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# ***Strukton Rail A/S***

Gammel Lyngvej 2, DK-4600 Køge

## **Annual Report for 1 January - 31 December 2020**

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CVR No 20 28 65 47

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
6 /7 2021

Jens Christian Jensen  
Chairman of the General  
Meeting



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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Strukton Rail A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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

Køge, 6 July 2021

## Executive Board

Jens Christian Jensen  
CEO

## Board of Directors

Karl Johan Oscarsson  
Chairman

Jens Christian Jensen

Gerhardus Plechelmus  
Sanderink

Paulus Henricus Maria de Haas

# Independent Auditor's Report

To the Shareholder of Strukton Rail A/S

## Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Strukton Rail A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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.

# Independent Auditor's Report

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or 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.
- 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 and the Group'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 Group's and 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

## Independent Auditor's Report

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 Group and 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 6 July 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jacob Fromm Christiansen

statsautoriseret revisor

mne18628

Søren Alexander

statsautoriseret revisor

mne42824

## **Company Information**

### **The Company**

Strukton Rail A/S  
Gammel Lyngvej 2  
DK-4600 Køge  
Website: [www.strukton.dk](http://www.strukton.dk)

CVR No: 20 28 65 47  
Financial period: 1 January - 31 December  
Municipality of reg. office: Køge

### **Board of Directors**

Karl Johan Oscarsson, Chairman  
Jens Christian Jensen  
Gerhardus Plechelmus Sanderink  
Paulus Henricus Maria de Haas

### **Executive Board**

Jens Christian Jensen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Financial Highlights

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

	Group	
	2020 TDKK	2019 TDKK
<b>Key figures</b>		
<b>Profit/loss</b>		
Revenue	218.385	377.813
Operating profit/loss	-65.531	-176.564
Net financials	-5.653	6.164
Net profit/loss for the year	-70.752	-171.044
<b>Balance sheet</b>		
Balance sheet total	311.195	198.623
Equity	27.840	35.344
<b>Cash flows</b>		
Cash flows from:		
- operating activities	-42.512	-73.258
- investing activities	3.476	-1.078
including investment in property, plant and equipment	-1.212	-1.078
- financing activities	65.040	74.383
Change in cash and cash equivalents for the year	26.004	47
Number of employees	151	187
<b>Ratios</b>		
Solvency ratio	8,9%	17,8%
Return on equity	-224,0%	-296,4%
Profit margin	-29,8%	-46,8%

The financial highlights shows only the development in 2020 and 2019, because the Group is established in the end of 2020.



# Management's Review

## Key activities

The Group's principal activities comprise construction and maintenance of railways in Denmark.

## Development in the year

The income statement of the Group for 2020 shows a loss of DKK 70,751,815, and at 31 December 2020 the balance sheet of the Group shows equity of DKK 27,839,868.

The negative result is mainly due to a substitutional write down on an ongoing longterm contract, F-bane west signaling programmme. See note 2.

The result for the year is non-satisfactory

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

In the 2019 Annual Report, the Group management expressed expectations of fall in sales compared to 2019 in the order of DKK 125 million and a profit margin between -2% and 0%. In 2020, the sales fell from DKK 377 million to a net revenue in 2020 of DKK 218 million. The development was primarily due to a lower winning rate of projects. The market in general has been impacted by fewer tenders. The profit margin for 2020 was -30%, which is primarily caused by a large write-down for loss-making contract in respect of the F-bane project. The profit margin net of the write-down was -2%. The negative deviation compared to the outlook for 2020 is primarily caused by a lower win rate of new projects than anticipated.

## Going concern

The 2020 Annual Report has been prepared in accordance with the going concern assumption. As disclosed in note 1 to which Management refers, the going concern assumption is based largely on support letters that secure further financing from the Groups's parent companies. The Group will have a need to obtain further financing to continue its operations, however the size of this financing is dependent on various factors also disclosed in note 1 to which Management refers. It is Management's clear view that the Group's cash position is secured in order to be able to continue normal operations for 2021.

# Management's Review

## Targets and expectations for the year ahead

Due to the scope of tendered projects in 2020, the Group expects an 15 % increase in revenue for the coming year compared to 2020 of around DKK 250 million with a profit margin of -2%. The outlook for 2021 is to some degree dependent on the Group winning new projects. Approximately 15 % of the projected revenue comes from new projects won in 2021. Currently, the Group's win rate is in accordance with Management's expectations.

During 2020, the Group reduced its staff approximately 40 %. The current staff is considered suitable for the revenue in 2021.

To date, the Group's financial situation has not been significantly affected by COVID19, nor is COVID19 expected to have any significant impact on the Group's results of operations for the remaining months of the financial year. The Group's expectations as to the consequences of COVID19 are reflected in the expectations expressed above.

## Research and development

The Group has not been actively involved in any research and development activities. However, the Group is a member of the BaneBranchen, which has the objective of strengthening the education of future railway engineers from the Technical University of Denmark.

## External environment

The Group is certified according to ISO9001:2008 / ISO 140001:2004 and OHSAS18001:2007. In relation to the certifications, the Group has formulated objectives for its environmental work.

The environmental objectives relates to reduction of fossil fuels, better waste management in the tracks and use of chemical APV.

## Intellectual capital resources

The Group constantly works on maintaining its position as the leading railway construction and maintenance company. To ensure this position, the Group's objective is to employ and retain highly skilled employees.

The Group is a member of "BaneBranchen" and Danish Construction Association which works to strengthen the training of engineers and the creation of apprenticeships in the railway industry.

# Management's Review

## Statement of corporate social responsibility

Statement on corporate social responsibility can be found on the website of the Parent Company:

<http://www.strukton.dk/om-oss/csr/2020/>

## Statement on gender composition

Target figures for the Board of Directors

The Board of Directors has set a target figure of 33% for the underrepresented gender for the Board of Directors, corresponding to 1 out of 3 board members. The Board of Directors aims to achieve the target figure before the end of 2021.

Currently, the Group has no female board members appointed by the annual general meeting. The owners have not changed the composition of the board and therefore the target number has not been achieved

Policy to increase the share of the underrepresented gender at other management levels

The management has adopted a policy to increase the share of the underrepresented gender at other management levels, including the Group's department managers and team leaders. The policy contains a framework for the individual managers' career development and mentoring possibilities as well as internal target figures for the share of female managers. The policy also provides guidelines for recruitment and retention of female managers in the Group.

More specifically, the Group has launched the following initiatives to increase the share of female managers:

- Staff policy to promote equal career opportunities for both genders
- Recruitment procedures that help ensure uniform recruitment opportunities for both genders

The proportion of female managers at other management levels is 27% and has increased compared to 2019. The Group expects the initiatives launched to result in a slight increase in the share of female managers at the other management levels in the coming years.

## Uncertainty relating to recognition and measurement

The valuation of work in progress is partly by estimates regarding the percentage of completion and profit. In the time until the projects are finalized both positive and negative deviations may arise from the recognized estimate.

The Group concluded a significant construction contract (Signalprogram F baneVest) regarding financial cooperation in Fjernbane West Project I/S. The financial outcome of this is subject to some uncertainty, which may be significant, including consequences of expected time extension until 2027/2028. The contract is recognized with Management's estimate of the expected outcome.

## **Management's Review**

Further we refer to note 2.

Besides the matters mentioned above there is no other uncertainty in relation to this annual report.

### **Unusual events**

The financial position at 31 December 2020 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020 have not been affected by any unusual events.

### **Subsequent events**

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

## Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2020	2019	2020	2019
		DKK	DKK	DKK	DKK
<b>Revenue</b>	3	<b>218.385.247</b>	<b>377.812.853</b>	<b>218.385.247</b>	<b>377.812.853</b>
Cost of sales	4	<u>-244.787.832</u>	<u>-524.458.962</u>	<u>-244.787.832</u>	<u>-524.458.962</u>
<b>Gross profit/loss</b>		<b>-26.402.585</b>	<b>-146.646.109</b>	<b>-26.402.585</b>	<b>-146.646.109</b>
Administrative expenses	4	<u>-39.128.556</u>	<u>-29.917.645</u>	<u>-39.128.556</u>	<u>-29.917.645</u>
<b>Operating profit/loss</b>		<b>-65.531.141</b>	<b>-176.563.754</b>	<b>-65.531.141</b>	<b>-176.563.754</b>
Other operating income		906.752	37.088	906.752	37.088
Other operating expenses		<u>-428.487</u>	<u>-240.265</u>	<u>-428.487</u>	<u>-240.265</u>
<b>Profit/loss before financial income and expenses</b>		<b>-65.052.876</b>	<b>-176.766.931</b>	<b>-65.052.876</b>	<b>-176.766.931</b>
Income from investments in associates		0	8.500.574	0	8.500.574
Financial income		0	474.422	0	474.422
Financial expenses	5	<u>-5.653.135</u>	<u>-2.811.432</u>	<u>-5.653.135</u>	<u>-2.811.432</u>
<b>Profit/loss before tax</b>		<b>-70.706.011</b>	<b>-170.603.367</b>	<b>-70.706.011</b>	<b>-170.603.367</b>
Tax on profit/loss for the year	6	<u>-45.804</u>	<u>-440.335</u>	<u>-45.804</u>	<u>-440.335</u>
<b>Net profit/loss for the year</b>		<b><u>-70.751.815</u></b>	<b><u>-171.043.702</u></b>	<b><u>-70.751.815</u></b>	<b><u>-171.043.702</u></b>

# Balance Sheet 31 December

## Assets

	Note	Group		Parent Company	
		2020 DKK	2019 DKK	2020 DKK	2019 DKK
Goodwill		16.077.847	0	0	0
<b>Intangible assets</b>	7	<b>16.077.847</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other fixtures and fittings, tools and equipment		17.593.661	26.571.887	17.593.661	26.571.887
Prepayments for property, plant and equipment		0	25.000	0	25.000
<b>Property, plant and equipment</b>	8	<b>17.593.661</b>	<b>26.596.887</b>	<b>17.593.661</b>	<b>26.596.887</b>
Investments in subsidiaries	9	0	0	42.361.044	0
Investments in joint ventures	10	31.949.284	3.500.574	50.574	3.500.574
<b>Fixed asset investments</b>		<b>31.949.284</b>	<b>3.500.574</b>	<b>42.411.618</b>	<b>3.500.574</b>
<b>Fixed assets</b>		<b>65.620.792</b>	<b>30.097.461</b>	<b>60.005.279</b>	<b>30.097.461</b>
<b>Inventories</b>	11	<b>3.591.368</b>	<b>3.342.152</b>	<b>3.591.368</b>	<b>3.342.152</b>
Trade receivables		19.879.964	35.252.286	19.879.964	35.252.286
Contract work in progress	12	167.037.006	120.452.711	167.037.006	120.452.711
Receivables from group enterprises		0	5.430.526	5.327.395	5.430.526
Receivables from associates and joint ventures		27.869.382	1.061.010	27.869.382	1.061.010
Other receivables		1.239.757	2.986.630	1.238.479	2.986.630
<b>Receivables</b>		<b>216.026.109</b>	<b>165.183.163</b>	<b>221.352.226</b>	<b>165.183.163</b>
<b>Cash at bank and in hand</b>		<b>25.957.082</b>	<b>0</b>	<b>25.741.863</b>	<b>0</b>
<b>Currents assets</b>		<b>245.574.559</b>	<b>168.525.315</b>	<b>250.685.457</b>	<b>168.525.315</b>
<b>Assets</b>		<b>311.195.351</b>	<b>198.622.776</b>	<b>310.690.736</b>	<b>198.622.776</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	Group		Parent Company	
		2020 DKK	2019 DKK	2020 DKK	2019 DKK
Share capital	13	1.100.000	1.100.000	1.100.000	1.100.000
Retained earnings		26.739.868	34.244.240	26.739.868	34.244.240
<b>Equity</b>		<b>27.839.868</b>	<b>35.344.240</b>	<b>27.839.868</b>	<b>35.344.240</b>
Other provisions	16	72.157.810	67.164.389	72.157.810	67.164.389
<b>Provisions</b>		<b>72.157.810</b>	<b>67.164.389</b>	<b>72.157.810</b>	<b>67.164.389</b>
Lease obligations		5.636.720	10.845.183	5.636.720	10.845.183
Payables to group enterprises		46.021.822	0	46.021.822	0
Other payables		13.836.408	5.334.744	13.836.408	5.334.744
<b>Long-term debt</b>	17	<b>65.494.950</b>	<b>16.179.927</b>	<b>65.494.950</b>	<b>16.179.927</b>
Credit institutions		55.058	102.221	55.058	102.221
Lease obligations	17	5.046.008	6.853.593	5.046.008	6.853.593
Trade payables		28.620.341	36.657.000	28.578.271	36.657.000
Contract work in progress, liabilities	12	69.007.532	3.087.987	69.007.532	3.087.987
Payables to group enterprises	17	18.064.731	12.787.930	17.617.718	12.787.930
Other payables	17	24.909.053	20.445.489	24.893.521	20.445.489
<b>Short-term debt</b>		<b>145.702.723</b>	<b>79.934.220</b>	<b>145.198.108</b>	<b>79.934.220</b>
<b>Debt</b>		<b>211.197.673</b>	<b>96.114.147</b>	<b>210.693.058</b>	<b>96.114.147</b>
<b>Liabilities and equity</b>		<b>311.195.351</b>	<b>198.622.776</b>	<b>310.690.736</b>	<b>198.622.776</b>
Going concern	1				
Uncertainty concerning recognition and measurement	2				
Distribution of profit	14				
Contingent assets, liabilities and other financial obligations	20				
Related parties	21				
Fee to auditors appointed at the general meeting	22				
Accounting Policies	23				

## Statement of Changes in Equity

### Group

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	1.100.000	34.244.240	35.344.240
Contribution from group	0	63.247.443	63.247.443
Net profit/loss for the year	0	-70.751.815	-70.751.815
<b>Equity at 31 December</b>	<b>1.100.000</b>	<b>26.739.868</b>	<b>27.839.868</b>

### Parent Company

Equity at 1 January	1.100.000	34.244.240	35.344.240
Contribution from group	0	63.247.443	63.247.443
Net profit/loss for the year	0	-70.751.815	-70.751.815
<b>Equity at 31 December</b>	<b>1.100.000</b>	<b>26.739.868</b>	<b>27.839.868</b>



## Cash Flow Statement 1 January - 31 December

	Note	Group	
		2020 DKK	2019 DKK
Net profit/loss for the year		-70.751.815	-171.043.702
Adjustments	18	14.676.100	73.045.532
Change in working capital	19	19.262.523	28.348.877
<b>Cash flows from operating activities before financial income and expenses</b>		<b>-36.813.192</b>	<b>-69.649.293</b>
Financial income		0	474.422
Financial expenses		-5.653.135	-2.811.432
<b>Cash flows from ordinary activities</b>		<b>-42.466.327</b>	<b>-71.986.303</b>
Corporation tax paid		-45.804	-1.271.210
<b>Cash flows from operating activities</b>		<b>-42.512.131</b>	<b>-73.257.513</b>
Purchase of property, plant and equipment		-1.211.511	-1.078.262
Sale of property, plant and equipment		1.237.576	0
Dividends received from joint ventures		3.450.000	0
<b>Cash flows from investing activities</b>		<b>3.476.065</b>	<b>-1.078.262</b>
Reduction of lease obligations		-7.016.048	-9.618.820
Repayment of payables to group enterprises		0	-41.992.793
Repayment of payables to associates		0	-761.499
Lease obligations incurred		0	451.382
Raising of loans from group enterprises		50.954.741	0
Group contribution		21.101.618	126.304.342
<b>Cash flows from financing activities</b>		<b>65.040.311</b>	<b>74.382.612</b>
<b>Change in cash and cash equivalents</b>		<b>26.004.245</b>	<b>46.837</b>
Cash and cash equivalents at 1 January		-102.221	-149.058
<b>Cash and cash equivalents at 31 December</b>		<b>25.902.024</b>	<b>-102.221</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		25.957.082	0
Overdraft facility		-55.058	-102.221
<b>Cash and cash equivalents at 31 December</b>		<b>25.902.024</b>	<b>-102.221</b>

# Notes to the Financial Statements

## 1 Going concern

The 2020 annual financial statements of Strukton Rail A/S were prepared based on the going concern assumption. To support the going concern assumption, Management has prepared various versions of liquidity forecasts for 2021 that includes different scenarios regarding project cash inflow. Because it is probable that the Group will require additional liquidity added during the remaining part of 2021, the Group has secured a letter of support from the ultimate parent company providing a funding of maximum DKK 100 million. Moreover, the Group's immediate parent company has also provided a letter of support ensuring that any loans extended will not be recalled. Both letters of support are valid up until 31 December 2021.

The total need of liquidity is to a large extent dependent on the below items:

- As indicated in note 2, with respect to the F-bane project the Group is currently in advance stages of negotiations with Banedanmark and is confident that these negotiations will result in a cash contribution and a solution for the contractual 'Advance Payment Guarantees' requirement, which is a burden on the existing facility with Danske Bank and currently hinders payment of due invoices. Management expects that the negotiations will end successfully within a short time frame.
- When the negative impact of the F-Bane project became apparent, Strukton responded decisively by promptly taking measures to ensure business continuity, appointing Strukton Group supervision, significantly reduce cost and capital expenditure to protect liquidity and profitability. Consequently, a number of synergies and efficiencies have been incorporated into the budget of the F-Bane project. It is Management's expectations that these synergies and efficiencies will be capitalized on during the year in alignment with the budget.
- The Group has a claim towards Banedanmark about which there have been negotiations in 2020. Moreover, the Group is taking new measures to come to a conclusion on this and receive the final payment for the work performed. Management expects that a settlement will be agreed during 2021 resulting in a material cash receipt.
- Given the continuing uncertainty related to the impact of Covid-19, Strukton closely monitors the developments regarding Covid-19 and analyses risks for its financial results, position and cash flows and implementing further mitigating actions when deemed necessary. In Management's best estimate, the impacts of Covid-19 have been incorporated into the liquidity forecast.
- The Group and its immediate parent company have a mutual bank agreement with Danske Bank. During the Spring of 2021, the bank agreement was extended to September 2021. Based on the above expected positive outcomes, it is Management's estimate that the Group will receive an extension of its bank agreement or successfully be able to negotiate a new bank agreement.
- Should the Group at any point during 2021 need more liquidity than described above, Management sees other possibilities to negotiate further extension of loans and credit lines with its ultimate owner.

Moreover, in making the assessment of the Group's ability to continue as a going concern, Management has, amongst others, taken into consideration the operating plan and 2021 budget (not expecting any material impact due to Covid-19), developments of the orderbook, compliance with financial covenant's requirements, cash projections and/or the ability to fulfil the short-term liabilities towards the supply chain into account. In performing this assessment, Management has considered factors that could indicate the presence of material uncertainties that might cast significant doubt upon the Group's ability to continue as a going concern. Factors considered included: operating results and/or major losses on projects, potential further

# Notes to the Financial Statements

## 1 Going concern (continued)

restrictions on Covid-19 and a potential economic downturn.

Based on this, Management has concluded that given the outcome of the going concern assessment and sensitivity analyses performed, and the expected outcome of the above mentioned negotiations with Banedanmark, it is appropriate to prepare the financial statements based on the going concern assumption. However, Management stresses that significant accounting estimates have been applied and, consequently, Management stresses that the assessment is subject to some uncertainty.

## 2 Uncertainty concerning recognition and measurement

The Group executes design and realization (construct) projects for customers. In these kind of projects both design risks and realization risks play a role in a wide range of project works in terms of complexity, scale and order size.

Depending on the contract type, errors in forecasts and estimates may result in project losses and negative cash flows. In some cases, this results in discussions with the principal regarding financial settlements of the project. This generally concerns the invoicing of contract deviations, the cost of delays or the quality of the works. In some cases, this may lead to claims and further legal proceedings. However, in most cases such discussions are resolved to the satisfaction of all parties involved. The Group is committed to structural application of tender procedures, both during the acquisition phase and during the execution phase, in order to prevent this sort of risks.

The total project cost is subject to accounting estimates. Such accounting estimates are subject to more uncertainty as:

- The agreed contract form entails more risk for the contractor. After all, in a design and realization contract the contractor also bears the design risk. In addition in some contracts, the contractor is also responsible for maintenance.

-The contract term is longer (or maybe extended even longer), whereby the estimate of the final amount of work is inherently subject to greater uncertainty.

By virtue of its business operations, the Group is a party to legal disputes that can be expected in the course of its business operations. The Group has recognised a material receivable in respect of one project which has been disputed by the customer. Further, the Group has a large claim toward the customer which has not been recognised as of 31 December 2020. In 2020, mediation proceedings were tried in order to receive payment and recoup parts of the claim, however unsuccessfully. Management has reassessed its position in respect of the receivable and the claim and believes that the receivable is still not impaired but stresses that the future valuation of the total claim is dependent on development in the negotiations in 2021.

### *The F-Bane project*

The F-bane project (construction contract and participation in Fjernbane West Project I/S) is associated with a higher degree of judgmental uncertainty in the financial year 2020. The F-Bane project is executed by a consortium of Strukton Rail A/S and Thales Denmark A/S on behalf of Banedanmark. The contract concerns installation and maintenance of signaling systems for Fjernbane West. All existing signaling systems on Fjernbane West will be replaced by a system based on ERTMS (European Railway Traffic Management System). The F-Bane project is highly complex, in particular due to the high technical requirements imposed on the railway sector and due to the long duration of the project. As of 31 December 2020, the project has generated

# Notes to the Financial Statements

## 2 Uncertainty concerning recognition and measurement (continued)

revenue of DKK 510 million and is approx. 50 % complete. The F-bane contract is loss-making and, consequently, in 2019, the Group recognised a provision for loss-making contracts of DKK 58 million, which in 2020 was further increased to DKK 72 million.

Challenges in the design phase with respect to the software development resulted in delays, such as the final acceptance for the early deployment line and is holding back the project's progress. Also in 2020 Banedanmark has reorganized the signaling program and considers rescheduling the roll outs on other Fjernbane lines to realize a better integration with other projects that have to be executed at the same time i.e. the installation of catenary. This may result in a contract modifications in 2021. The year-end balances and results incurred during 2020 are based on Management's best forecast. The forecast takes into account the project history and also makes assumptions about future efficiencies and synergies to be achieved. Management stresses that significant accounting estimates have been applied and, consequently, due to the size of the contract changes to these estimates may affect future results materially.

### *Unrecognised deferred tax asset*

At 31 December 2020, the Parent Company had a non-recognised tax asset of DKK 50.803 thousand. Due to the uncertainty associated with the Parent Company's future earnings, the asset has not been recognised

	Group		Parent Company	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK

## 3 Revenue

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the Group's accounting policies and follows the Group's internal financial management.

### **Geographical segments**

Revenue, Denmark	216.951.411	369.594.332	216.951.411	369.594.332
Revenue, Sweden	1.433.836	8.218.521	1.433.836	8.218.521
	<b>218.385.247</b>	<b>377.812.853</b>	<b>218.385.247</b>	<b>377.812.853</b>

### **Business segments**

Construction and maintenance of railways	218.385.247	377.812.853	218.385.247	377.812.853
	<b>218.385.247</b>	<b>377.812.853</b>	<b>218.385.247</b>	<b>377.812.853</b>

## Notes to the Financial Statements

	Group		Parent Company	
	2020 DKK	2019 DKK	2020 DKK	2019 DKK
<b>4 Staff</b>				
Wages and Salaries	107.182.894	147.128.015	107.182.894	147.128.015
Pensions	12.243.146	16.106.843	12.243.146	16.106.843
Other social security expenses	2.546.686	1.919.327	2.546.686	1.919.327
Other staff expenses	2.860.330	4.879.179	2.860.330	4.879.179
	<b>124.833.056</b>	<b>170.033.364</b>	<b>124.833.056</b>	<b>170.033.364</b>
<b>Average number of employees</b>	<b>151</b>	<b>187</b>	<b>151</b>	<b>187</b>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

### 5 Financial expenses

Interest paid to group enterprises	2.241.502	896.403	2.241.502	896.403
Other financial expenses	518.607	1.915.029	518.607	1.915.029
Exchange adjustments, expenses	2.893.026	0	2.893.026	0
	<b>5.653.135</b>	<b>2.811.432</b>	<b>5.653.135</b>	<b>2.811.432</b>

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

Current tax for the year	0	0	0	0
Deferred tax for the year	0	526.613	0	526.613
Adjustment of tax concerning previous years	45.804	-86.278	45.804	-86.278
	<b>45.804</b>	<b>440.335</b>	<b>45.804</b>	<b>440.335</b>

# Notes to the Financial Statements

## 7 Intangible assets

### Group

	<u>Goodwill</u> DKK
Cost at 1 January	0
Additions for the year	<u>16.077.847</u>
Cost at 31 December	<u>16.077.847</u>
Transfers for the year	<u>0</u>
Revaluations at 31 December	<u>0</u>
Impairment losses and amortisation at 1 January	<u>0</u>
Impairment losses and amortisation at 31 December	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>16.077.847</u></b>
Amortised over	<u>10 years</u>

# Notes to the Financial Statements

## 8 Property, plant and equipment

### Group

	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment
	DKK	DKK
Cost at 1 January	55.527.680	25.000
Additions for the year	1.186.511	0
Disposals for the year	-6.409.693	0
Transfers for the year	25.000	-25.000
Cost at 31 December	<u>50.329.498</u>	<u>0</u>
Impairment losses and depreciation at 1 January	28.955.793	0
Depreciation for the year	9.818.914	0
Reversal of impairment and depreciation of sold assets	-6.038.870	0
Impairment losses and depreciation at 31 December	<u>32.735.837</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>17.593.661</u></b>	<b><u>0</u></b>
Including assets under finance leases amounting to	<u>10.487.852</u>	<u>0</u>

## Notes to the Financial Statements

	<b>Parent Company</b>	
	2020	2019
	DKK	DKK
<b>9 Investments in subsidiaries</b>		
Cost at 1 January	0	0
Additions for the year	42.361.044	0
Cost at 31 December	42.361.044	0
Value adjustments at 1 January	0	0
Value adjustments at 31 December	0	0
<b>Carrying amount at 31 December</b>	<b>42.361.044</b>	<b>0</b>
Remaining positive difference included in the above carrying amount at 31 December	16.077.847	0

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Strukton Rail Holding A/S	Taastrup	506.000	100%	26.283.197	4.383.647
		<b>Group</b>		<b>Parent Company</b>	
		2020	2019	2020	2019
		DKK	DKK	DKK	DKK

### 10 Investments in joint ventures

Cost at 1 January	15.000.000	15.000.000	15.000.000	15.000.000
Net effect from merger and acquisition	3.635.000	0	0	0
Cost at 31 December	18.635.000	15.000.000	15.000.000	15.000.000
Value adjustments at 1 January	-11.499.426	-15.000.000	-11.499.426	-15.000.000
Net effect from merger and acquisition	28.263.710	0	0	0
Net profit/loss for the year	0	8.500.574	0	8.500.574
Dividends received	-3.450.000	0	-3.450.000	0
Other adjustments	0	-5.000.000	0	-5.000.000
Value adjustments at 31 December	13.314.284	-11.499.426	-14.949.426	-11.499.426
<b>Carrying amount at 31 December</b>	<b>31.949.284</b>	<b>3.500.574</b>	<b>50.574</b>	<b>3.500.574</b>



## Notes to the Financial Statements

Investments in joint ventures are specified as follows:

Name

Strukton - Arkil JV I/S  
Fjernbane west Projekt I/S  
Strukton - Aarsleff JV I/S

	Group		Parent Company	
	2020 DKK	2019 DKK	2020 DKK	2019 DKK
<b>11 Inventories</b>				
Raw materials and consumables	3.591.368	3.342.152	3.591.368	3.342.152
	<b>3.591.368</b>	<b>3.342.152</b>	<b>3.591.368</b>	<b>3.342.152</b>
<b>12 Contract work in progress</b>				
Selling price of work in progress	1.031.674.889	831.797.391	1.031.674.889	831.797.391
Payments received on account	-933.645.415	-714.432.667	-933.645.415	-714.432.667
	<b>98.029.474</b>	<b>117.364.724</b>	<b>98.029.474</b>	<b>117.364.724</b>
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	167.037.006	120.452.711	167.037.006	120.452.711
Prepayments received recognised in debt	-69.007.532	-3.087.987	-69.007.532	-3.087.987
	<b>98.029.474</b>	<b>117.364.724</b>	<b>98.029.474</b>	<b>117.364.724</b>
<b>13 Equity</b>				

The share capital consists of 1,100 shares of a nominal value of DKK 1,100,000. No shares carry any special rights.

## Notes to the Financial Statements

	<b>Parent Company</b>	
	2020	2019
	DKK	DKK
<b>14 Distribution of profit</b>		
Retained earnings	-70.751.815	-171.043.702
	<b>-70.751.815</b>	<b>-171.043.702</b>

	<b>Group</b>		<b>Parent Company</b>	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK
<b>15 Provision for deferred tax</b>				
Provision for deferred tax at 1 January	0	526.613	0	526.613
Amounts recognised in the income statement for the year	0	-526.613	0	-526.613
<b>Provision for deferred tax at 31 December</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 16 Other provisions

Other provisions include a provision for any future losses in respect of work in progress for third parties.

Balance at beginning of year	67.164.389	5.000.000	67.164.389	5.000.000
Provision in year	14.315.822	67.164.389	14.315.822	67.164.389
Employed in year	-9.322.401	-5.000.000	-9.322.401	-5.000.000
	<b>72.157.810</b>	<b>67.164.389</b>	<b>72.157.810</b>	<b>67.164.389</b>

The provisions are expected to mature as follows:

Within 1 year	0	18.962.732	0	18.962.732
Between 1 and 5 years	72.157.810	48.201.657	72.157.810	48.201.657
	<b>72.157.810</b>	<b>67.164.389</b>	<b>72.157.810</b>	<b>67.164.389</b>

# Notes to the Financial Statements

## 17 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:

	Group		Parent Company	
	2020 DKK	2019 DKK	2020 DKK	2019 DKK
<b>Lease obligations</b>				
Between 1 and 5 years	5.636.720	10.845.183	5.636.720	10.845.183
Long-term part	5.636.720	10.845.183	5.636.720	10.845.183
Within 1 year	5.046.008	6.853.593	5.046.008	6.853.593
	<b>10.682.728</b>	<b>17.698.776</b>	<b>10.682.728</b>	<b>17.698.776</b>
<b>Payables to group enterprises</b>				
Between 1 and 5 years	46.021.822	0	46.021.822	0
Long-term part	46.021.822	0	46.021.822	0
Other short-term debt to group enterprises	18.064.731	12.787.930	17.617.718	12.787.930
	<b>64.086.553</b>	<b>12.787.930</b>	<b>63.639.540</b>	<b>12.787.930</b>
<b>Other payables</b>				
Between 1 and 5 years	13.836.408	5.334.744	13.836.408	5.334.744
Long-term part	13.836.408	5.334.744	13.836.408	5.334.744
Other short-term payables	24.909.053	20.445.489	24.893.521	20.445.489
	<b>38.745.461</b>	<b>25.780.233</b>	<b>38.729.929</b>	<b>25.780.233</b>

## Notes to the Financial Statements

	<b>Group</b>	
	<u>2020</u>	<u>2019</u>
	DKK	DKK
<b>18 Cash flow statement - adjustments</b>		
Financial income	0	-474.422
Financial expenses	5.653.135	2.811.432
Depreciation, amortisation and impairment losses, including losses and gains on sales	8.977.161	11.584.361
Income from investments in associates	0	-8.500.574
Tax on profit/loss for the year	45.804	440.335
Other adjustments	0	67.184.400
	<u><b>14.676.100</b></u>	<u><b>73.045.532</b></u>
<b>19 Cash flow statement - change in working capital</b>		
Change in inventories	-249.216	-442.226
Change in receivables	-56.272.194	34.147.196
Change in other provisions	4.993.421	0
Change in trade payables, etc	70.790.512	-5.356.093
	<u><b>19.262.523</b></u>	<u><b>28.348.877</b></u>

## Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK

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

#### Charges and security

As security for debt to credit institutions, the Group and Strukton Rail AB have issued a company charge. The company charge, which is maximised to DKK 30.000.000, comprises the two entities' combined or separate debt at 31 December 2020. For the Group, the company charge includes the following assets:

- Other plant, fixtures and fittings, tools and equipment
- Inventories
- Work in progress for third parties
- Trade receivables

#### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1.948.381	2.870.037	0	0
Between 1 and 5 years	2.209.522	3.254.708	0	0
	<b>4.157.903</b>	<b>6.124.745</b>	<b>0</b>	<b>0</b>

Rent obligation with interminable rent agreements with remaining contract terms for 3 contracts of 3 months and 3 contracts of 2-3 years.

	1.719.513	1.886.150	0	0
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#### Guarantee obligations

Advance payments guarantee	97.970.720	143.189.538	0	0
Guarantee commitments	17.021.576	46.723.105	0	0

# Notes to the Financial Statements

## 20 Contingent assets, liabilities and other financial obligations (continued)

### Other contingent liabilities

By virtue of its business operations, The Group is a party to legal disputes that can be expected in the course of its business operations. Management keeps all such involvement under constant review and makes provisions accordingly.

Other contingent liabilities include the Group's joint and several liability together with other stakeholders for Fjernbane West Project I/S' obligations (Municipality of reg. office: Gladsaxe). The Group has entered into the partnership due to the signing of a major contract, with a share of ownership of 30%. At 31 December 2020, the limited partnership's debt total DKK 80.729.265.

Furthermore, the Group has a joint liability with all the stakeholders of Strukton-Arkil JV I/S' liabilities (Municipality of reg. office: Randers). The Group has entered the partnership with a share of ownership of 50%. At 31 December 2020, the limited partnership's debt total DKK 1.629.854.

Furthermore, the Group has provided guarantee for Danske Bank regarding Strukton Rail AB bank accounts.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Strukton Rail Holding A/S, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Group is a partner in Strukton - Aarsleff JV I/S and has joint and several liability together with other stakeholders for its obligations. The latest audited annual report at 30 September 2020 showed a total debt of DKK 17.619.478

# Notes to the Financial Statements

## 21 Related parties

### Basis

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#### Controlling interest

Strukton Groep NV, Netherlands

The ultimate parent company

Strukton Rail AB, Sweden

The Intermediate parent company

#### Transactions

The Group 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.

	Group		Parent Company	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK
<b>22 Fee to auditors appointed at the general meeting</b>				
<b>PricewaterhouseCoopers</b>				
Audit fee	1.212.279	552.087	1.212.279	552.087
	<b>1.212.279</b>	<b>552.087</b>	<b>1.212.279</b>	<b>552.087</b>

# Notes to the Financial Statements

## 23 Accounting Policies

The Annual Report of Strukton Rail A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020 are presented in DKK.

### 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.

### Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Strukton Rail A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.



# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### Business combinations

#### *Uniting of interests*

Intragroup business combinations are accounted for under the uniting-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The uniting-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

### Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

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 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.

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 financial 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

## 23 Accounting Policies (continued)

### Revenue

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

## Income Statement

### Revenue

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract 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 Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

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

### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

### Other operating income and expenses

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

### Income from investments in associates

The item "Income from investments in associates" in the income statement includes the proportionate share of the profit for the year.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### Financial income and expenses

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

### 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.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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:

Plant and machinery	3-7 years
Other fixtures and fittings, tools and equipment	3-7 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### Impairment of fixed assets

The carrying amounts of 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, the asset is written down to its lower recoverable amount.

### Investments in associates

Investments in associates are recognised and measured under the equity method.

The item "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the associates.

Associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

### 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 in the balance sheet at the lower of amortised cost and net realisable 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.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of . Provisions are measured and recognised based on experience with guarantee work.

### 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 to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### 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 financial 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.

## Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

### Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, provisions, intragroup business combinations and other adjustments. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

### Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of property, plant and equipment as well as fixed asset investments.

### Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

## **Notes to the Financial Statements**

### **23 Accounting Policies** (continued)

#### **Cash and cash equivalents**

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

# Notes to the Financial Statements

## 23 Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

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