
Cibicom Services A/S

Industriparken 35, DK-2750 Ballerup

Annual Report for 1 January - 31 December 2020

CVR No 25 63 84 25

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29/4 2021

Søren Fæster
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 Cibicom Services 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 give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

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

Ballerup, 29 April 2021

Executive Board

Morten Bekker Bønnelykke
CEO

Board of Directors

Michael Meister
Chairman

Rasmus Forup Helmich

Søren Fæster

Independent Auditor's Report

To the Shareholder of Cibicom Services A/S

Opinion

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

We have audited the Financial Statements of Cibicom Services 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 ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstate-

Independent Auditor's Report

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor's Report

in a manner that gives a true and fair view.

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

Hellerup, 29 April 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Michael Krath
State Authorised Public Accountant
mne34155

Company Information

The Company

Cibicom Services A/S
Industriparken 35
DK-2750 Ballerup

CVR No: 25 63 84 25
Financial period: 1 January - 31 December
Municipality of reg. office: Ballerup

Board of Directors

Michael Meister, Chairman
Rasmus Forup Helmich
Søren Fæster

Executive Board

Morten Bekker Bønnelykke

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	9.039	5.609	375	-5.161	766
Net financials	-41	-93	-623	-673	-749
Profit/loss from discontinuing activities	0	0	-9.420	0	0
Net profit/loss for the year	9.463	9.173	-9.668	-5.834	16
Balance sheet					
Balance sheet total	72.578	56.095	50.050	72.015	74.930
Equity	45.867	36.404	27.231	9.716	15.065
Investment in property, plant and equipment	585	6.707	1.640	26	258
Number of employees	60	57	53	57	69
Ratios					
Return on assets	12,5%	10,0%	0,7%	-7,2%	1,0%
Solvency ratio	63,2%	64,9%	54,4%	13,5%	20,1%
Return on equity	23,0%	28,8%	-52,3%	-47,1%	0,1%

Management's Review

Key activities

Cibicom Services A/S' core business is designing, establishing and servicing networks for teleoperators.

Cibicom Services A/S's primary customers are Denmark's leading telecom operators, system suppliers within the telecom sector.

Development in the year

The income statement of the Company for 2020 shows a profit of DKK 9,462,866, and at 31 December 2020 the balance sheet of the Company shows equity of DKK 45,866,898.

Targets and expectations for the year ahead

We expect continued positive trends in 2021 and the years ahead.

Impact of the external environment

We are constantly working to strengthen our CSR and quality profile and we strive to decrease our impact on the environment. The company is certified in ISO9001, ISO14001 and ISO45001.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

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

Subsequent events

Reference is made to note 1 in the Financial Statements.

Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Gross profit/loss		46.001.559	41.477.242
Staff expenses	2	-36.136.590	-34.587.512
Profit/loss before depreciation (EBITDA)		9.864.969	6.889.730
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-826.039	-1.280.452
Profit/loss before financial income and expenses		9.038.930	5.609.278
Financial income	4	11.384	10.011
Financial expenses	5	-52.448	-102.533
Profit/loss before tax		8.997.866	5.516.756
Tax on profit/loss for the year	6	465.000	3.656.000
Net profit/loss for the year		9.462.866	9.172.756
Proposed distribution of profit			
Retained earnings		9.462.866	9.172.756
		9.462.866	9.172.756

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Acquired patents		0	0
Intangible assets	7	0	0
Land and buildings		5.762.937	5.584.448
Other fixtures and fittings, tools and equipment		325.382	555.741
Leasehold improvements		47.359	236.922
Property, plant and equipment	8	6.135.678	6.377.111
Investments in subsidiaries	9	400.000	0
Other receivables	10	213.322	209.357
Fixed asset investments		613.322	209.357
Fixed assets		6.749.000	6.586.468
Inventories		3.045.063	1.991.202
Trade receivables		28.216.787	29.783.300
Contract work in progress	11	6.566.313	3.841.556
Receivables from group enterprises		2.576.064	2.780.157
Other receivables		1.250	1.715.363
Deferred tax asset	14	6.275.000	5.810.000
Prepayments	12	303.452	435.171
Receivables		43.938.866	44.365.547
Cash at bank and in hand		18.845.492	3.152.276
Currents assets		65.829.421	49.509.025
Assets		72.578.421	56.095.493

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		2.001.100	2.001.100
Retained earnings		43.865.798	34.402.932
Equity		45.866.898	36.404.032
Other payables		1.598.534	513.891
Long-term debt	15	1.598.534	513.891
Trade payables		20.119.219	12.099.210
Other payables	15	4.993.770	7.078.360
Short-term debt		25.112.989	19.177.570
Debt		26.711.523	19.691.461
Liabilities and equity		72.578.421	56.095.493
Subsequent events	1		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Accounting Policies	18		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	2.001.100	34.402.932	36.404.032
Net profit/loss for the year	0	9.462.866	9.462.866
Equity at 31 December	2.001.100	43.865.798	45.866.898

Notes to the Financial Statements

1 Subsequent events

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

	2020 DKK	2019 DKK
2 Staff expenses		
Wages and salaries	32.168.667	30.595.420
Pensions	2.863.706	2.732.769
Other social security expenses	662.327	615.680
Other staff expenses	441.890	643.643
	36.136.590	34.587.512
Average number of employees	60	57

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

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	0	85.551
Depreciation of property, plant and equipment	826.039	1.194.901
	826.039	1.280.452

4 Financial income

Other financial income	11.384	10.011
	11.384	10.011

5 Financial expenses

Other financial expenses	48.366	91.996
Exchange loss	4.082	10.537
	52.448	102.533

Notes to the Financial Statements

	2020 <u>DKK</u>	2019 <u>DKK</u>
6 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	<u>-465.000</u>	<u>-3.656.000</u>
	<u>-465.000</u>	<u>-3.656.000</u>
 7 Intangible assets		
		Acquired pa- tents <u>DKK</u>
Cost at 1 January		<u>7.481.211</u>
Cost at 31 December		<u>7.481.211</u>
Impairment losses and amortisation at 1 January		<u>7.481.211</u>
Impairment losses and amortisation at 31 December		<u>7.481.211</u>
 Carrying amount at 31 December		 <u>0</u>

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	6.922.427	6.641.988	568.621	14.133.036
Additions for the year	238.832	290.582	55.192	584.606
Disposals for the year	-908.007	-1.584.481	-575.097	-3.067.585
Cost at 31 December	<u>6.253.252</u>	<u>5.348.089</u>	<u>48.716</u>	<u>11.650.057</u>
Impairment losses and depreciation at 1 January	1.337.979	6.086.247	331.699	7.755.925
Depreciation for the year	60.343	520.941	244.755	826.039
Reversal of impairment and depreciation of sold assets	-908.007	-1.584.481	-575.097	-3.067.585
Impairment losses and depreciation at 31 December	<u>490.315</u>	<u>5.022.707</u>	<u>1.357</u>	<u>5.514.379</u>
Carrying amount at 31 December	<u>5.762.937</u>	<u>325.382</u>	<u>47.359</u>	<u>6.135.678</u>

9 Investments in subsidiaries

	2020 DKK	2019 DKK
Cost at 1 January	0	0
Additions for the year	400.000	0
Cost at 31 December	<u>400.000</u>	<u>0</u>
Value adjustments at 1 January	0	0
Value adjustments at 31 December	0	0
Carrying amount at 31 December	<u>400.000</u>	<u>0</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Cibicom Supply A/S	Ballerup	400.000	100%	400.000	0

Notes to the Financial Statements

10 Other fixed asset investments

	Other receiv- ables
	<u>DKK</u>
Cost at 1 January	209.357
Additions for the year	<u>3.965</u>
Cost at 31 December	<u>213.322</u>
Impairment losses at 1 January	<u>0</u>
Impairment losses at 31 December	<u>0</u>
Carrying amount at 31 December	<u>213.322</u>

	<u>2020</u>	<u>2019</u>
	DKK	DKK
11 Contract work in progress		
Selling price of work in progress	31.742.425	27.018.298
Payments received on account	<u>-25.176.112</u>	<u>-23.176.742</u>
	<u>6.566.313</u>	<u>3.841.556</u>

12 Prepayments

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

13 Distribution of profit

Retained earnings	<u>9.462.866</u>	<u>9.172.756</u>
	<u>9.462.866</u>	<u>9.172.756</u>

Notes to the Financial Statements

	2020 DKK	2019 DKK
14 Deferred tax asset		
Deferred tax asset at 1 January	5.810.000	2.154.000
Amounts recognised in the income statement for the year	465.000	3.656.000
Deferred tax asset at 31 December	6.275.000	5.810.000
Materielle anlægsaktiver	-4.457.852	-4.118.114
Leasehold improvements	-74.353	-280.552
Inventories	-66.000	-66.000
Tilgodehavender fra salg og tjenesteydelse	-40.257	-25.864
Tax loss carry-forward	-20.233.369	-22.401.083
Transferred to deferred tax asset	24.871.831	26.891.613
	0	0

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

Deferred tax asset

Calculated tax asset	24.871.831	26.891.613
Write-down to assessed value	-18.596.831	-21.081.613
Carrying amount	6.275.000	5.810.000

15 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:

Other payables

Between 1 and 5 years	1.598.534	513.891
Long-term part	1.598.534	513.891
Other short-term payables	4.993.770	7.078.360
	6.592.304	7.592.251

Notes to the Financial Statements

	2020 DKK	2019 DKK
16 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	2.393.594	1.468.560
Between 1 and 5 years	3.840.843	2.339.218
After 5 years	3.010	0
	6.237.447	3.807.778
Rent obligation in interminable rent agreements	60.000	1.008.807

Other contingent liabilities

The 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 DK Infrastructure Topco ApS, which is the management company of the joint taxation purposes. Moreover, the 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.

Notes to the Financial Statements

17 Related parties

Basis

Controlling interest

Cibicom A/S, Banestrøget 19, DK-2630 Taastrup Owns 100 % of the share capital of the company.

Transactions

All of the Company's transactions have been carried out on an arm's length basis.

Consolidated Financial Statements

The company is included in the consolidated financial statements of the following companies:

<u>Name</u>	<u>Place of registered office</u>
DK Infrastructure Topco ApS	DK-2630 Taastrup
DK Infrastructure Bidco ApS	DK-2630 Taastrup

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Cibicom Services A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK.

Cash flow statement

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

Recognition and measurement

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

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

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

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

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

Leases

Leases in terms of which the Company 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 Company.

Notes to the Financial Statements

18 Accounting Policies (continued)

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

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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in 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.

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 Company. 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.

Expenses for raw materials and consumables

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

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 other Danish group companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

18 Accounting Policies (continued)

Balance Sheet

Intangible assets

Acquired rights is measured at cost less accumulated amortisation. Acquired rights is amortised on a straight-line basis over its useful life, which is assessed at 7 - 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.

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:

Land and buildings	25 years
Other fixtures and fittings, tools and equipment	1-5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

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

The item "Investments in subsidiaries" 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.

Notes to the Financial Statements

18 Accounting Policies (continued)

The total net revaluation of investments in subsidiaries 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 subsidiaries.

Subsidiaries 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.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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.

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

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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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

Prepayments

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

Deferred tax assets and liabilities

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

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by 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.

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.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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