366	65.949	58.570	57.122	58.994
Equity	24.380	30.978	34.883	33.935	31.738
Investment in property, plant and equipment	-1.474	-2.374	-1.932	-1.004	-1.386
Other information					
Average number of employees	63	67	66	65	68
Ratios					
Return on assets	-13,7%	-7,0%	2,1%	5,0%	9,2%
Solvency ratio	39,7%	47,0%	59,6%	59,4%	53,8%
Return on equity	-23,8%	-11,9%	2,8%	6,7%	13,7%

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

MANAGEMENT'S REVIEW

Main activity

The Company's primary activities are construction of bodywork, especially construction and adaptations of vehicles suitable for disabled persons as well as distribution of spareparts for construction of bodywork

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

The Company's income statement for the year ended 31. December 2018 shows a loss of DKK 6.598k. Included in the result for 2018 is considerable costs for restructuring of the organization. Still, the result did not meet expectations and is not considered satisfactory.

The Company's balance sheet at 31. December 2018 shows equity of DKK 24.380k.

Targets and expectations for the coming year

The Company expects positive earnings in 2019.

Impact on the external environment

The Company's activities have minimal impact on the environment

Research and development activities

The company develops products that are later used in the construction of cars suitable for disabled persons.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER 2018

	Note	2018	2017
		DKK	DKK
Gross profit		**26.966.064**	**33.998.002**
Staff expenses	1	-33.255.782	-36.105.279
Depreciation of tangible assets		-2.106.552	-2.498.338
Profit before financial income and expenses		**-8.396.270**	**-4.605.615**
Financial income	2	28.191	132.372
Financial expenses	3	-95.944	-378.294
Profit before tax		**-8.464.023**	**-4.851.537**
Tax on profit/loss for the year	4	1.865.806	946.497
Net profit for the year		**-6.598.217**	**-3.905.040**
Distribution of profit	5		

BALANCE SHEET 31 DECEMBER

	Note	2018	2017
		DKK	DKK
Assets			
Development projects completed		940.793	934.683
Goodwill		243.675	665.682
Intangible assets	6	**1.184.468**	**1.600.365**
Other fixtures and fittings, tools and equipment		3.320.180	3.902.313
Leasehold improvements		256.678	387.020
Property, plant and equipment	7	**3.576.858**	**4.289.333**
Fixed assets in total		**4.761.326**	**5.889.698**
Inventories	8	**20.923.061**	**21.691.791**
Trade receivables		23.403.956	30.036.055
Contract work in progress		4.084.200	1.753.231
Receivables from group enterprises		667.740	1.070.831
Other receivables		3.209.396	3.175.103
Deferred tax asset	11	2.127.505	413.542
Corporation tax		215.536	0
Prepayments	9	1.612.747	1.065.463
Receivables		**35.321.080**	**37.514.225**
Cash at bank and in hand		**360.556**	**853.494**
Current assets in total		**56.604.697**	**60.059.510**
Assets		**61.366.023**	**65.949.208**

BALANCE SHEET 31 DECEMBER

	Note	2018 DKK	2017 DKK
Liabilities and equity			
Share capital	10	2.000.000	2.000.000
Reserve for development costs		537.339	408.520
Retained earnings		21.842.472	28.569.508
Equity		**24.379.811**	**30.978.028**
Lease obligations		1.612.996	1.643.568
Long-term debt	12	**1.612.996**	**1.643.568**
Lease liability	12	337.000	628.416
Trade payables		21.143.235	15.441.736
Payables to group enterprises		5.309.975	8.799.134
Other payables		8.583.006	8.458.326
Short-term debt		**35.373.216**	**33.327.612**
Total debt		**36.986.212**	**34.971.180**
Liabilities and equity		**61.366.023**	**65.949.208**

	Note
Contingent assets, liabilities and other financial obligations	13
Related parties and ownership	14

STATEMENT ON CHANGES IN EQUITY

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity 1 January 2017	2.000.000	137.544	32.745.524	34.883.068
Net profit for the year	0	270.976	-4.176.016	-3.905.040
Equity 1 January 2018	2.000.000	408.520	28.569.508	30.978.028
Net profit for the year	0	128.819	-6.727.036	-6.598.217
Equity 31 December 2018	**2.000.000**	**537.339**	**21.842.472**	**24.379.811**

NOTES TO THE ANNUAL REPORT

	2018	2017
	DKK	DKK
1 Staff expenses		
Wages and salaries	29.739.616	31.699.887
Pensions	2.165.055	3.311.460
Other social security expenses	814.726	436.227
Other staff expenses	536.385	657.705
	33.255.782	**36.105.279**

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

	2018	2017
Average number of employees	63	67

	2018	2017
2 Financial income		
Other financial income	8.339	3.548
Exchange adjustments	19.852	128.824
	28.191	**132.372**
3 Financial expenses		
Other financial expenses	95.944	75.754
Exchange adjustments	0	302.540
	95.944	**378.294**
4 Tax on profit/loss for the year		
Current tax for the year	-151.843	0
Deferred tax for the year	-1.713.963	-946.497
	-1.865.806	**-946.497**
5 Distribution of profit		
Reserve for development costs	128.819	270.976
Remaining retained earnings	-6.727.036	-4.176.016
	-6.598.217	-3.905.040

NOTES TO THE ANNUAL REPORT

6 Intangible assets	Development projects completed	Goodwill	Total
	DKK	DKK	DKK
Cost at 1 January 2018	2.729.389	4.220.072	6.949.461
Additions for the year	556.790	0	556.790
Cost at 31 December 2018	3.286.179	4.220.072	7.506.251
Impairment losses and depreciation at 1 January 2018	1.794.706	3.554.390	5.349.096
Depreciation for the year	550.680	422.007	972.687
Impairment losses and depreciation at 31 December 2018	2.345.386	3.976.397	6.321.783
Carrying amount at 31 December 2018	**940.793**	**243.675**	**1.184.468**
Depreciated over	3-5 years	10 years	

7 Property, plant and equipment	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January 2018	11.780.257	4.152.569	15.932.826
Additions for the year	1.438.547	35.803	1.474.350
Disposals for the year	-1.758.007	0	-1.758.007
Cost at 31 December 2018	11.460.797	4.188.372	15.649.169
Impairment losses and depreciation at 1 January 2018	7.877.944	3.765.549	11.643.493
Depreciation for the year	936.800	166.145	1.102.945
Reversal of depreciation of disposals for the year	-674.127	0	-674.127
Impairment losses and depreciation at 31 December 2018	8.140.617	3.931.694	12.072.311
Carrying amount at 31 December 2018	**3.320.180**	**256.678**	**3.576.858**
Depreciated over	3-6 years	5-10 years	

NOTES TO THE ANNUAL REPORT

	2018	2017
	DKK	DKK
8 Inventories		
Raw materials and consumerables	**20.923.061**	**21.691.791**

9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent DKK 501k, insurance DKK 853k and other costs DKK 260k.

10 Share capital

The share capital consists of 2.000.000 shares of DKK 1. No shares carry specific rights.

There has been no changes in the share capital during the last 5 years.

11 Provision for deferred tax

	2018	2017
Intangible assets	260.510	352.082
Property, plant and equipment	37.357	132.626
Trade receivables	185.198	78.609
Tax loss carry-forward	-2.610.570	-976.859
	-2.127.505	-413.542
Transferred to deferred tax asset	2.127.505	413.542
Provision	**0**	**0**
Calculated tax asset	2.127.505	413.542
Impairment to fair value	0	0
Deferred tax asset	**2.127.505**	**413.542**

Deferred tax has been provided at 22% corresponding to the current tax rate.

NOTES TO THE ANNUAL REPORT

	2018 DKK	2017 DKK

12 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Lease obligations

	2018 DKK	2017 DKK
After 5 years	0	0
Between 1 and 5 years	1.612.996	1.643.568
Long-term debt	1.612.996	1.643.568
Within 1 year	337.000	628.416
	1.949.996	**2.271.984**

13 Contingent assets, liabilities and other financial obligations

Lease commitments

Total future commitment from rental contracts and operational lease contracts:

	2018 DKK	2017 DKK
Within 1 year	4.719.732	4.174.000
Between 1 and 5 years	7.257.774	10.699.000
After 5 years	0	0
	11.977.506	**14.873.000**
Hereoff commitment regarding lease of buildings with non-cancellable periods up to 3 years	11.773.616	14.815.000

Security

The Company has not provided any security or other collateral in assets at 31 December 2018.

Contingent liabilities

The Danish enterprises of the Group are jointly and severally liable for the tax on the Group's jointly taxed income etc. Handicare Auto A/S is the management company in the joint taxation.

NOTES TO THE ANNUAL REPORT

14 Related parties and ownership

Controlling interest

Handicare AS, Moss, Norge (parent company)

Handicare Group AB, Stockholm, Sweden (ultimate owner)

Transactions

Handicare Auto A/S was engaged in the below related party transactions:

	2018 DKK	2017 DKK
Intra-group, sales	7.358.000	9.343.000
Intra-group, purchases	1.049.000	2.129.032
Group contributions	6.112.000	5.259.000
Receivables from group entities	667.740	1.014.372
Payables to group entities	2.453.296	6.254.087

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:

Handicare AS, Moss, Norge

Consolidated Financial Statements

The Company is included in the Group Annual Report of Handicare Group AB, Stockholm, Sweden.

ACCOUNTING POLICIES

BASIS OF PREPARATION

The Financial Statements of Handicare Auto A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

With reference to section 86 in the Danish Financial Statements Act the Cash Flow Statements have not been disclosed. The Cash Flow Statements of Handicare Auto A/S is included in the Consolidated Financial Statements of Handicare Group AB, Sweden, which also include Consolidated Cash Flow Statements.

The accounting policies applied remain unchanged from previous years.

The Annual Report for 2018 is presented in DKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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 recognized 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortization of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner (DKK) is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

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

ACCOUNTING POLICIES

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

INCOME STATEMENT

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclosure its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place before year end and that income can be measured reliably and is expected to be received. The date of transfer of the most significant rewards and risks is based on standardized terms of delivery based on Incoterms 2010.

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

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 for premises, sales and distribution as well as administration expenses.

Staff expenses

Staff expenses include wages and salaries, including compensated absence and pensions, as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

ACCOUNTING POLICIES

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, financial expenses relating to finance leases as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

Tax for the year includes current tas on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognized in the income statement, whereas the portion that related to transactions taken to equity is recognized in equity.

The entitiy is jointly taxed with other Danish group related entities.The total Danish income tax charte is allocated between profit/loss making Danish entities in proportion to their taxable income (full absorption).

The jointly taxed enterprises have adopted the on-account taxation scheme. Handicare Auto A/S is administrator in the joint taxation.

BALANCE SHEET

Intangible assets

Goodwill

Goodwill is amortised over the expected economic life of the asset, measured b y reference to Management's experience in the individual business segments. The amortization period for intangible assets exceeds 5 years due to the long term nature of the investments made

Goodwill depreciates over 10 years.

Development projects, patents and licenses

Development costs comprise costs directly and indirectly attributable to the company's development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognized as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognized in the income statement as incurred.

Development projects recognized in the balance sheet are measured at cost less accumulated amortization and impairment losses.

Development projects are depreciated over 3-5 years.

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.

ACCOUNTING POLICIES

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

Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5-10 years

Leases

Leases for items of property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the company (finance leases) are recognized in the balance sheet as assets. On initial recognition, assets are measured at estimated cost, corresponding to the lower of fair value of the leased asset and the present value of the future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the company's other non-current assets.

The capitalized residual lease commitment is recognized in the balance sheet as a liability, and the interest element of the lease payment is recognized in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and any other leases are recognized in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

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 in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

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

The cost for finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production.

ACCOUNTING POLICIES

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realizable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured based on the stage of completion at the balance sheet date and the expected aggregate income from the individual work in progress. The stage of completion is determined as the share of the expenses incurred relative to the expected total expenses for the individual work in progress.

Where the selling price of work in progress cannot be reliably determined, the selling price is measured at the lower of costs incurred and net realizable value.

The individual work in progress is recognized in the balance sheet under receivables or payables. Net assets comprise the sum of work in progress where the selling price of the work performed exceeds invoicing on account. Net liabilities comprise the sum of work in progress where invoicing on account exceeds the selling price.

Prepayments

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

Cash and cash equivalents

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

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognized under 'Receivables from group entities'.

Equity

Reserve for development costs

The reserve for development costs comprises recognized development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognized development costs are no longer part of the company's operations by a transfer directly to the distributable reserves under 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, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

ACCOUNTING POLICIES

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 totax rates are recognised in the income statement.

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 onaccount taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Fixed-interest loans, such as mortgage loans and loans from credit institutions, are recognized 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.

FINANCIAL HIGHLIGHTS

Explanation of financial ratios

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