



DELPRO A/S

Bavnevej 50, 6580 Vamdrup
CVR No. 25019776

Annual report 2019

The Annual General Meeting adopted the
annual report on 18.03.2020

Jacob Christian Rath
Conductor

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Entity details

Entity

DELPRO A/S

Bavnevej 50

6580 Vamdrup

CVR No.: 25019776

Registered office: Kolding

Financial year: 01.01.2019 - 31.12.2019

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Board of Directors

David Packness Meyer, Chairman of the Board

Jacob Christian Rath

Henk Hendrik Smit, Employee Representative

Carsten Friis

Thomas Flensted Schultz, Employee Representative

Executive Board

Jacob Christian Rath, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of DELPRO A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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

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

Vamdrup, 18.03.2020

Executive Board

Jacob Christian Rath
Chief Executive Officer

Board of Directors

David Packness Meyer
Chairman of the Board

Jacob Christian Rath

Henk Hendrik Smit
Employee Representative

Carsten Friis

Thomas Flensted Schultz
Employee Representative

Independent auditor's report

To the shareholders of DELPRO A/S

Opinion

We have audited the financial statements of DELPRO A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

Emphasis of matter regarding circumstances in the financial statements

Without modifying our opinion, we refer to note 9 and the management commentary, which include a description of the uncertainty relating to recognition and measurement of the recognised deferred tax asset of DKK 4,408k.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Kolding, 18.03.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Suzette Demediuk Steen Nielsen

State Authorised Public Accountant
Identification No (MNE) mne32207

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Gross profit/loss	77,682	65,324	52,760	47,310	38,017
Operating profit/loss	4,906	1,554	1,912	2,447	(8,866)
Net financials	(664)	(676)	(352)	(299)	(322)
Profit/loss for the year	4,414	257	1,287	1,684	(7,342)
Total assets	51,371	41,227	34,082	29,091	21,614
Investments in property, plant and equipment	1,622	4,041	979	105	651
Equity	11,974	8,578	8,329	8,534	6,851
Ratios					
Return on equity (%)	42.95	3.04	15.26	21.89	(63,8)
Equity ratio (%)	23.31	20.81	24.44	29.34	31.70

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Return on equity

The entity's return on capital invested in the entity by the owner.

Solvency ratio

The financial strength of the entity.

Primary activities

The Company's objective is to perform installation and services of high voltage plants, primarily within power supply, wind farms, railways and industrial enterprises.

Development in activities and finances

Profit of the year amounted to DKK 4,414k which is considered satisfactory.

Uncertainty relating to recognition and measurement

A deferred tax asset of DKK 4,408k is recognised in the annual report. It is Management's assessment that the deferred tax asset can be used within 3-5 years. The recognition is based on Management's expectations for future earnings, including growth in revenue of 6-10% annually as well as an increased profit ratio from approx. 3% to 5%.

As the valuation is based on expectations for the future, there will be some uncertainty as to whether the expected results can be achieved and the period where the tax asset is expected to be used.

Outlook

The company expects a profit at the same level or higher than the profit achieved in 2019.

Particular risks

The Company is not aware if any particular business risk.

Intellectual capital resources

At the end of the year, the Company as well as subsidiaries and associates have 147 employees (of whom 24 are employed in associates and 3 are regular sub-suppliers in subsidiary) with a wide range of formal education: engineers, technicians, skilled and unskilled workers. This is an increase of 6 employees compared to the beginning of the year.

The employees' intellectual capital resources consist partly of competences obtained through formal education, partly of competence development through performance of work. The Company conducts appraisals every year to continually adjust the Company's competencies to the needs of the business.

DELPRO has its own high voltage training center placed at the HQ in Vamdrup. This is used to assess and to further develop the competences of the technicians.

Environmental performance

In connection with services performed for energy generation and transmission companies, the Company handles installations and components containing xenobiotics:

Oil

Transformers, high-voltage switches and cables may contain oil. The oil quality is monitored, and if necessary, the oil is purified and recycled in a closed process. When scrapping oil-containing components, the oil is tapped and sent to an environmentally approved company.

SF6 gas (greenhouse gas)

High-voltage switches may contain SF6 gas. The gas is monitored, and if necessary, the gas is purified and recycled in a closed process. All handling of SF6 gas is performed by trained and certified staff.

Events after the balance sheet date

Since the closing of the financial balance of 2019 the world has experienced a severe outbreak of the COVID 19 virus. This brings uncertainty in many industries, but as the primary activities of DELPRO are related to critical infrastructure, the financial impact on DELPRO in the future is expected to be relatively small.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		77,682,057	65,324,118
Staff costs	2	(71,116,487)	(62,587,950)
Depreciation, amortisation and impairment losses	3	(1,659,524)	(1,181,851)
Operating profit/loss		4,906,046	1,554,317
Income from investments in group enterprises		(392,615)	132,296
Income from investments in associates		532,108	548,785
Other financial income		32,416	0
Other financial expenses		(696,019)	(676,266)
Profit/loss before tax		4,381,936	1,559,132
Tax on profit/loss for the year	4	31,720	(1,301,969)
Profit/loss for the year	5	4,413,656	257,163

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Acquired intangible assets		64,967	191,875
Intangible assets	6	64,967	191,875
Plant and machinery		4,377,654	4,289,632
Other fixtures and fittings, tools and equipment		13,193	29,024
Leasehold improvements		0	0
Property, plant and equipment	7	4,390,847	4,318,656
Investments in group enterprises		193,183	583,318
Investments in associates		995,296	484,126
Other receivables		841,848	362,710
Other financial assets	8	2,030,327	1,430,154
Fixed assets		6,486,141	5,940,685
Raw materials and consumables		1,050,455	996,014
Inventories		1,050,455	996,014
Trade receivables		24,803,407	19,330,170
Contract work in progress	9	4,350,477	3,075,640
Receivables from group enterprises		493,966	822,477
Receivables from associates		6,219,482	6,023,165
Deferred tax	10	4,407,665	4,310,844
Other receivables		684,227	216,413
Prepayments	11	2,373,781	448,213
Receivables		43,333,005	34,226,922
Cash		500,959	63,215
Current assets		44,884,419	35,286,151
Assets		51,370,560	41,226,836

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital	12	6,000,000	6,000,000
Reserve for net revaluation according to the equity method		929,929	808,894
Retained earnings		4,043,701	769,537
Proposed dividend		1,000,000	1,000,000
Equity		11,973,630	8,578,431
Other provisions	13	0	43,996
Provisions		0	43,996
Finance lease liabilities		1,629,640	1,132,919
Other payables	14	2,240,556	0
Non-current liabilities other than provisions	15	3,870,196	1,132,919
Current portion of non-current liabilities other than provisions	15	568,823	324,284
Bank loans		10,531,149	9,350,952
Contract work in progress	9	412,061	115,776
Trade payables		8,388,584	6,381,407
Other payables		15,626,117	15,299,071
Current liabilities other than provisions		35,526,734	31,471,490
Liabilities other than provisions		39,396,930	32,604,409
Equity and liabilities		51,370,560	41,226,836
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Group relations	20		

Statement of changes in equity for 2019

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	6,000,000	808,894	769,537	1,000,000	8,578,431
Ordinary dividend paid	0	0	0	(1,000,000)	(1,000,000)
Exchange rate adjustments	0	(18,457)	0	0	(18,457)
Profit/loss for the year	0	139,492	3,274,164	1,000,000	4,413,656
Equity end of year	6,000,000	929,929	4,043,701	1,000,000	11,973,630

Cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		4,906,046	1,554,317
Amortisation, depreciation and impairment losses		1,659,524	1,181,851
Other provisions		(43,996)	12,000
Working capital changes	16	(4,192,639)	(3,363,806)
Cash flow from ordinary operating activities		2,328,935	(615,638)
Financial income received		32,416	0
Financial expenses paid		(696,019)	(676,266)
Income taxes refunded/(paid)		(65,101)	(79,210)
Cash flows from operating activities		1,600,231	(1,371,114)
Acquisition etc of intangible assets		0	(25,550)
Acquisition etc of property, plant and equipment		(1,622,306)	(4,041,126)
Sale of property, plant and equipment		17,500	70,000
Acquisition of fixed asset investments		(511,724)	(1,200)
Sale of fixed asset investments		32,586	0
Cash flows from investing activities		(2,083,944)	(3,997,876)
Reduction of lease commitments		(512,639)	(420,564)
Dividend paid		(1,000,000)	0
Incurrence of lease obligations		1,253,899	1,872,096
Cash flows from financing activities		(258,740)	1,451,532
Increase/decrease in cash and cash equivalents		(742,453)	(3,917,458)
Cash and cash equivalents beginning of year		(9,287,737)	(5,370,279)
Cash and cash equivalents end of year		(10,030,190)	(9,287,737)
Cash and cash equivalents at year-end are composed of:			
Cash		500,959	63,215
Short-term debt to banks		(10,531,149)	(9,350,952)
Cash and cash equivalents end of year		(10,030,190)	(9,287,737)

Notes

1 Events after the balance sheet date

Since the closing of the financial balance of 2019 the world has experienced a severe outbreak of the COVID 19 virus. This brings uncertainty in many industries, but as the primary activities of DELPRO are related to critical infrastructure, the financial impact on DELPRO in the future is expected to be relatively small.

2 Staff costs

	2019	2018
	DKK	DKK
Wages and salaries	61,149,473	54,060,215
Pension costs	5,109,106	4,451,725
Other social security costs	844,355	713,906
Other staff costs	4,013,553	3,362,104
	71,116,487	62,587,950
Average number of full-time employees	110	104

	Remuneration of management 2019 DKK	Remuneration of management 2018 DKK
Total amount for management categories	2,118,656	2,078,019
	2,118,656	2,078,019

3 Depreciation, amortisation and impairment losses

	2019	2018
	DKK	DKK
Amortisation of intangible assets	126,908	127,569
Depreciation of property, plant and equipment	1,550,116	1,124,282
Profit/loss from sale of intangible assets and property, plant and equipment	(17,500)	(70,000)
	1,659,524	1,181,851

4 Tax on profit/loss for the year

	2019	2018
	DKK	DKK
Current tax	65,101	79,210
Change in deferred tax	(96,821)	1,222,759
	(31,720)	1,301,969

5 Proposed distribution of profit and loss

	2019 DKK	2018 DKK
Ordinary dividend for the financial year	1,000,000	1,000,000
Retained earnings	3,413,656	(742,837)
	4,413,656	257,163

6 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	1,396,542
Cost end of year	1,396,542
Amortisation and impairment losses beginning of year	(1,204,667)
Amortisation for the year	(126,908)
Amortisation and impairment losses end of year	(1,331,575)
Carrying amount end of year	64,967

7 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	10,053,465	145,493	1,435,551
Additions	1,622,306	0	0
Cost end of year	11,675,771	145,493	1,435,551
Depreciation and impairment losses beginning of year	(5,763,833)	(116,469)	(1,435,551)
Depreciation for the year	(1,534,284)	(15,831)	0
Depreciation and impairment losses end of year	(7,298,117)	(132,300)	(1,435,551)
Carrying amount end of year	4,377,654	13,193	0
Recognised assets not owned by entity	2,283,965	0	0

8 Financial assets

	Investments in group enterprises DKK	Investments in associates DKK	Other receivables DKK
Cost beginning of year	8,550	250,000	362,710
Additions	0	0	511,724
Disposals	0	0	(32,586)
Cost end of year	8,550	250,000	841,848
Revaluations beginning of year	574,768	234,126	0
Exchange rate adjustments	2,480	(20,938)	0
Share of profit/loss for the year	(392,615)	532,108	0
Revaluations end of year	184,633	745,296	0
Carrying amount end of year	193,183	995,296	841,848

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
DELPRO Poland SP. z.o.o	Poland	z.o.o	100

Investments in associates	Registered in	Corporate form	Equity interest %
DELPRO Wind A/S	Vamdrup	A/S	50

9 Contract work in progress

	2019 DKK	2018 DKK
Contract work in progress	4,746,559	3,181,127
Progress billings regarding contract work in progress	(808,143)	(221,263)
Transferred to liabilities other than provisions	412,061	115,776
	4,350,477	3,075,640

10 Deferred tax

	2019 DKK	2018 DKK
Intangible assets	(14,293)	(42,213)
Property, plant and equipment	1,202,846	1,440,418
Receivables	(240,492)	(213,204)
Provisions	0	9,679
Tax losses carried forward	3,459,604	3,116,164
Deferred tax	4,407,665	4,310,844

	2019 DKK	2018 DKK
Changes during the year		
Beginning of year	4,310,844	5,533,603
Recognised in the income statement	96,821	(1,222,759)
End of year	4,407,665	4,310,844

It is the Management assesment that the deffered tax assets can be used within 3-5 years. The recognition is based on Management's expectations for future earnings, including growth in revenue of 6-10% annually as well as an increased profit ratio from approx. 3-5%.

As the valuation is based on expectations for the future, there will be some uncertainty as to whether the expepted result can be achieved and the period there the tax asset is excepted to be used.

11 Prepayments

Prepayments consists of prepaid rent, insurance etc.

12 Share capital

	Number	Par value DKK	Nominal value DKK
Shares	6,000,000	100	6,000,000
	6,000,000		6,000,000

13 Other provisions

Other provisions comprise anniversary provisions.

14 Other payables

	2019 DKK	2018 DKK
Holiday pay obligation	2,240,556	0
	2,240,556	0

15 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK
Finance lease liabilities	568,823	324,284	1,629,640
Other payables	0	0	2,240,556
	568,823	324,284	3,870,196

16 Changes in working capital

	2019 DKK	2018 DKK
Increase/decrease in inventories	(54,441)	173,483
Increase/decrease in receivables	(9,009,263)	(5,046,235)
Increase/decrease in trade payables etc	4,871,065	1,508,946
	(4,192,639)	(3,363,806)

17 Unrecognised rental and lease commitments

	2019 DKK	2018 DKK
Liabilities under rental or lease agreements until maturity in total	6,072,158	7,488,300

18 Contingent liabilities

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

19 Assets charged and collateral

The company's bank has provided third-party guarantees that are usual to the business. Guarantees at 31.12.2019 amount to DKK 2.3 m.

Bank loans are secured by way of floating charge of DKK 11m nominal secured on unsecured claims, inventories, operating equipment, etc. The carrying amount of the assets pledged is DKK 26.653 at 31.12.2019

As security for DELPRO Holding A/S's loans, a guarantee of all debt has been provided. The bank loan at 31.12.2019 total DKK 1,750 k

As security for DELPRO Wind A/S's bank loans, a guarantee of maximum of DKK 2,500k has been provided. The bank loan at 31.12.2019 totals DKK 4,890 k.

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: DELPRO Holding A/S, Bavnevej 50, 6580 Vamdrup

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculation on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gain and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

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

Income from investments in associates

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

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on payables and transactions in foreign currencies, etc.

Tax on profit/loss for the year

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

The Entity is jointly taxed with the Parent company. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Intellectual property rights etc**

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

Intellectual property rights acquired are measured at cost less accumulated amortisation. Licences are amortised over the term of the agreement. Acquired intangible assets are amortised over 3-5 years.

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

Property, plant and equipment

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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

Plant and machinery	3-8 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	4-7 years

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

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

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

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

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

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

Investments in associates

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

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

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

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

Receivables

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

Inventories

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

Cost consists of purchase price plus delivery costs.

Finance cost are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Contract work in progress

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

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

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

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

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other provisions

Other provisions comprise anticipated costs of anniversary provisions etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

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

Cash flow statement

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

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

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

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

Cash and cash equivalents comprise cash less short-term bank loans.