
Bellakvarter A/S

Center Boulevard 5, DK-2300 Copenhagen

Annual Report for 1 January - 31 December 2020

CVR No 26 06 77 15

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/6 2021

Mette Kapsch
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 Bellakvarter 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.

Copenhagen, 25 June 2021

Executive Board

Henrik Gram
Executive Officer

Mette Kapsch
Executive Officer

Board of Directors

Rune Holmgaard-Poulsen
Chairman

Søren Møller-Larsson
Deputy Chairman

Martin Rauhe Pedersen

Independent Auditor's Report

To the Shareholder of Bellakvarter 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 Bellakvarter 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, 25 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen
State Authorised Public Accountant
mne18651

Claus Carlsson
State Authorised Public Accountant
mne29461

Company Information

The Company

Bellakvarter A/S
Center Boulevard 5
DK-2300 Copenhagen

CVR No: 26 06 77 15
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Rune Holmgaard-Poulsen, Chairman
Søren Møller-Larsson
Martin Rauhe Pedersen

Executive Board

Henrik Gram
Mette Kapsch

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					
Revenue	14.216	77.600	154.647	603.409	91.939
Gross profit/loss	92.147	148.108	215.468	56.837	152.504
Value adjustments of investment properties/land	123.335	154.910	0	0	0
Profit/loss before financial income and expenses	92.147	144.922	210.968	53.837	152.004
Net financials	-9.757	-21.513	-2.629	-5.725	-4.073
Net profit/loss for the year	45.454	95.223	162.516	-9.063	-147.336
Balance sheet					
Balance sheet total	1.826.138	1.301.604	1.447.281	799.457	744.800
Equity	545.478	479.097	567.839	396.358	345.365
Investment properties, (land for development)	170.301	344.884	361.833	384.500	327.563
Investment properties, (rental properties)	121.121	120.172	580.292	0	0
Investment properties, (rental properties in progress)	1.487.138	755.815	433.303	0	0
Inventories	0	0	0	339.185	347.617
Investment in property, plant and equipment	434.357	1.069.145	0	0	0
Ratios					
Return on assets	5,0%	11,1%	14,6%	6,7%	20,4%
Solvency ratio	29,9%	36,8%	39,2%	49,6%	46,4%
Return on equity	8,9%	18,2%	33,7%	-2,4%	-85,3%

For definition of key ratios, see under accounting policies.

*) The Company's hospitality activities and related assets/liabilities were carved out and injected into three newly established subsidiaries of the Company during 2016. The activities have been presented as profit/loss from discontinued activities

Management's Review

Key activities

Bellakvarter is a new attractive urban district of Copenhagen. In cooperation with the Copenhagen Municipality, the Company has developed a masterplan for approximately 182,000 square metres land area on which more than 335,000 square metres of new residential and commercial property can be constructed.

The construction projects are carried out through the 100 % owned subsidiary Bellakvarter Projektselskab A/S, in close cooperation with Solstra Development ApS, and other carefully selected business partners.

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

Net profit, including value adjustments of properties and before financial expenses and tax (EBIT) amounts to DKK 92 million (2019: DKK 145 million).

The main driver of profit is value adjustments which add up to DKK 123 million (2019 155 million), including valuation of a sold rental property at DKK 91 million (net) and revaluation of building rights at DKK 32 million.

Net result after tax amounts to DKK 45 million (2019: DKK 95 million).

The result is lower than expected in the prior year outlook due to a postponement of the revaluations relating to the plots where the old Bella Center hall are to be demolished.

The Corona Virus Disease ("Covid-19") does not have a direct impact on the construction process. However, the situation does have a significant impact on revenue generated from parking, which is significantly negatively affected by the Covid-19 situation impact on BC Hospitality Groups business areas, especially temporary closedown of AC Bella Sky hotel, as well as for Bella Center the prohibition of assembly causes that fairs and congresses on a large scale have been postponed.

Targets and expectations for the year ahead

The Company expects an increase in 2021 profit mainly as four rental properties are expected to be completed, and additional construction of approx. 35,000 square metres apartment properties are expected to be initiated. Therefore net result is expected to be significantly higher than in 2020 and in the range of DKK 500 million.

Uncertainty relating to recognition and measurement

Uncertainty exist relating to recognition and measurement of Undeveloped land areas at expected market value. The market value is based on individual assessment of plots. For further details, reference is made to the note for property, plant and equipment, as well as the note for assets measured at fair value.

Management's Review

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

No significant subsequent events have occurred

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2020</u> TDKK	<u>2019</u> TDKK
Revenue		14.216	77.600
Cost of goods sold		-8.408	-59.526
Other external expenses		-36.996	-24.876
Gross profit/loss before value adjustments		-31.188	-6.802
Value adjustments of investment properties		123.335	154.910
Gross profit/loss after value adjustments		92.147	148.108
Depreciation and impairment of and property, plant and equipment	1	0	-3.186
Profit/loss before financial income and expenses		92.147	144.922
Financial income	2	1.436	711
Financial expenses	3	-11.193	-22.224
Profit/loss before tax		82.390	123.409
Tax on profit/loss for the year	4	-36.936	-28.186
Net profit/loss for the year		45.454	95.223

Balance Sheet 31 December

Assets

	Note	2020 TDKK	2019 TDKK
Investment properties (land for development)	5	170.301	344.884
Investment properties (rental properties)	5	121.121	120.172
Investment properties (rental properties in progress)	5	1.487.138	755.815
Property, plant and equipment		1.778.560	1.220.871
Investments in subsidiaries	6	500	500
Fixed asset investments		500	500
Fixed assets		1.779.060	1.221.371
Receivables from group enterprises		1.433	0
Other receivables		14.645	14.642
Receivables		16.078	14.642
Cash at bank and in hand	7	31.000	65.591
Currents assets		47.078	80.233
Assets		1.826.138	1.301.604

Balance Sheet 31 December

Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital		21.500	20.269
Share premium account		0	170.509
Retained earnings		523.978	288.319
Equity		545.478	479.097
Provision for deferred tax	9	92.153	93.439
Provisions		92.153	93.439
Mortgage loans		0	21.446
Credit institutions		36.000	0
Long-term debt	10	36.000	21.446
Mortgage loans	10	0	1.212
Credit institutions	10	1.039.529	566.981
Trade payables		5.658	3.695
Payables to group enterprises		71.812	129.492
Corporation tax		27.008	0
Deposits		7.597	3.404
Other payables		903	2.838
Short-term debt		1.152.507	707.622
Debt		1.188.507	729.068
Liabilities and equity		1.826.138	1.301.604
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Statement of Changes in Equity

	Share capital	Share premium	Retained	Total
	TDKK	account	earnings	TDKK
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	20.269	170.509	288.319	479.097
Cash capital increase	1.231	19.696	0	20.927
Net profit/loss for the year	0	0	45.454	45.454
Transfer from share premium account	0	-190.205	190.205	0
Equity at 31 December	21.500	0	523.978	545.478

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
1 Depreciation and impairment of and property, plant and equipment		
Depreciation of property, plant and equipment	0	3.186
	0	3.186
2 Financial income		
Interest received from group enterprises	1.433	0
Other financial income	3	711
	1.436	711
3 Financial expenses		
Other financial expenses	11.193	22.224
	11.193	22.224
4 Tax on profit/loss for the year		
Current tax for the year	21.389	64.348
Deferred tax for the year	-1.286	-35.952
Adjustment of tax concerning previous years	16.833	974
Adjustment of deferred tax concerning previous years	0	-1.184
	36.936	28.186

Notes to the Financial Statements

5 Assets measured at fair value

	Investment pro- perties (land for development)	Investment properties (rental properties)	Investment properties (rental properties in progress)
	TDKK	TDKK	TDKK
Cost at 1 January	88.166	120.172	599.442
Additions for the year	0	949	898.174
Disposals for the year	-29.860	-295.042	0
Transfers for the year	0	295.042	-295.042
Cost at 31 December	<u>58.306</u>	<u>121.121</u>	<u>1.202.574</u>
Value adjustments at 1 January	256.718	0	156.372
Revaluations for the year	0	94.366	32.049
Reversal of revaluations of sold assets	0	-142.946	0
Transfers for the year	-144.723	48.580	96.143
Value adjustments at 31 December	<u>111.995</u>	<u>0</u>	<u>284.564</u>
Carrying amount at 31 December	<u>170.301</u>	<u>121.121</u>	<u>1.487.138</u>

Assumptions underlying the determination of fair value of investment properties

The valuation (net book value "NBV") of Investment properties (land for development), Investment properties (rental properties) as well as Investment properties (rental properties in progress) of total DKK 1,779 million has been determined based on the principles described in the accounting policies. The valuation takes into consideration the most recent experiences obtained in connection with disposal of constructed buildings. The carrying amount of DKK 1,779 million take into account provision of profit share to Municipality of Copenhagen and By & Havn, that only will be payable if development is completed.

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
6 Investments in subsidiaries		
Cost at 1 January	500	500
Carrying amount at 31 December	500	500

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Bellakvarter Projektselskab A/S	Copenhagen	500.000	100%	14.926	2.316

7 Cash at bank and in hand

Restricted cash	4.000	4.000
Other cash at bank and in hand	27.000	61.591
	31.000	65.591

8 Distribution of profit

	2020 TDKK	2019 TDKK
Extraordinary dividend paid	0	175.000
Retained earnings	45.454	-79.777
	45.454	95.223

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
9 Provision for deferred tax		
Provision for deferred tax at 1 January	93.439	130.575
Amounts recognised in the income statement for the year	-1.286	-37.136
Provision for deferred tax at 31 December	92.153	93.439
Property, plant and equipment	61.399	0
Amortization	-65	0
Tax loss carry-forward	30.819	93.439
	92.153	93.439

10 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:

Mortgage loans

Between 1 and 5 years	0	21.446
Long-term part	0	21.446
Within 1 year	0	1.212
	0	22.658

Credit institutions

Between 1 and 5 years	36.000	0
Long-term part	36.000	0
Other short-term debt to credit institutions	1.039.529	566.981
	1.075.529	566.981

11 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with banks:

Property, plant and equipment as well as investment properties have been charged as collateral with mortgage credit institutes. The collateral amounts to DKK 1,075,000k for credit facilities and DKK 22,658k for mortgage loans.

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK

11 Contingent assets, liabilities and other financial obligations (continued)

Contingent liabilities

For the income year up to 31 January 2020, the Company is jointly and severally liable for tax on the jointly taxed incomes etc. of the Solstra Investment Group and for the period 1 January to 31 December 2020 the Company is jointly and severally liable for tax on the jointly taxed incomes etc. of the Bellakvarter Group. The total amount of corporation tax payable is disclosed in the Annual Report of respectively Solstra Investments A/S and Bellakvarter A/S, which is the management company for the 2 joint taxations groups. 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 unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.14

12 Related parties

Related parties during the year are considered to be the Board of Directors, Key Management and 2019.17.12 BidCo A/S (Parent), as well as other companies in the 2019.12.17 Holding P/S group.

Basis

Controlling interest

2019.12.17 Holding P/S, Copenhagen	Ultimate parent company
2019.12.17 BidCo A/S, Copenhagen	Parent company

Transactions

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

Ownership

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

2019.12.17 BidCo A/S

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Notes to the Financial Statements

12 Related parties (continued)

<u>Name</u>	<u>Place of registered office</u>
2019.12.17 Holding P/S	Copenhagen

The Group Annual Report of 2019.12.17 Holding P/S may be obtained at the following address:

2019.12.17 Holding P/S
Amaliegade 24, st.
1256 Copenhagen K

Notes to the Financial Statements

13 Accounting Policies

The Annual Report of Bellakvarter 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 TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of 2019.12.17 Holding P/S, the Company has not prepared consolidated financial statements.

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 , 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.

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

Notes to the Financial Statements

13 Accounting Policies (continued)

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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Income Statement

Revenue

Rental income is recognised on a straight line-basis over the term of the lease.

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.

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

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

Cost of goods sold

Cost of goods sold primarily include cost of construction of sold goods for the year.

Notes to the Financial Statements

13 Accounting Policies (continued)

Other external expenses

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

Gross profit/loss after value adjustments

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, cost of goods sold and other external 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.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

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 Solstra Investments A/S for the period up to 31 January 2020, as well as its wholly owned Danish subsidiaries. For the period after 31 January 2020, the Company is jointly taxed with Bellakvarter Projektselskab.

Notes to the Financial Statements

13 Accounting Policies (continued)

Balance Sheet

Investment properties and Property, plant and equipment

Investment properties

Investment properties (land) constitute land and buildings held to earn a return on the invested capital by way of current operating income and/or capital appreciation on sale.

On acquisition investment properties (land) are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed investment properties (land for development) comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and suppliers up until the time when the asset is ready for use.

After the initial recognition investment properties (land) are measured at fair value.

In Management's opinion the classification of the properties as investment properties did not cause any difficulties.

Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The determination of fair value involves material accounting estimates.

The estimates applied are based on historical information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material. The assumptions applied are disclosed in the notes.

Comparable market transactions

In Management's opinion the determination of fair value for the year was enabled through comparable market transactions and, consequently, valuation is based on the expected selling price of investment properties.

Other property, plant and equipment

Other 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

Notes to the Financial Statements

13 Accounting Policies (continued)

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 10-50 years.

Depreciation period and residual value are reassessed annually.

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 subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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.

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes

Notes to the Financial Statements

13 Accounting Policies (continued)

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

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

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

Deferred income

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$

Notes to the Financial Statements

13 Accounting Policies (continued)

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$