TESLA MOTORS DENMARK APS

LOKESVEJ 8, 3400 HILLERØD

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2019

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 31 July 2020

e

Stephan William Werkman

CVR NO. 32 78 73 47

CONTENTS

Company Details	
Company Details	3
Statement and Report	
Statement by Board of Executives	4
Independent Auditor's Report	5-6
Management's Review	
Financial Highlights	7
Management's Review	8
Financial Statements 1 January - 31 December	
Income Statement	9
Balance Sheet	10-11
Statement of changes in equity	12
Notes	13-17
Accounting Policies	18-22

Page

Company	Tesla Motors Denmark ApS Lokesvej 8 3400 Hillerød	
	CVR No.: Established: Registered Office Financial Year:	
Board of Executives	Stephan William Werkman Vaibhav Taneja Kim Gaba Jensen	
Auditor	Pricewaterhoused Statsautoriseret I CVR nr. 3377123 Strandvejen 44 Dk-2900 Hellerup	Revisionspartnerselskab 71

STATEMENT BY BOARD OF EXECUTIVES

Today the Board of Executives have discussed and approved the Annual Report of Tesla Motors Denmark ApS for the financial year 1 January - 31 December 2019.

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 financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Copenhagen, 31 July 2020

Board of Executives

-

Stephan William Werkman

Vaibhav Taneja

Kim Gaba Jensen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Tesla Motors Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Tesla Motors Denmark ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit- of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review

Management's Responsibilities for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

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 skepticism throughout the audit. We also:

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

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

Hellerup, 31 July 2020

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab CVR no. 33771231

Bo Schou-Jacobsen State Authorised Public Accountant MNE no. mne28703

State Authorised Public Accountant MNE no. mne32201

FINANCIAL HIGHLIGHTS

	2019 DKK '000	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000
Income statement					
Gross profit/loss	79,628	55,839	71,713	79,982	52,481
Operating profit/loss	17,890	-7,180	4,043	8,757	11,785
Financial income and expenses, net	-445	-458	-2,325	-7,981	-3,181
Profit/loss for the year before tax	17,445	-7,638	1,718	776	8,604
Profit/loss for the year	30,361	-7,638	1,718	-14,983	5,200
Balance sheet					
Balance sheet total	543,578	106,687	237,611	339,970	848,362
Equity	72,857	42,495	38,913	-9,301	5,682
Invested capital	52,903	40,873	115,573	132,751	556,001
Investment in tangible fixed assets	8,272	37,485	17,159	9,293	162,752
Ratios					
Rate of return	38.2	-9.2	3.3	2.5	3.8
Solvency ratio	13.4	39.8	16.4	Neg.	0.7
Return on equity	52.6	-18.8	11.6	Neg.	168.7

In 2018 the revenue recognition accounting policies were amended. The comparative figures have not been adjusted for the change of policy for the years 2015-2017.

The ratios stated in the list of key figures and ratios have been calculated as follows:

Rate of return:	Profit/loss on ordinary activities x 100 Average invested capital
Invested capital:	Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities
Solvency ratio:	<u>Equity, at year end x 100</u> Total equity and liabilities, at year end
Return on equity:	Profit/loss after tax x 100 Average equity

The ratios follow in all material respects the recommendations of the Danish Finance Society.

MANAGEMENT'S REVIEW

Principal activities

The object of the Company is distribution, sale and service of electronic vehicles and equipment along with merchandise as well as any other business incidental thereto.

Development in activities and financial position

The income statement of the Company for 2019 shows a result of DKK 30,361 thousand (2018: -7,638 thousand), and at 31 December 2019 the balance sheet of the Company shows equity of DKK 72,857 thousand (2018: 42,495 thousand).

Profit/loss for the year compared to expectations

As expected, the number of vehicles delivered in 2019 exceeded 2018 due to the introduction of Model 3. Furthermore we have capitalized the tax asset due to the positive result and the future expectations.

Significant events after the end of the financial year

In fiscal year 2020, the company is dealing with the consequences of the COVID-19 virus. For further descriptions reference to note 14.

Environmental and personnel-related information

Protecting the environment is a vital concern and a continuing commitment for Tesla. Similarly, the health and safety of our employees is regularly monitored. Regular audits take place and improvements are continuous.

Knowledge resources

The knowledge and development activities are managed in the (ultimate) parent company and primarily take place there. The knowledge activities comprise continued development of the staff in order to maintain a high-quality level among the employees.

Research and development activities

The Company engaged no research and development in 2019 or 2018. Those activities are primarily undertaken by Tesla, Inc., the ultimate parent company.

Future expectations

Management is monitoring developments on COVID-19 closely. In the first half year of 2020 we delivered more cars than compared to 2019. It is, however, too early yet to give an opinion as to whether and, if so, what extend COVID-19 will impact revenue in 2 half year 2020.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2019 DKK '000	2018 DKK '000
GROSS PROFIT		79,628	55,839
Staff costs Depreciation, amortisation and impairment Other operating expenses	1	-50,589 -10,858 -291	-50,067 -12,946 -6
OPERATING PROFIT AND LOSS		17,890	-7,180
Other financial income Other financial expenses	2	0 -445	1 -459
PROFIT AND LOSS BEFORE TAX		17,445	-7,638
Tax on profit and loss for the year	3	12,916	0
PROFIT AND LOSS FOR THE YEAR	4	30,361	-7,638

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2019 DKK '000	2018 DKK '000
Land and buildings Plant, machinery, tools and equipment Leasehold improvements Tangible fixed assets	5	1,887 19,196 9,707 30,790	1,887 18,980 14,786 35,65 3
Rent and other deposits Fixed asset investments	6	2,521 2,521 2,521	2,484 2,48 4
FIXED ASSETS		33,311	38,137
Goods for resale Inventories		61,068 61,068	29,481 29,481
Trade receivables Receivables from group enterprises Deferred tax assets Other receivables	7	68,983 358,859 17,827 645	6,694 27,291 0 709
Corporation tax receivable Prepayments Receivables	8	0 2,885 449,199	2,524 1,851 39,069
CURRENT ASSETS		510,267	68,550
ASSETS		543,578	106,687

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2019 DKK '000	2018 DKK '000
Share capital Retained profit		125 72,732	125 42,370
EQUITY		72,857	42,495
Other provisions for liabilities		394	862
PROVISION FOR LIABILITIES		394	862
Other liabilities Accruals and deferred income Long-term liabilities	9	1,566 27,737 29,303	0 17,117 17,117
Short-term portion of long-term liabilities. Prepayments received from customers. Trade payables. Payables to group enterprises. Corporation tax. Other liabilities. Current liabilities .	9 10	17,717 11,395 5,031 280,151 5,581 121,149 441 ,024	4,573 19,298 4,887 2,222 0 15,233 46,213
LIABILITIES		470,327	63,330
EQUITY AND LIABILITIES		543,578	106,687
Contingencies etc.	11		
Assets pledged as security	12		
Related parties	13		
Stock option plan	14		
Significant events after the end of the financial year	15		
Consolidated financial statements	16		

12

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
Equity at 1 January 2019 Proposed distribution of profit		42,371 30,361	42,496 30,361
Equity at 31 December 2019	125	72,732	72,857

	2019 DKK '000	2018 DKK '000	Note
Staff costs Average number of employees 95 (2018: 100)			1
Wages and salaries Pensions Other staff costs	46,607 3,542 440	45,403 4,184 480	
	50,589	50,067	
The executive board does not receive any remuneration for their v	vork performed.		
Other financial expenses Other interest expenses	445	459	2
	445	459	
Tax on profit/loss for the year Calculated tax on taxable income of the year Adjustment of deferred tax	4,911 -17,827	0 0	3
	-12,916	0	
Proposed distribution of profit Retained earnings	30,361	-7,638	4
	30,361	-7,638	
Tangible fixed assets			5

		Plant,	
	Land and	machinery, tools	Leasehold
	buildings	and equipment	improvements
Cost at 1 January 2019	1,887	27,707	47,357
Additions	0	5,293	2,942
Disposals	0	-3,093	-2,174
Cost at 31 December 2019	1,887	29,907	48,125
Depreciation and impairment losses at 1 January 2019	0	8,725	32,571
Reversal of depreciation of assets disposed of	0	-2,279	-2,174
Depreciation for the year	0	4,265	8,021
Depreciation and impairment losses at 31 December 2019	0	10,711	38,418
Carrying amount at 31 December 2019	1,887	19,196	9,707

Fixed asset investments	
	Rent and other
	deposits
Cost at 1 January 2019	2,484
Additions	37
Cost at 31 December 2019	2,521
Carrying amount at 31 December 2019	2,521

Deferred tax assets

Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.

Deferred tax specified:		
Fixed assets	6,627	0
Deferred income from contracts	10,816	0
Other accruals	384	0
	17,827	0
	2019	2018
	DKK '000	DKK '000
Deferred tax of the year, income statement	17,827	0
Deferred tax assets 31 December 2019	17,827	0
It is recognized as follows:		
Deferred tax (assets)	17,827	0
	17,827	0

The company's deferred tax assets are recognized in the balance sheet with 17,827 thousand. The tax asset solely relates to differences between tax legislation and accounting principles. The tax asset is recognized on the basis of expectations of positive tax surpluses over the next 2-3 years. The assessments are based on the company's budget for the following 2-3 years. The budget statements have been prepared in accordance with the company's normal budget procedure.

	2019 DKK '000	2018 DKK '000
Prepayments Costs	2,885	1,851
	2,885	1,851

14

Note 6

7

Long-term liabilities					Comment	
	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year	
Other liabilities Accruals and deferred income	.,	0 17,717	0 2,378	0 21,690	0 4,573	
	47,020	17,717	2,378	21,690	4,573	
Other liabilities						1
Cost creditors				39,707	11,452	
Bonus payable				1,771	419	
VAT	••••••	• • • • • • • • • • • • • • • • • • • •		79,671	3,362	
				121,149	15,233	

Contingencies etc.

Contractual liabilities

At the balance sheet date, the Company has operational lease commitments concerning future rent in the amout of DKK ('000) 5,440 for the financial year 2020 and DKK ('000) 20,725 for the financial years thereafter, respectively.

Assets pledged as security

None as per 31.12.2019 or 31.12.2018.

15

Note

9

11

10

Related parties

The Company's related parties include:

Controlling interest

Tesla International B.V. Burgemeester Stramanweg 122 1101 Amsterdam Zuid-Oost Netherlands

Ultimate parent

Tesla Inc. 3500 Deer Creek Road, Palo Alto. CA 94304 USA.

Other related parties having performed transactions with the company

The company's related parties having a significant influence comprise parent companies and associates as well as the companies' Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

Transactions with related parties

The company did not carry out any transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

Stock option plan

The ultimate parent company, Tesla, Inc., USA adopted the 2003 Equity Incentive Plan.

This Plan provides for the granting of stock options, Restricted Stock Units (RSU's) and stock purchase rights to its employees. Options granted under the Plan may be either incentive options or nonqualified stock options. Generally, the stock options and RSUs vest over four years and stock options are exercisable over a period not to exceed the contractual term of ten years from the date the stock options were granted. Continued vesting typically terminates when the employment or consulting relationship ends.

Tesla, Inc., USA recognizes the expenses of the equity incentive plan and does not charge the Company for these expenses. As a result, the Company does not recognize any cost for this equity incentive plan.

Significant events after the end of the financial year

In fiscal year 2020, the company is dealing with the consequences of the COVID-19 virus. Government measures to curb the virus have affected economic activity. The company considers this to be an event after the balance sheet date that does not provide any further information about the actual situation on the balance sheet date. We have taken a number of measures to limit the effects of the COVID-19 virus, such as safety and health measures for our people (such as social distancing and working from home). We will continue to follow government policies and advice while doing our best to continue our operations in the best possible and safest way without compromising the health of our people. These measures, with the continued financial support of the Group to which the Company belongs, are reason for the Board of Directors to rely on the sustainable continuation of the business activities so that the financial statements are prepared on a going concern basis.

Note

Consolidated financial statements

The Company's primary parent, Tesla International B.V., Netherlands, does not prepare consolidated financial statements. The Company's ultimate parent, which prepares consolidated financial statements into which the Company is incorporated as a subsidiary, is:

Tesla, Inc. 3500 Deer Creek Road, Palo Alto, CA 94304, United States

The consolidated financial statement can be obtained at the following address: www.tesla.com

Note

The Annual Report of Tesla Motors Denmark ApS for 2019 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

The Annual Report is prepared consistently with the accounting principles applied last year.

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized.

Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

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

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

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

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

INCOME STATEMENT

Gross profit

Gross profit includes net revenue, other operating income and other external expenses.

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the Income Statement. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Automotive sales revenue includes revenues related to deliveries of new vehicles, and specific other features and services that meet the definition of a performance obligation, including access to our Supercharger network, internet connectivity, Autopilot, full self-driving and over-the-air software updates. We recognize revenue on automotive sales upon delivery to the customer, which is when the control of a vehicle transfers. Payments are typically received at the point control transfers or in accordance with payment terms customary to the business. Other features and services such as access to our Supercharger network, internet connectivity and over-the-air software updates are provisioned upon control transfer of a vehicle and recognized over time on a straight-line basis as we have a stand-ready obligation to deliver such services to the customer. We recognize revenue related to these other features and services over the performance period, which is generally the expected ownership life of the vehicle or the eight-year life of the vehicle. Revenue related to Autopilot and full self-driving features is recognized when functionality is delivered to the customer. For our obligations related to automotive sales, we estimate standalone selling price by considering costs used to develop and deliver the service, third-party pricing of similar options and other information that may be available.

At the time of revenue recognition, we reduce the transaction price and record a reserve against revenue for estimated variable consideration related to future product returns. Such estimates are based on historical experience and are immaterial in all periods presented. In addition, any fees that are paid or payable by us to a customer's lender when we arrange the financing are recognized as an offset against automotive sales revenue. Costs to obtain a contract mainly relate to commissions paid to our sales personnel for the sale of vehicles. Commissions are not paid on other obligations such as access to our Supercharger network, internet connectivity, Autopilot, full self-driving and over-the-air software updates. As our contract costs related to automotive sales are typically fulfilled within one year, the costs to obtain a contract are expensed as incurred. Amounts billed to customers related to shipping and handling are classified as automotive revenue, and we have elected to recognize the cost for freight and shipping when control over vehicles, parts, or accessories have transferred to the customer as an expense in cost of revenues. Our policy is to exclude taxes collected from a customer from the transaction price of automotive contracts.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Tangible fixed assets

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Land	50 years	100 %
Other plant, fixtures and equipment	3-7 years	0 %
Leasehold improvements	5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Useful life and residual values are reassessed annually.

Fixed asset investments

Impairment of fixed assets

The carrying amount of tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of finished goods and goods for resale are calculated at acquisition price with addition of transportation and similar costs.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments, restructuring etc. and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period of 1 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated for the contract. The provision is recognised as a cost under production costs.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

Amortised cost for short-term liabilities usually corresponds to the nominal value.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group.