BEIERHOLM
VI SKABER BALANCE

HITSA A/S

Albuen 37, 6000 Kolding

CVR no. 28 85 41 02

Annual report for 2022

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 28.06.23

Roderick Wijsmuller
Dirigent

STATSAUTORISERET
REVISIONSPARTNERSELSKAB

Vi er et uafhængigt medlem af
det globale rådgivnings- og revisionsnetværk

Haderslev
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Tel. 74 52 18 12
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CVR-nr. 32 89 54 68

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Company information etc.

The company

HITSA A/S
Albuen 37
6000 Kolding

Tel.: 75 57 41 55
E-mail: hitsa@hitsa.dk
Registered office: Kolding
CVR no.: 28 85 41 02
Financial year: 01.01 - 31.12

Executive Board

Chief executive officer Henrik Andersen

Board of Directors

Roderick Wijsmuller
Chief executive officer Henrik Andersen
James Steward

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.22 - 31.12.22 for HITSA A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities for the financial year 01.01.22 - 31.12.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Kolding, June 28, 2023

Executive Board

Henrik Andersen
Chief executive officer

Board of Directors

Roderick Wijsmuller Chairman	Henrik Andersen Chief executive officer	James Steward

To the Shareholders of HITSA A/S

Opinion

We have audited the financial statements of HITSA A/S for the financial year 01.01.22 - 31.12.22, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.22 and of the results of the company's operations for the financial year 01.01.22 - 31.12.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement regarding the 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 Financial Statements Act.

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

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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.

Haderslev, June 28, 2023

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Rasmus Ørskov
State Authorized Public Accountant
MNE-no. mne42777

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2022	2021	2020	2019	2018
Profit/loss					
Gross profit	53,173	57,649	18,250	18,515	15,507
Index	343	372	118	119	100
Operating profit	12,866	17,044	-1,202	1,349	3,328
Index	387	512	-36	41	100
Total net financials	4,086	5,059	1,990	1,339	6,989
Profit for the year	14,312	18,670	1,146	2,527	9,789
Balance					
Total assets	142,502	125,283	48,330	42,206	48,386
Investments in property, plant and equipment	1,090	13,523	1,211	762	306
Equity	46,404	40,224	21,852	20,895	22,917

Ratios

	2022	2021	2020	2019	2018
Profitability					
Return on equity	33%	60%	5%	12%	74%
Equity ratio					
Solvency ratio	33%	32%	45%	50%	47%
Others					
Number of employees (average)	62	66	39	32	23

Ratios definitions

Return on equity: $\dfrac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Solvency ratio: $\dfrac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

The company's activities consist of developing, producing and implementing urban space solutions and outdoor lighting. Special emphasis is placed on urban space furnishings and lighting that promote (urban) quality of life, sustainability, and social inclusion.

Uncertainty concerning recognition and measurement

There are no material recognition and measurement uncertainties.

Exceptional conditions

The financial period is negatively impacted by high energy prices, a fall in the SEK exchange rate and the war in Ukraine.

Development in activities and financial affairs

The income statement for the period 01.01.22 - 31.12.22 shows a profit/loss of DKK 14,311,995 against DKK 18,670,034 for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK 46,403,874.

The year has presented challenges, especially with high energy prices. However, the ESG-related work on reducing CO2 has meant that energy costs have not fully materialised.
Management finds the result for the year satisfactory considering a volatile market

Result for the year compared to previously announced expectations

The result for the year is as expected.

Outlook

The company expect a strengthened result in the coming years based on stable energy and raw material prices and synergies generated through the CROWD Group.

Financial risks

The company is exposed to raw material price risks, as several raw materials with fluctuating prices are included in the company's products. In addition, the company is also exposed to the Swedish krona. The impact on the result for the year has been significant, but the company has largely been able to compensate for the loss of revenue by focusing on internal optimisation.

External environment

As part of the overall strategy for the Group's environmental work, an environmental policy with associated objectives has been drawn up. This policy is based on environmentally sound operations and is a natural part of the company's objectives for product quality, production conditions and CO2 reduction.

The company acts in accordance with applicable environmental and safety legislation, and in 2022 the company obtained environmental certification of the factory in Kolding according to the ISO 14001 standard

Research and development activities

Development activities consist of new products and solutions for installation in public spaces. The company continuously invests in development and marketing with the aim of improving life in and around cities.

Subsequent events

No important events have occurred after the end of the financial year.

Corporate social responsibility (CSR - Corporate Social Responsibility, Social Responsibility, Sustainability)

The Group is responsible for implementing a strategy that helps to ensure that the Group is a strong and inclusive community where people care for each other and where vulnerable people are given a special chance.

Against this background, the management has developed and implemented a social strategy where the Group wants to make an extraordinary effort to help people on the edge of the labour market back into work and retain vulnerable people in their jobs.

See more information about the CSR/ESG work at: https://hitsa.dk/om-hitsa/baeredygtighed/

Income statement

Note		2022 DKK	2021 DKK
	Gross profit	**53,172,518**	**57,649,319**
1	Staff costs	-35,455,685	-36,018,577
	Profit before depreciation, amortisation, write-downs and impairment losses	**17,716,833**	**21,630,742**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-4,851,271	-4,353,707
	Other operating expenses	0	-233,231
	Operating profit	**12,865,562**	**17,043,804**
2	Income from equity investments in group enterprises	4,790,143	6,353,050
3	Financial income	1,313,082	592,922
4	Financial expenses	-2,017,022	-1,887,160
	Profit before tax	**16,951,765**	**22,102,616**
	Tax on profit for the year	-2,639,770	-3,432,582
	Profit for the year	**14,311,995**	**18,670,034**

5 Proposed appropriation account

Balance sheet

ASSETS

Note		31.12.22 DKK	31.12.21 DKK
	Completed development projects	2,576,265	2,698,374
	Acquired rights	786,137	1,116,351
	Goodwill	5,600,000	6,300,000
	Development projects in progress	278,963	753,767
6	**Total intangible assets**	**9,241,365**	**10,868,492**
	Leasehold improvements	3,142,159	3,492,587
	Plant and machinery	5,908,843	6,659,988
	Other fixtures and fittings, tools and equipment	1,951,720	2,384,253
7	**Total property, plant and equipment**	**11,002,722**	**12,536,828**
8	Equity investments in group enterprises	48,395,526	42,481,587
9	Deposits	995,884	2,225,129
	Total investments	**49,391,410**	**44,706,716**
	Total non-current assets	**69,635,497**	**68,112,036**
	Raw materials and consumables	17,586,716	16,596,252
	Work in progress	23,513,637	16,338,975
	Total inventories	**41,100,353**	**32,935,227**
	Trade receivables	12,109,574	15,516,690
	Receivables from group enterprises	12,936,356	7,501,219
	Deferred tax asset	0	270,376
	Other receivables	265,614	128,322
10	Prepayments	867,389	505,020
11	**Total receivables**	**26,178,933**	**23,921,627**
	Cash	**5,587,487**	**313,714**
	Total current assets	**72,866,773**	**57,170,568**
	Total assets	**142,502,270**	**125,282,604**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.22 DKK	31.12.21 DKK
12	Share capital	839,000	839,000
	Reserve for net revaluation according to the equity method	22,814,759	17,839,393
	Reserve for development costs	1,184,351	1,298,878
	Retained earnings	21,565,764	12,746,705
	Proposed dividend for the financial year	0	7,500,000
	Total equity	**46,403,874**	**40,223,976**
13	Provisions for deferred tax	14,459	0
14	Other provisions	700,000	909,748
	Total provisions	**714,459**	**909,748**
15	Payables to other credit institutions	0	2,373,304
15	Payables to group enterprises	43,908,707	40,182,651
15	Other payables	3,575,524	3,489,874
	Total long-term payables	**47,484,231**	**46,045,829**
15	Short-term part of long-term payables	0	2,500,000
	Payables to other credit institutions	500	8,845,216
	Prepayments received from customers	3,538,777	3,109,084
	Trade payables	6,626,038	6,770,686
	Payables to group enterprises	31,708,449	416,234
	Income taxes	2,274,935	3,194,743
	Other payables	3,751,007	13,267,088
	Total short-term payables	**47,899,706**	**38,103,051**
	Total payables	**95,383,937**	**84,148,880**
	Total equity and liabilities	**142,502,270**	**125,282,604**

16 Contingent liabilities
17 Charges and security
18 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.22 - 31.12.22						
Balance as at 01.01.22	839,000	17,839,393	1,298,878	12,746,705	7,500,000	40,223,976
Foreign currency translation adjustment of foreign enterprises	0	-632,097	0	0	0	-632,097
Dividend paid	0	0	0	0	-7,500,000	-7,500,000
Transfers to/from other reserves	0	0	-114,527	114,527	0	0
Net profit/loss for the year	0	5,607,463	0	8,704,532	0	14,311,995
Balance as at 31.12.22	839,000	22,814,759	1,184,351	21,565,764	0	46,403,874

Notes

	2022 DKK	2021 DKK

1. Staff costs

	2022 DKK	2021 DKK
Wages and salaries	31,150,514	31,273,041
Pensions	2,617,820	2,893,933
Other social security costs	737,861	789,288
Other staff costs	949,490	1,062,315
Total	35,455,685	36,018,577
Average number of employees during the year	62	66

Remuneration for the management:

	2022 DKK	2021 DKK
Remuneration for the Executive Board and Board of Directors	1,163,840	1,768,000

2. Income from equity investments in group enterprises

	2022 DKK	2021 DKK
Share of profit or loss of group enterprises	4,790,143	6,353,050
Total	4,790,143	6,353,050

3. Financial income

	2022 DKK	2021 DKK
Interest, group enterprises	275,376	231,308
Other interest income	20,296	244
Foreign exchange gains	1,017,408	361,290
Other financial income	2	80
Other financial income	1,037,706	361,614
Total	1,313,082	592,922

	2022 DKK	2021 DKK

4. Financial expenses

	2022 DKK	2021 DKK
Interest, group enterprises	1,460,941	1,359,837
Other interest expenses	351,831	391,158
Other financial expenses	204,250	136,165
Other financial expenses total	556,081	527,323
Total	2,017,022	1,887,160

5. Proposed appropriation account

	2022 DKK	2021 DKK
Reserve for net revaluation according to the equity method	5,607,463	5,573,051
Proposed dividend for the financial year	0	7,500,000
Retained earnings	8,704,532	5,596,983
Total	14,311,995	18,670,034

6. Intangible assets

Figures in DKK	Completed development projects	Acquired rights	Goodwill	Development projects in progress
Cost as at 01.01.22	3,321,393	1,476,360	7,000,000	753,766
Additions during the year	0	184,036	0	421,778
Transfers during the year to/from other items	896,581	0	0	-896,581
Cost as at 31.12.22	4,217,974	1,660,396	7,000,000	278,963
Amortisation and impairment losses as at 01.01.22	-623,019	-360,009	-700,000	0
Amortisation during the year	-1,018,690	-514,250	-700,000	0
Amortisation and impairment losses as at 31.12.22	-1,641,709	-874,259	-1,400,000	0
Carrying amount as at 31.12.22	2,576,265	786,137	5,600,000	278,963

Completed development projects include the development of new products and solutions for installation in public spaces. The value is calculated as the cost of materials plus time spent on development. The carrying amount per project is estimated and written down if the fair value is lower than the carrying amount. Projects are completed on an ongoing basis and depreciated over 3-5 years.

Justification of goodwill amortization period

Investments relating to the acquisition of companies with significant market potential are considered to be of strategic importance. Taking into account the Group's business and earnings forecasts, the useful life of goodwill for such acquisitions has been set at 10 years.

7. Property, plant and equipment

Figures in DKK	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.01.22	4,003,184	7,598,940	3,957,337
Additions during the year	201,678	229,749	658,907
Disposals during the year	0	0	-616,304
Cost as at 31.12.22	4,204,862	7,828,689	3,999,940
Depreciation and impairment losses as at 01.01.22	-510,597	-938,952	-1,573,082
Depreciation during the year	-552,106	-980,894	-1,085,331
Reversal of depreciation of and impairment losses on disposed assets	0	0	610,193
Depreciation and impairment losses as at 31.12.22	-1,062,703	-1,919,846	-2,048,220
Carrying amount as at 31.12.22	3,142,159	5,908,843	1,951,720

8. Equity investments in group enterprises

Figures in DKK	Equity investments in group enterprises
Cost as at 01.01.22	24,640,986
Additions during the year	939,781
Cost as at 31.12.22	25,580,767
Revaluations as at 01.01.22	17,840,600
Foreign currency translation adjustment of foreign enterprises	-632,097
Amortisation of goodwill	-860,955
Net profit/loss from equity investments	4,167,963
Elimination of intra-group profit from property, plant and equipment	1,483,136
Other adjustments relating to equity investments	816,112
Revaluations as at 31.12.22	22,814,759
Carrying amount as at 31.12.22	48,395,526
The item comprises goodwill as at 31.12.22 of	5,600,000
Positive balances ascertainable on initial recognition of equity investments measured at equity value	860,955

Name and registered office:	Ownership interest
Subsidiaries:	
Hitsa Invest A/S, Kolding	100%
Lampas A/S, Kolding	100%
VT East Sia, Letland	100%
Hitsa AB, Sverige	100%

9. Other non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.22	2,225,129
Additions during the year	-1,229,245
Cost as at 31.12.22	995,884
Carrying amount as at 31.12.22	995,884

	31.12.22 DKK	31.12.21 DKK
10. Prepayments		
Other prepayments	867,389	505,020
Total	867,389	505,020

11. Receivables

Receivables which fall due for payment more than 1 year after the end of the financial year	8,122,769	6,972,763

Receivables falling due more than one year after the end of the financial year are included in the accounting item 'Receivables from group enterprises'.

12. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	839,000	839,000
Total		839,000

	31.12.22 DKK	31.12.21 DKK

13. Deferred tax

Deferred tax as at 01.01.22	-270,376	-386,215
Deferred tax recognised in the income statement	284,835	115,839
Deferred tax as at 31.12.22	14,459	-270,376

14. Other provisions

Figures in DKK	Warranty commitments
Provisions during the year	700,000
Provisions as at 31.12.22	700,000

	31.12.22 DKK	31.12.21 DKK
Other provisions are expected to be distributed as follows:		
Current liabilities	700,000	909,748
Total	700,000	909,748

15. Long-term payables

Figures in DKK	Outstanding debt after 5 years	Total payables at 31.12.22	Total payables at 31.12.21
Payables to credit institutions	0	0	4,873,304
Payables to group enterprises	0	43,908,707	40,182,651
Other payables	3,315,805	3,575,524	3,489,874
Total	3,315,805	47,484,231	48,545,829

16. Contingent liabilities

Lease commitments

The company has entered into leasing contracts with a remaining term of 12-60 months and an average payment of DKK 8 thousand, totaling DKK 788 thousand.

The company has entered into an agreement for the lease of business premises with a total commitment of DKK 22.8 million in the non-cancellable period.

Recourse guarantee commitments

The company has provided a guarantee for group enterprises' debt to credit institutions.

Other contingent liabilities

The company has issued a declaration of support to a subsidiary. The declaration of support concerns a receivable of DKK 8,123 thousand until the general meeting is held, where the annual report for the financial year 2023 will be presented for approval.

17. Charges and security

At the balance sheet date, the Company has given a letter of indemnity secured by movable assets for all outstanding balances with banks. The security is maximised to a total of DKK 27,000k..

18. Related parties

Controlling influence	Basis of influence
CROWD Nordics ApS, Kolding	Principal shareholder

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 1. Staff costs.

The company is included in the consolidated financial statements of the parent CROWD Nordics ApS, Kolding.

19. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of CROWD Nordics ApS, Kolding, CVR no. 43347268, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or

19. Accounting policies - continued -

expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the reserve for net revaluation according to the equity method in respect of investments measured according to the equity method, and otherwise under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

19. Accounting policies - continued -

Change in inventories of finished goods and work in progress

Change in inventories of finished goods and work in progress comprises adjustments in inventories of finished goods and work in progress for the year, including write-downs of inventories of finished goods and work in progress to the extent that these do not exceed normal write-downs.

Work performed for own account and capitalised

Work performed for own account and capitalised comprises cost of sales, wages and salaries and other internal expenses incurred during the year and included in the cost of self-constructed or self-produced intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise production costs, selling costs, vehicle expenses, cost of premises and administrative expenses as well as other capacity costs, including bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Wages and salaries and other staff-related costs associated with the research and development activity are also recognised under staff costs.

19. Accounting policies - continued -

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Completed development projects	3-10	
Acquired rights	3	0
Goodwill	10	0
Leasehold improvements	3-10	0
Plant and machinery	5-8	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Goodwill is amortised over 10 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Income from equity investments in group entreprises

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

19. Accounting policies - continued -

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Completed development projects and development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

19. Accounting policies - continued -

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

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

19. Accounting policies - continued -

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Equity investments with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

On the acquisition of non-controlling interests in subsidiaries, the acquisition method is applied, according to which the acquired identifiable assets and liabilities are measured at fair value at the date of acquisition.

Goodwill recognised under equity investments is amortised according to the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at years for equity investments in subsidiaries. The useful life has been determined in consideration of the expected future net earnings of the enterprise to which the goodwill relates.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale,

19. Accounting policies - continued -

including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed, unless goodwill is included in the carrying amount of equity investments.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

19. Accounting policies - continued -

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

19. Accounting policies - continued -

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses

19. Accounting policies - continued -

and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.