# Serenergy A/S

**Lyngvej 8, 9000 Aalborg**

**Company reg. no. 29 61 66 47**

## Annual report

## 1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 24 June 2021.

Nikolaus Josef Benz
Chairman of the meeting

## Contents



Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

## Management's report

Today, the board of directors and the managing director have presented the annual report of Serenergy A/S for the financial year 1 January - 31 December 2020.

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

We consider the accounting policies appropriate and, in our opinion, the consolidated financial statements and the financial statements provide a fair presentation of the assets, equity and liabilities, and the financial position, consolidated and for the company, respectively, at 31 December 2020, and of the result of the activities, consolidated and of the company, respectively, during the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Aalborg, 24 June 2021

**Managing Director**

Roland Fischer

**Board of directors**

| | | |
|---|---|---|
| Nikolaus Josef Benz | Jochen Baurmeister | Roland Fischer |

## Independent auditor's report

**To the shareholders of Serenergy A/S**

**Opinion**

We have audited the consolidated financial statements and the financial statements of Serenergy A/S for the financial year 1 January to 31 December 2020, which comprise income statement, statement of financial position, statement of changes in equity, notes and accounting policies, consolidated and of the company, respectively and consolidated statement af cash flows. The consolidated financial statements and the financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements present a fair view of the assets, equity and liabilities, and financial position, consolidated and of the company, respectively, at 31 December 2020 and of the results of the company's activities, consolidated and of the company, respectivelyand of consolidated cash flows , for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

**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 section “Auditor's responsibilities for the audit of the consolidated financial statements and the financial statements”. We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter**

Without modifying our conclusion, we draw attention to note 1 in the financial statement, which describes the uncertainty regarding a substantial debtors amount.

**Responsibilities of management and those charged with governance for the consolidated financial statements and the financial statements**

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

In preparing the consolidated financial statements and the financial statements, management is responsible for assessing the group's and 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 unless management either intends to liquidate the group or the company or to cease operations, or has no realistic alternative but to do so.

## Independent auditor's report

**Auditor’s responsibilities for the audit of the consolidated annual accounts and the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including an 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 consolidated financial statements and 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 the 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 group’s and 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 preparation of the consolidated financial statements and the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from events or conditions that may cast significant doubt on the group’s and 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 consolidated financial statements and 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 group and the company to cease to continue as a going concern.

## Independent auditor's report

- Evaluate the overall presentation, structure, and contents of the consolidated financial statements and the financial statements, including disclosures in notes, and whether the consolidated financial statements and the financial statements reflect the underlying transactions and events in a manner that presents a fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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 the internal control that we identify during our audit.

**Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the consolidated financial statements and the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the consolidated financial statements or the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that the management commentary is consistent with the consolidated financial statements and the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Aalborg, 24 June 2021

**Redmark**
State Authorised Public Accountants
Company reg. no. 29 44 27 89

Alex Hoffmann Kristensen
State Authorised Public Accountant
mne33705

## Company information

| | | |
|---|---|---|
| **The company** | Serenergy A/S | |
| | Lyngvej 8 | |
| | 9000 Aalborg | |
| | | |
| | Phone | +4588807040 |
| | Web site | www.serenergy.com |
| | | |
| | Company reg. no. | 29 61 66 47 |
| | Established: | 9 June 2006 |
| | Domicile: | Aalborg |
| | Financial year: | 1 January - 31 December |
| | | |
| **Board of directors** | Nikolaus Josef Benz | |
| | Jochen Baurmeister | |
| | Roland Fischer | |
| | | |
| **Managing Director** | Roland Fischer | |
| | | |
| **Auditors** | Redmark | |
| | Statsautoriseret Revisionspartnerselskab | |
| | Hasseris Bymidte 6 | |
| | 9000 Aalborg | |
| | | |
| **Bankers** | Nordea | |
| | | |
| **Subsidiaries** | SerEnergy Pvt. Ltd, India, Mumbai, India | |
| | SerEnergy (Shanghai) Co., Ltd., China | |
| | SerEnergy (Philippines) Inc., Philippines | |

## Consolidated financial highlights

| DKK in thousands. | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Income statement:** | | | | | |
| Gross profit | 44.852 | 46.224 | 106.793 | -56.657 | -36.962 |
| Profit from operating activities | 5.026 | 10.357 | 41.532 | -92.541 | -69.707 |
| Net financials | -1.565 | 1.910 | -8.473 | -3.063 | -448 |
| Net profit or loss for the year | 3.559 | 12.237 | 29.713 | -90.026 | -65.459 |
| **Statement of financial position:** | | | | | |
| Balance sheet total | 50.640 | 76.147 | 204.779 | 109.451 | 96.094 |
| Investments in property, plant and equipment | 6.614 | 7.309 | 12.973 | 6.169 | 9.683 |
| Equity | 9.726 | -25.033 | -37.345 | -66.282 | 24.031 |
| **Cash flows:** | | | | | |
| Operating activities | 5.518 | 148.997 | 2.175 | 3.422 | -41.256 |
| Investing activities | -4.357 | -4.044 | -9.322 | -10.923 | -10.646 |
| Financing activities | -752 | -144.943 | -7.450 | 6.370 | 61.079 |
| Total cash flows | 409 | 10 | -14.597 | -1.131 | 9.177 |
| **Employees:** | | | | | |
| Average number of full-time employees | 60 | 67 | 89 | 98 | 71 |
| **Key figures in %:** | | | | | |
| Solvency ratio | 19,2 | -32,9 | -18,2 | -60,6 | 25,0 |

Calculations of key figures and ratios follow the recommendations of the Danish Association of Finance Analysts.

## Management commentary

**The principal activities of the group**

In conformity with earlier years the main activity has consisted of development and production of fuel cells and related systems.

**Uncertainties about recognition or measurement**

In 2018, two large orders were placed by a large customer for the delivery of fuel cell units, valued at a total of 3.6 million EUR (26.9 million DKK). These orders were subject to pre-negotiated and rather unfavourable payment conditions. Due to numerous administrative delays and negotiations, the full amount has not yet been paid. The issue has the management's attention and priority. The process of getting the amount paid is ongoing and is dependent on the customer’s schedule regarding installation and certification of the units.

The management has recognized the outstanding receivables based on the expectations regarding the future payments. The outstanding receivables is valued at 309 T.EUR (2.299 T.DKK).
Due to these circumstances, there are uncertainties related to the assessment of these outstanding receivables.

**Development in activities and financial matters**

The activities and financial matters of the company were primarily affected by the Coronavirus pandemic and stagnating sales.

**Impacts of COVID-19: Production Stop, reduced working hours, no travel**

Regular production was stopped in March, working hours for the production staff and administration staff were reduced for some months. Business travel was essentially eliminated.

**Special risks**

*Operating risks*

The Company’s main risks lie with the fulfilment of the targets set in the Cost and Quality Roadmap, successful implementation of the market access strategy and liquidity due to delays in customer payments.

Turnover and new orders were below expectations in 2020, essentially caused by unexpected delays in tender processes in Asia and the Corona pandemic.

**Environmental issues**

The company has only a limited effect on the external environment, and no special measures have been made to prevent or reduce any damage. The company’s products will have a positive impact on the environment and will reduce carbon dioxide emissions.

**Know how resources**

The qualifications and know-how of the employees in the company is a key competitive factor for Serenergy. These resources are maintained and improved through targeted internal and external development activities.

## Management commentary

### Research and development activities

Research and development has been the core of the company since the formation in 2006. In the financial year the development projects have been focused on improving and optimizing the performance of the fuel cells and related systems.

### Expected developments

The Cost and Quality roadmap for 2019-2021, which foresees continued development activities at Serenergy A/S, a pilot production setup for up to maximum 500 units p.a., and industrialization & ramp up for serial production at the affiliated company fischer Eco Solutions GmbH, was followed throughout 2020. Though there have been some delays in the technical development, it is expected that the company will continue to reach its milestone targets in the future.

A large order from a telecommunications company was under intense negaotiation in Q4 2020. Agreement upon the contractual conditions were reached in November. The finalization of technical details lasted into Januar 2021.

It is expected that Serenergy A/S will continue to break even or make a small profit due to its contracts with Fiscer Eco Solutions GmbH.

### Events occurring after the end of the financial year

The large order from a telecommunications company was signed in February 2021, resulting in an order income for both Serenergy A/S and its subsidiary Serenergy Philippines, Inc.

### Branches abroad

Serenergy A/S no longer has any branches abroad. Serenergy Philippines, Inc. remtains an active subsidiary.

Serenergy (Shanghai) Co. Ltd. was under closure during 2020 and was finally closed in early 2021. Serenergy India Pvt. Ltd. has been under closure in 2020 and is expected to be closed in 2021.

## Income statement 1 January - 31 December

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

| | | Group | | Parent | |
|---|---|---|---|---|---|
| Note | | 2020 | 2019 | 2020 | 2019 |
| | **Gross profit** | **44.852.386** | **46.224** | **44.793.633** | **47.141** |
| 2 | Staff costs | -24.925.476 | -17.919 | -24.330.907 | -18.567 |
| | Depreciation and impairment of property, land, and equipment | -4.009.737 | -3.101 | -3.811.424 | -3.079 |
| | Other operating costs | 0 | 77 | 0 | 77 |
| 3 | Research and development costs | -10.890.901 | -14.924 | -10.890.901 | -14.923 |
| | **Operating profit** | **5.026.272** | **10.357** | **5.760.401** | **10.649** |
| | Income from equity investments in group enterprises | 0 | 0 | -590.517 | -270 |
| | Other financial income | 639.506 | 5.016 | 590.957 | 4.991 |
| 4 | Other financial costs | -2.204.818 | -3.106 | -2.201.955 | -3.101 |
| | **Pre-tax net profit or loss** | **3.460.960** | **12.267** | **3.558.886** | **12.269** |
| | Tax on ordinary results | 97.925 | -30 | 0 | -30 |
| **5** | **Net profit or loss for the year** | **3.558.885** | **12.237** | **3.558.886** | **12.239** |

## Statement of financial position at 31 December

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

| Note | Assets | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| | **Non-current assets** | | | | |
| 6 | Property | 9.180.507 | 9.238 | 9.180.507 | 9.239 |
| 7 | Plant and machinery | 4.630.667 | 5.782 | 4.630.667 | 5.782 |
| 8 | Other fixtures and fittings, tools and equipment | 7.939.232 | 4.753 | 7.714.083 | 4.274 |
| 9 | Property, plant, and equipment under construction including pre-payments for property, plant, and equipment | 572.311 | 2.096 | 572.311 | 2.097 |
| | Total property, plant, and equipment | 22.322.717 | 21.869 | 22.097.568 | 21.392 |
| 10 | Equity investments in group enterprises | 0 | 0 | 425.652 | 1.061 |
| 11 | Deposits | 131.543 | 128 | 131.543 | 128 |
| | Total investments | 131.543 | 128 | 557.195 | 1.189 |
| | **Total non-current assets** | **22.454.260** | **21.997** | **22.654.763** | **22.581** |

## Statement of financial position at 31 December

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

**Assets**

| Note | | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| | **Current assets** | | | | |
| | Raw materials and consumables | 14.574.872 | 14.090 | 14.574.872 | 14.090 |
| | Manufactured goods and trade goods | 0 | 197 | 0 | 96 |
| | Prepayments for goods | 355.405 | 92 | 355.405 | 81 |
| | Total inventories | 14.930.277 | 14.379 | 14.930.277 | 14.267 |
| | Trade debtors | 2.709.657 | 14.720 | 2.406.042 | 14.720 |
| | Receivables from group enterprises | 6.807.978 | 20.520 | 6.807.978 | 20.641 |
| | Receivable corporate tax | 97.925 | 0 | 0 | 0 |
| | Other debtors | 1.065.621 | 1.983 | 963.794 | 1.811 |
| 12 | Prepayments and accrued income | 389.081 | 772 | 389.081 | 772 |
| | Total receivables | 11.070.262 | 37.995 | 10.566.895 | 37.944 |
| | Available funds | 2.185.193 | 1.776 | 959.975 | 723 |
| | **Total current assets** | **28.185.732** | **54.150** | **26.457.147** | **52.934** |
| | **Total assets** | **50.639.992** | **76.147** | **49.111.910** | **75.515** |

## Statement of financial position at 31 December

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

### Equity and liabilities

| Note | | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| | **Equity** | | | | |
| | Contributed capital | 3.881.652 | 3.303 | 3.881.652 | 3.303 |
| | Retained earnings | 5.844.020 | -28.336 | 5.844.020 | -28.338 |
| | **Total equity** | **9.725.672** | **-25.033** | **9.725.672** | **-25.035** |
| | **Provisions** | | | | |
| 13 | Other provisions | 3.738.909 | 4.465 | 3.738.909 | 4.466 |
| | **Total provisions** | **3.738.909** | **4.465** | **3.738.909** | **4.466** |
| | **Liabilities other than provisions** | | | | |
| 14 | Payables to group enterprises | 18.801.588 | 77.896 | 19.126.275 | 78.042 |
| 15 | Other payables | 2.746.091 | 946 | 2.746.091 | 946 |
| | Total long term liabilities other than provisions | 21.547.679 | 78.842 | 21.872.366 | 78.988 |
| | Bank debts | 0 | 752 | 0 | 752 |
| | Prepayments received from customers | 177.485 | 0 | 177.485 | 0 |
| | Trade creditors | 3.567.943 | 2.870 | 1.715.176 | 2.925 |
| | Corporate tax | 0 | 32 | 0 | 30 |
| | Other payables | 11.882.304 | 14.042 | 11.882.302 | 13.211 |
| 16 | Accruals and deferred income | 0 | 177 | 0 | 178 |
| | Total short term liabilities other than provisions | 15.627.732 | 17.873 | 13.774.963 | 17.096 |
| | **Total liabilities other than provisions** | **37.175.411** | **96.715** | **35.647.329** | **96.084** |
| | **Total equity and liabilities** | **50.639.992** | **76.147** | **49.111.910** | **75.515** |

## Statement of financial position at 31 December

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

**Equity and liabilities**

| | | Group | | Parent | |
|---|---|---|---|---|---|
| Note | | 2020 | 2019 | 2020 | 2019 |

**1 Uncertainties concerning recognition and measurement**

**17 Charges and security**

**18 Contingencies**

**19 Related parties**

## Consolidated statement of changes in equity

DKK thousand.

| | Contributed capital not paid | Share premium | Retained earnings | Total |
|---|---|---|---|---|
| Equity 1 January 2020 | 3.303 | 0 | -28.381 | -25.078 |
| Cash capital increase | 579 | 30.666 | 0 | 31.245 |
| Profit or loss for the year brought forward | 0 | 0 | 3.559 | 3.559 |
| Transferred to retained earnings | 0 | -30.666 | 30.666 | 0 |
| | **3.882** | **0** | **5.844** | **9.726** |

## Statement of changes in equity of the parent

DKK thousand.

| | Contributed capital | Share premium | Retained earnings | Total |
|---|---|---|---|---|
| Equity 1 January 2020 | 3.303 | 0 | -28.337 | -25.034 |
| Cash capital increase | 579 | 30.666 | 0 | 31.245 |
| Profit or loss for the year brought forward | 0 | 0 | 3.559 | 3.559 |
| Transferred to retained earnings | 0 | -30.666 | 30.666 | 0 |
| Adjustment exchange currency Equity investments | 0 | 0 | -44 | -44 |
| | **3.882** | **0** | **5.844** | **9.726** |

## Statement of cash flows 1 January - 31 December

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

| Note | | Group 2020 | 2019 |
|---|---|---|---|
| | Net profit or loss for the year | 3.558.885 | 12.237 |
| 20 | Adjustments | 4.713.492 | 2.692 |
| 21 | Change in working capital | -1.157.419 | 136.419 |
| | Cash flows from operating activities before net financials | 7.114.958 | 151.348 |
| | Interest received, etc. | 617.199 | 27 |
| | Interest paid, etc. | -2.182.512 | -2.677 |
| | Cash flows from ordinary activities | 5.549.645 | 148.698 |
| | Income tax paid | -31.839 | 299 |
| | **Cash flows from operating activities** | **5.517.806** | **148.997** |
| | Purchase of property, plant, and equipment | -4.517.775 | -6.037 |
| | Sale of property, plant, and equipment | 161.175 | 14 |
| | Sale of enterprise | 0 | 1.979 |
| | **Cash flows from investment activities** | **-4.356.600** | **-4.044** |
| | Repayments of long-term payables | 0 | 946 |
| | Changes in bank debt | -751.848 | 752 |
| | Other cash flows from financing activities | 0 | -146.641 |
| | **Cash flows from investment activities** | **-751.848** | **-144.943** |
| | **Change in cash and cash equivalents** | **409.358** | **10** |
| | Cash and cash equivalents at opening balance | 1.775.835 | 1.766 |
| | **Cash and cash equivalents at end of period** | **2.185.193** | **1.776** |
| | | | |
| | **Cash and cash equivalents** | | |
| | Available funds | 2.185.193 | 1.776 |
| | **Cash and cash equivalents at end of period** | **2.185.193** | **1.776** |

## Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

### 1. Uncertainties concerning recognition and measurement

In 2018, two large orders were placed by a large customer for the delivery of fuel cell units, valued at a total of 3.6 million EUR (26.9 million DKK). These orders were subject to pre-negotiated and rather unfavourable payment conditions. Due to numerous administrative delays and negotiations, the full amount has not yet been paid. The issue has the management's attention and priority. The process of getting the amount paid is ongoing and is dependent on the customer’s schedule regarding installation and certification of the units.

The management has recognized the outstanding receivables based on the expectations regarding the future payments. The outstanding receivables is valued at 309 T.EUR (2.299 T.DKK).

Due to these circumstances, there are uncertainties related to the assessment of these outstanding receivables.

### 2. Staff costs

| | | | | |
|---|---|---|---|---|
| Salaries and wages | 22.355.259 | 15.449 | 21.760.690 | 16.097 |
| Pension costs | 2.127.790 | 1.947 | 2.127.790 | 1.947 |
| Other costs for social security | 442.427 | 523 | 442.427 | 523 |
| | **24.925.476** | **17.919** | **24.330.907** | **18.567** |

| | | | | |
|---|---|---|---|---|
| Average number of employees | 60 | 67 | 54 | 49 |

The company uses the exeption in the Danish Financial Statemens Act regulations regarding not showing information on wages paid to the mangement in §98b, stk. 3 nr. 2.

### 3. Research and development costs

| | | | | |
|---|---|---|---|---|
| Research and development costs | 16.705.413 | 19.589 | 16.705.413 | 19.588 |
| Received grants | -5.814.512 | -4.665 | -5.814.512 | -4.665 |
| | **10.890.901** | **14.924** | **10.890.901** | **14.923** |

## Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| **4.** | **Other financial costs** | | | | |
| | Financial costs, group enterprises | 2.149.524 | 2.534 | 2.149.524 | 2.534 |
| | Other financial costs | 55.294 | 572 | 52.431 | 567 |
| | | **2.204.818** | **3.106** | **2.201.955** | **3.101** |

| | | Parent | |
|---|---|---|---|
| | | 2020 | 2019 |
| **5.** | **Proposed appropriation of net profit** | | |
| | Transferred to retained earnings | 3.558.886 | 12.239 |
| | **Total allocations and transfers** | **3.558.886** | **12.239** |

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 31/12 2020 | 31/12 2019 | 31/12 2020 | 31/12 2019 |
| **6.** | **Property** | | | | |
| | Cost opening balance | 10.426.541 | 9.603 | 10.426.541 | 9.604 |
| | Additions during the year | 287.624 | 823 | 287.624 | 823 |
| | **Cost end of period** | **10.714.165** | **10.426** | **10.714.165** | **10.427** |
| | Depreciation and writedown opening balance | -1.188.505 | -904 | -1.188.505 | -904 |
| | Depreciation, amortisation and writedown for the year | -345.153 | -284 | -345.153 | -284 |
| | **Depreciation and writedown end of period** | **-1.533.658** | **-1.188** | **-1.533.658** | **-1.188** |
| | **Carrying amount, end of period** | **9.180.507** | **9.238** | **9.180.507** | **9.239** |

## Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 31/12 2020 | 31/12 2019 | 31/12 2020 | 31/12 2019 |
| **7.** | **Plant and machinery** | | | | |
| | Cost opening balance | 8.499.284 | 5.577 | 8.499.284 | 5.577 |
| | Additions during the year | 440.836 | 2.922 | 440.836 | 2.922 |
| | **Cost end of period** | **8.940.120** | **8.499** | **8.940.120** | **8.499** |
| | Depreciation and writedown opening balance | -2.716.474 | -1.292 | -2.716.474 | -1.292 |
| | Depreciation, amortisation and writedown for the year | -1.592.979 | -1.425 | -1.592.979 | -1.425 |
| | **Depreciation and writedown end of period** | **-4.309.453** | **-2.717** | **-4.309.453** | **-2.717** |
| | **Carrying amount, end of period** | **4.630.667** | **5.782** | **4.630.667** | **5.782** |

## Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 31/12 2020 | 31/12 2019 | 31/12 2020 | 31/12 2019 |
| **8.** | **Other fixtures and fittings, tools and equipment** | | | | |
| | Cost opening balance | 8.656.056 | 6.378 | 8.080.651 | 6.191 |
| | Translation by use of the exchange rate valid on balance sheet date end of period | 1.367 | 0 | 0 | 0 |
| | Additions during the year | 5.317.019 | 2.292 | 5.313.464 | 1.904 |
| | Disposals during the year | -218.130 | -14 | -101.163 | -14 |
| | **Cost end of period** | **13.756.312** | **8.656** | **13.292.952** | **8.081** |
| | Depreciation and writedown opening balance | -3.903.345 | -2.442 | -3.806.741 | -2.442 |
| | Adjustment due to change of accounting policies | -18.064 | 0 | 0 | 0 |
| | Depreciation, amortisation and writedown for the year | -2.034.219 | -1.467 | -1.873.291 | -1.370 |
| | Depreciation, amortisation and writedown, assets disposed of | 138.548 | 6 | 101.163 | 5 |
| | **Depreciation and writedown end of period** | **-5.817.080** | **-3.903** | **-5.578.869** | **-3.807** |
| | **Carrying amount, end of period** | **7.939.232** | **4.753** | **7.714.083** | **4.274** |

## Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 31/12 2020 | 31/12 2019 | 31/12 2020 | 31/12 2019 |
| **9.** | **Property, plant, and equipment under construction including pre-payments for property, plant, and equipment** | | | | |
| | Cost opening balance | 2.096.460 | 1.613 | 2.096.460 | 1.613 |
| | Additions during the year | 572.311 | 1.661 | 572.311 | 1.661 |
| | Transfers | -2.096.460 | -1.178 | -2.096.460 | -1.177 |
| | **Cost end of period** | **572.311** | **2.096** | **572.311** | **2.097** |
| | **Carrying amount, end of period** | **572.311** | **2.096** | **572.311** | **2.097** |

## Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

| | Group | | Parent | |
|---|---|---|---|---|
| | 31/12 2020 | 31/12 2019 | 31/12 2020 | 31/12 2019 |
| **10. Equity investments in group enterprises** | | | | |
| Acquisition sum, opening balance | 0 | 0 | 2.739.776 | 2.682 |
| Exchange rate adjustments at rate valid on balance sheet date | 0 | 0 | -103.555 | 58 |
| **Cost end of period** | **0** | **0** | **2.636.221** | **2.740** |
| Revaluations, opening balance | 0 | 0 | -1.679.370 | -1.393 |
| Exchange rate adjustments at rate valid on balance sheet date | 0 | 0 | 59.318 | -16 |
| Results for the year before goodwill amortisation | 0 | 0 | -590.517 | -270 |
| **Revaluation end of period** | **0** | **0** | **-2.210.569** | **-1.679** |
| **Carrying amount, end of period** | **0** | **0** | **425.652** | **1.061** |

**Group enterprises:**

| | Domicile | Equity interest |
|---|---|---|
| SerEnergy Pvt. Ltd, India | Mumbai, India | 100 % |
| SerEnergy (Shanghai) Co., Ltd. | China | 100 % |
| SerEnergy (Philippines) Inc. | Philippines | 100 % |

## Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

| | Group | | Parent | |
|---|---|---|---|---|
| | 31/12 2020 | 31/12 2019 | 31/12 2020 | 31/12 2019 |
| **11. Deposits** | | | | |
| Cost opening balance | 128.335 | 525 | 128.335 | 525 |
| Additions during the year | 3.208 | 0 | 3.208 | 0 |
| Disposals during the year | 0 | -397 | 0 | -397 |
| **Cost end of period** | **131.543** | **128** | **131.543** | **128** |
| **Carrying amount, end of period** | **131.543** | **128** | **131.543** | **128** |
| **12. Prepayments and accrued income** | | | | |
| Other prepayments | 389.081 | 772 | 389.081 | 772 |
| | **389.081** | **772** | **389.081** | **772** |

Prepayments contains prepayment of other administrative expenses.

| | Group | | Parent | |
|---|---|---|---|---|
| | 31/12 2020 | 31/12 2019 | 31/12 2020 | 31/12 2019 |
| **13. Other provisions** | | | | |
| Other provisions opening balance | 4.465.157 | 4.885 | 4.465.157 | 4.886 |
| Change of the year in other provisions | -726.248 | -420 | -726.248 | -420 |
| | **3.738.909** | **4.465** | **3.738.909** | **4.466** |

Other provisions contains warranty obligations.

| | Group | | Parent | |
|---|---|---|---|---|
| | 31/12 2020 | 31/12 2019 | 31/12 2020 | 31/12 2019 |
| **14. Payables to group enterprises** | | | | |
| **Total payables to group enterprises** | **18.801.588** | **77.896** | **19.126.275** | **78.042** |
| Share of liabilities due after 5 years | 0 | 0 | 0 | 0 |

## Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

**15. Other payables**

| | | | | |
|---|---|---|---|---|
| **Total other payables** | **2.746.091** | **946** | **2.746.091** | **946** |
| Share of liabilities due after 5 years | 2.746.091 | 946 | 2.746.091 | 946 |

**16. Accruals and deferred income**

| | | | | |
|---|---|---|---|---|
| Prepayments/deferred income | 0 | 177 | 0 | 178 |
| | **0** | **177** | **0** | **178** |

## Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

### 17. Charges and security

For bank loans, t.DKK 0, the company has provided security in company assets representing a nominal value of t.DKK 1.700. This security comprises the assets below, stating the carrying amounts:

| | DKK in thousands |
|---|---|
| Fixed assets | 12.917 |
| Trade receivables | 3.759 |

For intercompany debt DKK 19.126.275 the company has provided security in property representing a nominal value of DKK 5.750.000. The book value of property amounts DKK 9.180.507.

### 18. Contingencies

**Contingent liabilities**

| | DKK in thousands |
|---|---|
| Lease liabilities | 340 |
| **Total contingent liabilities** | **340** |

## Notes

Amounts concerning 2020: DKK.
Amounts concerning 2019: DKK thousand.

**19. Related parties**

**Controlling interest**

| | |
|---|---|
| F.E.R. Fischer Edelstahlrohre GmbH, Germany | Majority shareholder |

**Transactions**

The company has related party transactions with the controlling entity. All the transactions are made on normal market conditions.

**Consolidated financial statements**

The company is included in the consolidated financial statements of:

F.E.R. Fischer Edelstrahlrohre GmbH
Im Gewerbegebiet 7
77855 Achern-Fautenbach.

| | | Group | |
|---|---|---|---|
| | | 2020 | 2019 |
| **20.** | **Adjustments** | | |
| | Depreciation, amortisation, and impairment | 3.972.352 | 3.101 |
| | Profit from disposal of non-current assets | 0 | -77 |
| | Dividend from group enterprises | 0 | 0 |
| | Other financial income | -617.199 | -3.011 |
| | Other financial costs | 2.182.512 | 427 |
| | Tax on ordinary results | -97.925 | 31 |
| | Other provisions | -726.248 | -420 |
| | Other adjustments | 0 | 2.641 |
| | | **4.713.492** | **2.692** |
| **21.** | **Change in working capital** | | |
| | Change in inventories | -662.960 | 3.319 |
| | Change in receivables | 27.020.879 | 128.354 |
| | Change in trade payables and other payables | -27.515.338 | 4.746 |
| | | **-1.157.419** | **136.419** |

## Accounting policies

The annual report for Serenergy A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

**Recognition and measurement in general**

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the group and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the group and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

**Foreign currency translation**

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.
Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or writedown for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

**The consolidated financial statements**

The consolidated income statements comprise the parent company Serenergy A/S and those group enterprises of which Serenergy A/S directly or indirectly owns more than 50 % of the voting rights or in other ways exercise control.

*Consolidation policies*

The consolidated financial statements have been prepared as a summary of the parent company's and the group enterprises' financial statements by adding together uniform accounting records calculated in accordance with the group's accounting policies.

Investments in group enterprises are eliminated by the proportionate share of the group enterprises' market value of net assets and liabilities at the acquisition date.

In the consolidated financial statements, the accounting records of the group enterprises are recognised by 100%. The minority interests' share of the profit for the year and of the equity in the group enterprises, which are not 100% owned, is included in the group's profit and equity, but presented separately.

Purchases and sales of minority interests under continuing control are recognised directly in equity as a transaction between shareholders.

Investments in associates are measured in the statement of financial position at the proportionate share of the enterprises' equity value i calculated in accordance with the parent company's accounting policies and with proportionate elimination of unrealised intercompany gains and losses. In the income statement, the proportional share of the associates' results is recognised after elimination of the proportional share of intercompany gains and losses.

The group activities in joint operations are recognised in the consolidated financial statements record by record.

## Income statement

**Gross profit**

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

**Staff costs**

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

**Depreciation, amortisation, and writedown for impairment**

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

**Other operating costs**

Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

## Accounting policies

### Research and development costs

Research and development costs comprise costs, salaries, and wages and depreciation directly or indirectly attributable to the company’s research and development activities.

Research costs are recognised in the income statement in the year incurred. Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. Furthermore, there must be a proven correlation between the costs incurred and future earnings. However, lack of official approvals, customer approvals, and other uncertainties will often imply that the requirements for recognition as assets are not met and that development costs are charged to the income statement as incurred.

### Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

### Results from equity investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement of the parent as a proportional share of the group enterprises' post-tax profit or loss.

### Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

## Statement of financial position

**Property, plant, and equipment**

Property is measured at cost plus revaluations and less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

Property is revaluated on the basis of regular, independent fair-value assessments. Net revaluation at fair value adjustment is recognised directly in equity less deferred tax and tied up in a particular revaluation reserve. Net impairment loss at fair value adjustment is recognised in the income statement.

The depreciable amount is cost plus revaluations at fair value less expected residual value after the end of the useful life of the asset. The amortisation period is fixed at the acquisition date and reassessed annually. If the residual value exceeds the carrying mount of the asset, depreciation is discontinued.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in company equity.

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

| | Useful life | Residual value |
|---|---|---|
| Buildings | 30 years | 30 % |
| Plant and machinery | 5-10 years | 0-20 % |
| Other fixtures and fittings, tools and equipment | 3-5 years | 0-40 % |

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

As regards self-constructed assets, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

**Leases**

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the group holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The group's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

**Impairment loss relating to non-current assets**

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

**Investments**

**Equity investments in group enterprises**

Equity investments in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Equity investments in group enterprises are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterpriseswith a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in group enterprises, associates and equity interests but are not represented in the parent, the following accounting policies have been applied.

Equity investments in group enterprises with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

## Accounting policies

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

**Other financial instruments and equity investments**

Financial instruments and equity investments recognised under non-current assets comprise listed bonds and shares measured at fair value on the reporting date. Listed financial instruments are measured at market price.

Other unlisted financial instruments are measured at cost. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

**Deposits**

Deposits are measured at amortised cost and represent lease deposits, etc.

**Inventories**

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

**Receivables**

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

## Accounting policies

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

**Prepayments and accrued income**

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

**Cash on hand and demand deposits**

Cash on hand and demand deposits comprise cash at bank and on hand.

**Income tax and deferred tax**

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

**Provisions**

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the group has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the group.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. Provisions for warranty commitments are measured on basis of the obtained experience with guarantee work. Provisions with an expected due date later than 1 year from the reporting date are discounted at a rate reflecting risk and maturity of the liability.

On the acquisition of entities, provisions for restructuring within the acquired entity are included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been recognised in the financial statements of the acquired entity in advance of the acquisition. Provisions for restructuring are included to the extent that they have been decided at the date of acquisition at the latest and that the process have been commenced.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

**Liabilities other than provisions**

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Liabilities other than provisions relating to investment properties are measured at amortised cost.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

**Accruals and deferred income**

Payments received concerning future income are recognised under accruals and deferred income.

## Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

**Cash flows from operating activities**

Cash flows from operating activities are calculated as the group's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under “Interest income and dividend received”.

**Cash flows from investment activities**

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

**Cash flows from financing activities**

Cash flows from financing activities include changes in the size or the composition of the group's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and shortterm financial instruments with a term of less than 3 months, which can easily be converted into cash and cash equivalents and are associated with an insignificant risk of value change.