Forsea Helsingør ApS

Færgevej 8, DK-3000 Helsingør

Annual Report for 1 January - 31 December 2019

CVR No 33 26 00 40

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/5 2020

Jens Ole Gravlund Hansen
Dirigent

Contents

Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Forsea Helsingør ApS for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Helsingør, 28 May 2020

Executive Board

Jens Ole Gravlund Hansen

Supervisory Board

Peter Olov Elvefors Chairman	Åsa Maria Linde Tornée	Peter Kesting
Susanne Elisabeth Kaarnimo-Knight	Thomas Kasimir Flandrup Staff Representative	Pia Gottschalksen Staff Representative

Independent Auditor's Report

To the Shareholder of Forsea Helsingør 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 Forsea Helsingør 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 ("the Financial Statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

Independent Auditor's Report

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.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events 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, 28 May 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

René Otto Poulsen
statsautoriseret revisor
mne26718

Company Information

The Company	Forsea Helsingør ApS Færgevej 8 DK-3000 Helsingør Telephone: + 45 3315 1515 E-mail: Info@forsea.com Website: www.forsea.dk CVR No: 33 26 00 40 Financial period: 1 January - 31 December Municipality of reg. office: Helsingør
Supervisory Board	Peter Olov Elvefors, Chairman Åsa Maria Linde Tornée Peter Kesting Susanne Elisabeth Kaarnimo-Knight Thomas Kasimir Flandrup Pia Gottschalksen
Executive Board	Jens Ole Gravlund Hansen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2019	2018	2017	2016	2015
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	489	497	500	499	444
Gross profit/loss	229	256	238	236	152
Operating profit/loss	44	67	69	60	62
Profit/loss before financial income and expenses	89	127	120	107	131
Net financials	-6	-7	-10	-4	-5
Net profit/loss for the year	75	117	105	97	126
Balance sheet					
Balance sheet total	716	651	550	470	498
Equity	512	452	350	308	336
Investment in property, plant and equipment	26	18	0	11	7
Number of employees	240	250	235	225	221
Ratios					
Gross margin	46,8%	51,5%	47,6%	47,3%	34,2%
Profit margin	18,2%	25,6%	24,0%	21,4%	29,5%
Return on assets	12,4%	19,5%	21,8%	22,8%	26,3%
Solvency ratio	71,5%	69,4%	63,6%	65,5%	67,5%
Return on equity	15,6%	29,2%	31,9%	30,1%	46,7%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In connection with changes to accounting policies, the comparative figures back to 2015 have not been restated. See the description under accounting policies.

Management's Review

Financial Statements of Forsea Helsingør ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The company's activities are to operate Ro-Ro ferries on the route Helsingør – Helsingborg in cooperation with other Group Companies in Denmark and Sweden, owned by the parent company Forsea AB in Helsingborg. The ferry route is an important part of the Regional and European infrastructure for transportation of goods and people for business and pleasure.

In November 2018 the company changed its name to Forsea Helsingør ApS.

Development in the year

The income statement of the Company for 2019 shows a profit of TDKK 75,171, and at 31 December 2019 the balance sheet of the Company shows equity of TDKK 511,831.

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

During 2019 appr. 7 mill. passengers, 1.3 mill. passenger cars and 16 000 busses traveled the route. Compared to 2018 this is a small reduction of 2,4% in numbers of cars and unchanged number of passengers. The number of freight units transported decreased during 2019 by 4% adding up to appr. 435,000 units. The income statement of the Company for 2019 shows a profit before tax of MDKK 83 (2018 MDKK 120) and the balance sheet of the Company shows an equity of MDKK 512. The decrease in earnings from 2018 to 2019 is unsatisfactory and below the management's expectations.
In 2019 the organization was adapted to the declining volumes and result, and the sailing schedule was optimized by converting one vessel to sail exclusively with freight

Management's Review

Operating risks

Risk and uncertainty in the company's operations

The company's operations depend highly on reliability in the fleet. Damage to the vessels due to accidents or mechanical problems can be costly. The company therefore invests considerable resources in keeping the vessels in very good condition. To minimize costs caused by this type of problem, comprehensive marine insurances are in place.

Risk and uncertainty in the industry

The company's main customers are in the transport sector. The demand for transport depends on the business cycle, the underlying demand for companies' products and competition from other alternatives. Passenger traffic is sensitive to business cycles and the outside world, but also subject to competition from other travel alternatives.

Market risks

The external factors that have the greatest impact on the company are issues concerning the regulation of trade and import regulations in the EU and other countries in northern Europe and the development of energy prices, oil and electricity.

Management evaluates that no particular risks are related to recognition and measurement in connection with the presentation of the annual report.

Targets and expectations for the year ahead

The company will continue its primary activities and management expects, due to the current COVID-19 pandemic, a lower result in 2020 compared to 2019.

External environment

The business's impact on the external environment and the strategy and preventive actions to minimize this are presented in the sustainability report (https://www.forseaferries.com/about-forsea/annual-report/sustainability-report/).

Management’s Review

Statement of corporate social responsibility

Forsea's overall business objective - which has been integrated into vision and business model - is to conduct a sustainable business with the least possible environmental impact. Since 2016, the business has been environmentally certified according to ISO-14001: 2015. The management system provides a systematic approach to work with continuous improvement. The sustainability and safety work is closely integrated and coordinated through the Department of Health, Environment and Security. Certain sustainability issues are handled by special working groups over the departmental boundaries, such as the ECO-driving group, the Energy saving group and the Chemicals Council. Within the framework of ISO-14001: 2015, two annual internal audits are done of the environmental work and an external environmental audit. The results of the audits are used in the improvement work.

The practical work focuses on the following essential sustainability aspects:
-The impact of ferry traffic on the environment, such as energy consumption, emissions, purchasing, on-board sales, waste and chemical handling.
-The safety of employees and passengers, where the requirements are extensive through legislation and directives from both national and EU and the UN agency IMO.
-The working environment for employees. Forsea has a zero vision regarding occupational injuries. Companies should offer workplaces where employees feel comfortable, feel that they can develop and where respect for the individual and for human rights is obvious.
Maintaining the connection between the Helsingborg and Helsingør region and related areas, which gives Forsea a broad, social responsibility for the development in this region.
-Business ethics, where the preventive work against corruption, fraud and bribery is at the center.The focus, goals and results of the sustainability work is presented in its entirety in the Sustainability report, which is available on Forsea's website
(https://www.forsea.se/globalassets/blocks/arsredovisning/hallbarhet/forsea_sustainability_report_2019.pdf)

Statement on gender composition

The company has as a target to increase its share of women on the Board of Directors of Forsea Helsingør ApS to the 33/66 ratio from 2015 to 2020. In 2015 the company had zero women in the Board of Directors. The company’s target to increase its share of women on the board of directors has been achieved during 2018, since 3 out of 7 boardmembers now are women The company’s policy is to increase the participation of the underrepresented gender on the management level to the 33/66 ratio before the end of 2020. The company seeks to always select the best qualified candidate for the job and to do this in a non-discriminatory manner with respect to gender, age, religion etc. A special effort is made to increase the number of applications from the underrepresented gender in the recruiting process.

Uncertainty relating to recognition and measurement

Management evaluates that no particular uncertainties or unusual circumstances are related to recognition and measurement with the presentation of the annual report.

Management's Review

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

Please refer to note 2 "Subsequent events".

Income Statement 1 January - 31 December

	Note	2019 TDKK	2018 TDKK
Revenue	3	**488.806**	**496.950**
Other operating income		45.890	60.187
Other external expenses		-305.595	-301.055
Gross profit/loss		**229.101**	**256.082**
Staff expenses	4	-103.049	-98.235
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	5	-36.605	-30.806
Profit/loss before financial income and expenses		**89.447**	**127.041**
Financial income	6	308	155
Financial expenses	7	-6.334	-7.116
Profit/loss before tax		**83.421**	**120.080**
Tax on profit/loss for the year	8	-8.250	-3.330
Net profit/loss for the year		**75.171**	**116.750**

Distribution of profit

Proposed distribution of profit

	2019	2018
Proposed dividend for the year	75.000	15.000
Retained earnings	171	101.750
	75.171	**116.750**

Balance Sheet 31 December

Assets

	Note	2019	2018
		TDKK	TDKK
Software		41	63
Intangible assets	9	**41**	**63**
Land and buildings		46.031	47.386
Harbour facilities and installations		135.595	95.504
Vessels		214.347	276.289
Property, plant and equipment in progress		13.129	5.016
Property, plant and equipment	10	**409.102**	**424.195**
Fixed assets		**409.143**	**424.258**
Inventories	11	**1.364**	**0**
Trade receivables		21.028	21.971
Receivables from group enterprises		272.683	182.000
Other receivables		0	895
Prepayments	12	1.683	679
Receivables		**295.394**	**205.545**
Cash at bank and in hand		**10.219**	**21.174**
Currents assets		**306.977**	**226.719**
Assets		**716.120**	**650.977**

Balance Sheet 31 December

Liabilities and equity

	Note	2019	2018
		TDKK	TDKK
Share capital		40.000	40.000
Retained earnings		396.831	396.660
Proposed dividend for the year		75.000	15.000
Equity	13	**511.831**	**451.660**
Provision for deferred tax	14	0	4.150
Provisions		**0**	**4.150**
Lease obligations		75.185	81.850
Payables to group enterprises		0	15.000
Other payables		2.974	0
Long-term debt	15	**78.159**	**96.850**
Lease obligations	15	6.665	6.348
Trade payables		21.181	25.295
Payables to group enterprises	15	19.529	29.402
Corporation tax		10.894	2.297
Other payables	15	15.843	14.848
Deferred income		52.018	20.127
Short-term debt		**126.130**	**98.317**
Debt		**204.289**	**195.167**
Liabilities and equity		**716.120**	**650.977**

Capital resources and going concern	1
Subsequent events	2
Contingent assets, liabilities and other financial obligations	16
Related parties	17
Fee to auditors appointed at the general meeting	18
Accounting Policies	19

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
2019				
Equity at 1 January	40.000	396.660	15.000	451.660
Ordinary dividend paid	0	0	-15.000	-15.000
Net profit/loss for the year	0	171	75.000	75.171
Equity at 31 December	**40.000**	**396.831**	**75.000**	**511.831**
2018				
Equity 1. januar	40.000	294.910	15.000	349.910
Ordinary dividend paid	0	0	-15.000	-15.000
Net profit/loss for the year	0	101.750	15.000	116.750
Equity at 31 December	**40.000**	**396.660**	**15.000**	**451.660**

Notes to the Financial Statements

1 Capital resources and going concern

As described in note 2 ”Subsequent events/outlook for 2020”, the Company’s activities are materially affected by the outbreak of the global COVID-19 pandemic. The partially shut-down border between Denmark and Sweden has resulted in significantly reduced traffic for the Company’s ferries across the sound. Obviously, this will have a negative impact on the Company’s revenue as well as net profit depending how long the border will be closed and how soon the sound traffic normalises. At this time, it is not possible to calculate the impact precisely.

The duration of the current situation, including the total resulting cash needs, is subject to considerable uncertainty. If the border shut-down is prolonged and there is a general traffic decline, the Company’s capital resources may come under pressure.

Management is monitoring developments closely and has taken a number of measures that have reduced costs and ensured the required liquidity based on Management’s best estimate of the outlook for 2020.

The company has a strong liquidity position and enjoys strong support from its lenders. As evidence of the latter, in April 2020 the company received a temporary waiver of several of its contractual obligations under its long term financing agreements.

Management expects the Company’s capital resources to be adequate for the Company to continue as a going concern throughout 2020. Based on this, the Annual Report has been presented under the going concern assumption.

2 Subsequent events

In connection with the escalation of the health situation with COVID-19, the Danish government decided to close all entry for foreign citizens who had no legitimate reason for entry into Denmark. The closing had effect from 14 March 2020. The closure of the border has a major impact on passenger volumes and passenger car volumes, and reduced activity in Europe also affects the amount of goods transported. In order to compensate for the decrease in volume, the number of crossings have been reduced. The Group companies will use the state aid programs that are adapted to our operations, in Sweden it primarily concerns lay-off support for staff, while in Denmark it refers to lay-off support for staff and compensation for fixed costs. With the prevailing uncertainty around the reopening date of the border, it is difficult to estimate the full-year effect on the result for 2020.

Notes to the Financial Statements

	2019	2018
	TDKK	TDKK

3 Revenue

Geographical segments

	2019	2018
Revenue, Denmark	488.806	496.950
	488.806	**496.950**

Business segments

	2019	2018
Ferry transport	353.414	363.608
Retail and catering on board	135.392	133.342
	488.806	**496.950**

The activity is solely related to the ferry activities till and from Helsingør in Denmark

4 Staff expenses

	2019	2018
Wages and salaries	85.886	82.219
Pensions	10.307	10.334
Other social security expenses	1.693	1.588
Other staff expenses	5.163	4.094
	103.049	**98.235**
Average number of employees	**240**	**250**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

5 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2019	2018
Depreciation of property, plant and equipment	36.605	30.806
	36.605	**30.806**

Notes to the Financial Statements

		2019	2018
		TDKK	TDKK
6	**Financial income**		
	Interest received from group enterprises	63	41
	Exchange adjustments	245	114
		308	**155**
7	**Financial expenses**		
	Other financial expenses	4.750	4.702
	Exchange adjustments, expenses	1.584	2.414
		6.334	**7.116**
8	**Tax on profit/loss for the year**		
	Current tax for the year	12.040	3.449
	Deferred tax for the year	-4.150	0
	Adjustment of tax concerning previous years	360	-119
		8.250	**3.330**

9 Intangible assets

	Software
	TDKK
Cost at 1 January	4.226
Additions for the year	0
Cost at 31 December	4.226
Revaluations at 31 December	0
Impairment losses and amortisation at 1 January	4.163
Amortisation for the year	22
Impairment losses and amortisation at 31 December	4.185
Carrying amount at 31 December	**41**
Amortised over	3-5 years

Notes to the Financial Statements

10 Property, plant and equipment

	Land and buildings	Harbour facilities and installations	Vessels	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	123.351	197.796	765.460	5.015	1.091.622
Net effect from change of accounting policy	0	51.156	-51.156	0	0
Additions for the year	0	0	0	27.239	27.239
Disposals for the year	0	0	0	-750	-750
Transfers for the year	932	887	16.556	-18.375	0
Cost at 31 December	124.283	249.839	730.860	13.129	1.118.111
Impairment losses and depreciation at 1 January	75.965	102.291	489.171	0	667.427
Depreciation for the year	2.287	11.953	27.342	0	41.582
Impairment losses and depreciation at 31 December	78.252	114.244	516.513	0	709.009
Carrying amount at 31 December	**46.031**	**135.595**	**214.347**	**13.129**	**409.102**
Depreciated over	40-50 years	3-40 years	10-30 years		
Including assets under finance leases amounting to	0	0	59.026	0	59.026

11 Inventories

	2019	2018
	TDKK	TDKK
Finished goods and goods for resale	1.364	0
	1.364	**0**

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

Notes to the Financial Statements

13 Equity

The share capital consists of 40,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	2019	2018
	TDKK	TDKK
14 Provision for deferred tax		
Provision for deferred tax at 1 January	4.150	4.150
Amounts recognised in the income statement for the year	-4.150	0
Provision for deferred tax at 31 December	**0**	**4.150**

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2019	2018
Lease obligations		
After 5 years	45.022	53.123
Between 1 and 5 years	30.163	28.727
Long-term part	75.185	81.850
Within 1 year	6.665	6.348
	81.850	**88.198**
Payables to group enterprises		
Between 1 and 5 years	0	15.000
Long-term part	0	15.000
Other short-term debt to group enterprises	19.529	29.402
	19.529	**44.402**
Other payables		
Between 1 and 5 years	2.974	0
Long-term part	2.974	0
Other short-term payables	15.843	14.848
	18.817	**14.848**

Notes to the Financial Statements

	2019	2018
	TDKK	TDKK

16 Contingent assets, liabilities and other financial obligations

Pledged securities

The following assets is provided as collateral for loans from credit institutions:

Vessel	155.321	160.001

Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

A negative pledge of TDKK 253.721 is issued on the vessels.

17 Related parties

ForSea Helsingør ApS immediate parent undertaking is ForSea AB. First State European Diversified Infrastructure Fund FCP-SIF, an investment fund managed by First State Investments Fund Management S.à r.l., is considered the ultimate parent undertaking.

Transactions

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

Ownership

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

Forsea AB
Bredgatan 5
Helsingborg
Sweden

Consolidated Financial Statements

The company is included in the consolidated report for the parent company

Notes to the Financial Statements

17 Related parties (continued)

Name	Place of registered office
FS Infrastructure S.á.r.l.	43, Avenue J.F. Kennedy, Luxembourg, Luxembourg
Forsea AB	Bredgatan 5, Helsingborg, Sweden

The Group Annual Report of FS Infrastructure S.á.r.l. may be obtained at the following address:

43, Avenue J.F. Kennedy
Luxembourg, L-1855
Luxembourg

The Group Annual Report of Forsea AB may be obtained at the following address:

Bredgatan 5
Helsingborg
Sweden

18 Fee to auditors appointed at the general meeting

	2019	2018
	TDKK	TDKK
PricewaterhouseCoopers		
Audit fee	357	350
Other services	36	20
	393	**370**

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Forsea Helsingør ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Forsea AB, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

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

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

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Notes to the Financial Statements

19 Accounting Policies (continued)

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

Information on business segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Other external expenses

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Software acquired is measured at cost less accumulated amortisation. Software is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Notes to the Financial Statements

19 Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

19 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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

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

Deferred income

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$