BEIERHOLM
VI SKABER BALANCE

HITSA A/S

Albuen 37, 6000 Kolding
CVR no. 28 85 41 02

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 23.05.24

Roderick Wijsmuller
Dirigent

Table of contents

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 01.01.23 - 31.12.23 for HITSA A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

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, May 23, 2024

Executive Board

Henrik Andersen
Chief executive officer

Board of Directors

Roderick Wijsmuller Chairman	Henrik Andersen Chief executive officer	James Steward

To the Shareholder of HITSA A/S

Opinion

We have audited the financial statements of HITSA A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's financial position at 31.12.23 and of the results of the company's operations for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

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' 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 on the management's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, it is 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 the 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 of the 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 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 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 judgment 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 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, May 23, 2024

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	2023	2022	2021	2020	2019
Profit/loss					
Gross profit	49,991	53,173	57,649	18,250	18,515
Index	270	287	311	99	100
Operating profit	11,863	12,866	17,044	-1,202	1,349
Index	879	954	1,263	-89	100
Total net financials	101	4,086	5,059	1,990	1,339
Profit for the year	9,964	14,312	18,670	1,146	2,527
Balance					
Total assets	154,622	142,502	125,283	48,330	42,206
Investments in property, plant and equipment	4,864	1,090	13,523	1,211	762
Equity	56,483	46,404	40,224	21,852	20,895

Ratios

	2023	2022	2021	2020	2019
Profitability					
Return on equity	19%	33%	60%	5%	12%
Equity ratio					
Solvency ratio	37%	33%	32%	45%	50%
Others					
Number of employees (average)	59	62	66	39	32

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.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit/loss of DKK 9,963,596 against DKK 14,311,995 for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 56,483,081.

Management considers the result for the year to be inline with market conditions.

Result for the year compared to previously announced expectations

Last year, the company expected a stronger result based on stable energy and raw material prices. The activity level in 2023 has been lower than expected due to declining order intake in the first half of 2023, resulting in a lower-than-expected result. In light of the above, management is satisfied with the result..

Outlook

Based on synergies generated by initiatives in HITSA as well as generated by the CROWD Group, management expects an increase in EBITDA compared to 2023, and thereby an expected EBITDA of between DKK 17 - 18 million. This assumes unchanged market conditions

Financial risks

Price risks

The company is exposed to commodity price risks, as the company's products contain a number of raw materials with fluctuating prices.

Foreign currency risks

The company is exposed to the Swedish krona.

Interest rate risks

The company is financed via the parent company, which earn interest on market terms.

There is a risk associated with rising market interest rates.

Liquidity risks

The company has no significant debt to credit institutions.

External environment

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

Research and development activities

Development activities consist of new products and solutions for installation in urban 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.

Income statement

Note		2023 DKK	2022 DKK
	Gross profit	**49,991,152**	**53,172,518**
1	Staff costs	-33,286,188	-35,455,685
	Profit before depreciation, amortisation, write-downs and impairment losses	**16,704,964**	**17,716,833**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-4,841,669	-4,851,271
	Operating profit	**11,863,295**	**12,865,562**
2	Income from equity investments in group enterprises	2,701,014	4,790,143
3	Financial income	755,664	1,313,082
4	Financial expenses	-3,355,210	-2,017,022
	Profit before tax	**11,964,763**	**16,951,765**
	Tax on profit for the year	-2,001,167	-2,639,770
	Profit for the year	**9,963,596**	**14,311,995**

5 Proposed appropriation account

Balance sheet

ASSETS

Note		31.12.23 DKK	31.12.22 DKK
	Completed development projects	1,521,247	2,576,265
	Acquired rights	264,441	786,137
	Goodwill	4,900,000	5,600,000
	Development projects in progress	1,104,693	278,963
6	**Total intangible assets**	**7,790,381**	**9,241,365**
	Leasehold improvements	2,633,423	3,142,159
	Plant and machinery	5,052,544	5,908,843
	Other fixtures and fittings, tools and equipment	4,226,561	1,951,720
	Property, plant and equipment under construction	1,386,400	0
7	**Total property, plant and equipment**	**13,298,928**	**11,002,722**
8	Equity investments in group enterprises	53,337,153	48,395,526
9	Deposits	1,127,074	995,884
	Total investments	**54,464,227**	**49,391,410**
	Total non-current assets	**75,553,536**	**69,635,497**
	Raw materials and consumables	17,402,949	17,586,716
	Work in progress	13,014,389	23,513,637
	Total inventories	**30,417,338**	**41,100,353**
	Trade receivables	15,395,336	12,109,574
	Receivables from group enterprises	20,493,041	12,936,356
	Other receivables	397,612	265,613
10	Prepayments	767,173	867,389
11	**Total receivables**	**37,053,162**	**26,178,932**
	Cash	**11,598,008**	**5,587,487**
	Total current assets	**79,068,508**	**72,866,772**
	Total assets	**154,622,044**	**142,502,269**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.23 DKK	31.12.22 DKK
12	Share capital	839,000	839,000
	Reserve for net revaluation according to the equity method	27,756,386	22,814,759
	Reserve for development costs	1,356,571	1,184,351
	Retained earnings	26,531,124	21,565,764
	Total equity	**56,483,081**	**46,403,874**
13	Provisions for deferred tax	344,544	14,459
14	Other provisions	800,000	700,000
	Total provisions	**1,144,544**	**714,459**
15	Lease commitments	2,344,948	0
15	Payables to group enterprises	60,236,090	43,908,707
15	Other payables	3,582,778	3,575,524
	Total long-term payables	**66,163,816**	**47,484,231**
15	Short-term part of long-term payables	748,469	0
	Payables to other credit institutions	0	500
	Prepayments received from customers	5,037,708	3,538,777
	Trade payables	8,783,340	6,626,038
	Payables to group enterprises	10,224,098	31,708,449
	Income taxes	1,671,082	2,274,935
	Other payables	4,365,906	3,751,006
	Total short-term payables	**30,830,603**	**47,899,705**
	Total payables	**96,994,419**	**95,383,936**
	Total equity and liabilities	**154,622,044**	**142,502,269**

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 developmen t costs	Retained earnings	Total equity
Statement of changes in equity for 01.01.23 - 31.12.23					
Balance as at 01.01.23	839,000	22,814,759	1,184,351	21,565,764	46,403,874
Foreign currency translation adjustment of foreign enterprises	0	115,611	0	0	115,611
Transfers to/from other reserves	0	0	172,220	-172,220	0
Net profit/loss for the year	0	4,826,016	0	5,137,580	9,963,596
Balance as at 31.12.23	839,000	27,756,386	1,356,571	26,531,124	56,483,081

	2023 DKK	2022 DKK

1. Staff costs

	2023 DKK	2022 DKK
Wages and salaries	28,853,334	31,150,514
Pensions	2,695,474	2,617,820
Other social security costs	133,515	140,175
Other staff costs	1,603,865	1,547,176
Total	33,286,188	35,455,685
Average number of employees during the year	59	62

Remuneration for the management:

	2023 DKK	2022 DKK
Remuneration for the Executive Board and Board of Directors	1,030,872	1,163,840

2. Income from equity investments in group enterprises

	2023 DKK	2022 DKK
Share of profit or loss of group enterprises	2,701,014	4,790,143
Total	2,701,014	4,790,143

3. Financial income

	2023 DKK	2022 DKK
Interest, group enterprises	613,799	275,376
Other interest income	40,535	20,296
Foreign exchange gains	101,327	1,017,408
Other financial income	3	2
Other financial income	141,865	1,037,706
Total	755,664	1,313,082

	2023 DKK	2022 DKK

4. Financial expenses

	2023 DKK	2022 DKK
Interest, group enterprises	3,012,770	1,460,941
Other interest expenses	83,105	351,831
Other financial expenses	259,335	204,250
Other financial expenses total	342,440	556,081
Total	3,355,210	2,017,022

5. Proposed appropriation account

	2023 DKK	2022 DKK
Reserve for net revaluation according to the equity method	4,826,016	5,607,463
Retained earnings	5,137,580	8,704,532
Total	9,963,596	14,311,995

6. Intangible assets

Figures in DKK	Completed development projects	Acquired rights	Goodwill	Development projects in progress
Cost as at 01.01.23	4,217,974	1,660,397	7,000,000	278,963
Additions during the year	99,525	0	0	845,880
Transfers during the year to/from other items	20,150	0	0	-20,150
Cost as at 31.12.23	4,337,649	1,660,397	7,000,000	1,104,693
Amortisation and impairment losses as at 01.01.23	-1,641,709	-874,260	-1,400,000	0
Amortisation during the year	-1,174,693	-521,696	-700,000	0
Amortisation and impairment losses as at 31.12.23	-2,816,402	-1,395,956	-2,100,000	0
Carrying amount as at 31.12.23	1,521,247	264,441	4,900,000	1,104,693

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	Property, plant and equipment under construction
Cost as at 01.01.23	4,204,861	7,828,688	3,999,940	0
Additions during the year	57,272	172,849	3,247,160	1,386,400
Disposals during the year	0	0	-333,137	0
Cost as at 31.12.23	4,262,133	8,001,537	6,913,963	1,386,400
Depreciation and impairment losses as at 01.01.23	-1,062,702	-1,919,846	-2,048,220	0
Depreciation during the year	-566,008	-1,029,147	-850,125	0
Reversal of depreciation of and impairment losses on disposed assets	0	0	210,943	0
Depreciation and impairment losses as at 31.12.23	-1,628,710	-2,948,993	-2,687,402	0
Carrying amount as at 31.12.23	2,633,423	5,052,544	4,226,561	1,386,400
Carrying amount of assets held under finance leases as at 31.12.23	0	0	3,091,812	0

8. Equity investments in group enterprises

Figures in DKK	Equity investments in group enterprises
Cost as at 01.01.23	25,580,767
Cost as at 31.12.23	25,580,767
Revaluations as at 01.01.23	22,814,759
Foreign currency translation adjustment of foreign enterprises	115,611
Net profit/loss from equity investments	1,217,877
Elimination of intra-group profit from property, plant and equipment	1,483,136
Other adjustments relating to equity investments	2,125,003
Revaluations as at 31.12.23	27,756,386
Carrying amount as at 31.12.23	53,337,153
The item comprises goodwill as at 31.12.23 of	4,900,000

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 01.01.23	995,884
Additions during the year	131,190
Cost as at 31.12.23	1,127,074
Carrying amount as at 31.12.23	1,127,074

	31.12.23 DKK	31.12.22 DKK

10. Prepayments

	31.12.23 DKK	31.12.22 DKK
Other prepayments	767,173	867,389
Total	767,173	867,389

11. Receivables

	31.12.23 DKK	31.12.22 DKK
Receivables which fall due for payment more than 1 year after the end of the financial year	6,853,250	8,122,769

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

	31.12.23 DKK	31.12.22 DKK
13. Deferred tax		
Deferred tax as at 01.01.23	14,459	-270,376
Deferred tax recognised in the income statement	330,085	284,835
Deferred tax as at 31.12.23	344,544	14,459

14. Other provisions

Figures in DKK	Warranty commitments
Provisions as at 01.01.23	700,000
Provisions during the year	100,000
Provisions as at 31.12.23	800,000

	31.12.23 DKK	31.12.22 DKK
Other provisions are expected to be distributed as follows:		
Current liabilities	800,000	700,000
Total	800,000	700,000

15. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.23	Total payables at 31.12.22
Lease commitments	532,029	0	2,876,977	0
Payables to group enterprises	68,694	15,370,084	60,304,784	43,908,707
Other payables	147,746	3,493,209	3,730,524	3,575,524
Total	748,469	18,863,293	66,912,285	47,484,231

16. Contingent liabilities

Lease commitments

The company has entered into leasing contracts with a remaining term of 3-46 months and an average payment of DKK 8 thousand, totaling DKK 1.192 thousand.

The company has entered into an agreement for the lease of business premises with a total commitment of DKK 19.7 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 11,885 thousand until the general meeting is held, where the annual report for the financial year 2024 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 expenses in the income statement. Fixed assets, inventories and other non-monetary assets

19. Accounting policies - continued -

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

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

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

19. Accounting policies - continued -

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.

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.

19. Accounting policies - continued -

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.

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.

19. Accounting policies - continued -

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.

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, the interest element of finance lease payments, 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

19. Accounting policies - continued -

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.

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

19. Accounting policies - continued -

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.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

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.

19. Accounting policies - continued -

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 10 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, 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.

19. Accounting policies - continued -

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.

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 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

19. Accounting policies - continued -

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.

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

19. Accounting policies - continued -

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 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 financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

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.