Copenhagen Metro Team I/S

Amager Strandvej 60
2300 København S
CVR No. 33504764

Annual report 2021

The Annual General Meeting adopted the annual report on 10.03.2022

Tesfaye Amamaw Amamare
Chairman of the General Meeting

Contents

Entity details

Entity

Copenhagen Metro Team I/S

Amager Strandvej 60

2300 København S

Business Registration No.: 33504764

Registered office: København

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Luca Pavone

Pablo Martinez Sonnendrucker

Claudio Lautizi, formand

Auditors

KPMG Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
CVR No.: 25578198

Statement by Management

The Board of Directors has today considered and approved the annual report of Copenhagen Metro Team I/S for the financial year 01.01.2021 - 31.12.2021.

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 Entity’s financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

Further, in our opinion, the Management's commentary gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 04.03.2022

Board of Directors

Luca Pavone

Pablo Martinez Sonnendrucker

Claudio Lautizi
formand

Independent auditor's report

To the shareholders of Copenhagen Metro Team I/S

Opinion
We have audited the financial statements of Copenhagen Metro Team I/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter
Without modifying our opinion, we draw attention to the disclosures in note 8, in which the board of directors describe the uncertainty related to the recognition and measurement of claims raised towards the employer and thereby the recognized revenue and the valuation of contract work in progress.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, 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 conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 04.03.2022

KPMG Statsautoriseret Revisionspartnerselskab
CVR No. 25578198

Niels Skannerup Vendelbo
State Authorised Public Accountant
Identification No (MNE) mne34532

Henrik Y. Jensen
State Authorised Public Accountant
Identification No (MNE) mne34442

Management commentary

Financial highlights

	2021 EUR'000	2020 EUR'000	2019 EUR'000	2018 EUR'000	2017 EUR'000
Key figures					
Revenue	14,172	43,570	123,870	188,424	335,224
Gross profit/loss	2,304	16,511	1,194	(15,558)	(2,220)
Operating profit/loss	2,304	16,511	1,194	(15,558)	(2,220)
Net financials	(9,002)	(8,417)	(12,877)	(5,738)	(3,356)
Profit/loss for the year	(4,801)	5,780	(8,842)	(16,846)	(4,483)
Total assets	128,907	120,995	89,590	139,593	174,647
Investments in property, plant and equipment	496	0	0	33	36
Equity	10,252	15,053	9,274	18,116	34,959
Cash flows from (used in) operating activities	(491)	(987)	16,157	5,140	(35,744)
Cash flows from (used in) investing activities	248	525	565	1,396	1,672
Average number of employees	24	45	102	186	187
Ratios					
Gross margin (%)	16.26	37.90	0.96	(8.26)	(0.66)
Net margin (%)	(33.88)	13.27	(7.14)	(8.94)	(1.34)
Return on equity (%)	(37.95)	47.52	(64.56)	(63.48)	(12.05)
Equity ratio (%)	7.95	12.44	10.35	12.98	20.02

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):
$$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$$

Net margin (%):
$$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$$

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Total assets

Primary activities

Copenhagen Metro Team I/S (CMT) is a Danish Partnership, which was registered on 21st February 2011 for the purpose of managing the Copenhagen Cityringen Project.

The contract was signed on 7th January 2011 between Metroselskabet I/S (MS) and CMT. CMT is a Danish Partnerhsip composed of:

- Webuild S.p.A. (ex Salini Impregilo S.p.A) (99,989%)
- MST S.p.A. (ex Neosia spa, ex Tecnimont Civil Construction S.p.A. - 0,001%)
- S.E.L.I. Societa' Costruzione Lavori Idraulici S.p.A. (0,01%)

as amended on 24th September 2021.

The Copenhagen Cityringen Project consists of engineering, design and construction of the new metro 'ring' of Copenhagen realized in a period of just more than eight years, with 17 new stations, 5 shafts and 2 new single-track tunnels of 17 Km each.

The Copenhagen Cityringen Project is the largest construction project in Denmark in the last 400 years, and one of the largest in volume and scope in Europe in recent times.

In July 2019 CMT delivered the Project (Hand- over), and on 29th of September 2019 the Metro line 3 (Cityringen) was officially opened to public service.

As one of the largest infrastructure projects in Europe in recent times the project itself, due to its economic value and the more than eight years of construction activities, has created a positive impact to the economy of both Copenhagen and Denmark as a whole.

Development in activities and finances

Substantial completion stage has been reached where the project is fit for its intended purpose. CMT is still involved in the completion of the reparation works agreed at the Hand Over. However, CMT has been frequently denied access to job sites, with a consequent slowdown of these activities. The remaining expenses are mainly related to Warranty period activities, final settlements with subcontractors, the demobilization of the main office in Metrovej and to the follow up of the arbitration process.

CMT's Income Statement for the year ended 31st December 2021 shows a loss of EUR 4.801 thousand, and the Balance Sheet at the same date show total assets of EUR 128.907 thousand. The result includes the effect of recognition of the Claims deemed to be highly probable to be awarded to CMT.
Claims raised by CMT towards the Employer, according to the contract and the Danish Laws, are mainly related to the following:

a) A major dispute on the execution of the concrete structures in the foundation, piles and D-Walls, resulting in additional costs and time. CMT technical justifications and closure of Non-Conformities were rejected with large impact on time and costs of the works.

b) Misalignment of the contract schedules of the TS (Technological System) contractor and CMT's contract schedule produced consequent delays to CMT installation, testing and commissioning. Additional costs derived from the fact that CMT was not made aware of the TS Contractor Schedule.

c) Delays of the TS Contractor in various parts of the works including the preparation of the Safety Documentation.

d) Deviations and re-sequencing of the Project Model common milestones, including the impact of the anticipated and unduly prolonged train testing on CMT activities. The train testing was not clearly anticipated in the Contract documents.

e) Clashes and conflicts between the TS contractor’s works and CMT’s works, in particular the A/F – Architectural Finishes was impacted by the TS Contractor delays.

f) Reduced productivity in the installations due to the interferences with the works on the surface, for the priority given to the Surface Contractors. CMT suffered restrictions for the access to the stations.

g) Delays in the approval process of CMT design, CMT Non-Conformities and CMT safety documentation.

In CMT opinion, the above events caused significant delays to the scheduled programme of works; CMT increased significantly the expenses in mitigation measures and accelerations so that the Project could still be delivered with the required quality and on time. CMT believes these expenses should be subject to Variation Orders. In accordance with CSA#7, Variation Orders are not subject to caps.

In April 2021 CMT submitted the Supplementary Statement of Claims to the Building and Construction Arbitration Board; the total amount claimed to the employer in the arbitration court is now 805M€ plus the reputational claim (15M€) reserved in the final account, plus the cost of the guarantees (8,7M€) on the pre-payments received according to the Additional Agreement and the Attachments 4-5-6 to CSA#7, the legal costs and all other necessary costs to complete the arbitration.

During 2020 the Client submitted to CMT some counterclaims, which prevented the value of the Performance Bond to be reduced from 3% to 1% of the amount of the works. Counterclaims were rejected by CMT since considered ungrounded. Therefore, a new dispute was raised in the Danish Court of Arbitration in 2021, in order to request the reduction of the Performance Bond from 3% to 1% of the contract value, because CMT considers that 3% is unduly retained.

In addition to the above, as part of the claim process, several questions were raised and answered within the Syn og Skøn assessment.

Profit/loss for the year in relation to expected developments

Main Profit and Loss figures for the Year 2021 are in line or slightly better than expected. Improvements compared to expected results are mainly due to efficiencies in workstreams and timing of costs related to the arbitration process.

Uncertainty relating to recognition and measurement

The date of achievement of the Hand Over milestone, set for 12th of July 2019, has been confirmed successfully and has been signed on 19th of July 2019. On 29th of September, the Metro Line 3 (Cityringen) was officially opened to the public service. The Statement of Final Account has been submitted to the employer on 10th of January 2020, and modified in March 2020 fixing the final contract price, excluding Contractor’s outstanding claims, at EUR 2.117.838 thousand.

Costs for unbudgeted activities were incurred primarily, for structural works requested by the employer and mitigation/acceleration measures to mitigate delays due to Employer`s risks, leading to the notification of claims from CMT to the employer. These costs, with others related to, inter alia, EoT (Extension of Time), delayed approval of A/F design, interferences created by the main contractor of the transport-systems, were taken into consideration during the evaluation of the work in progress, to the extent foreseen by the legal and technical opinions, in accordance with the procedures adopted by the Webuild Group.

During the course of the works, negotiations regarding the closure of certain claims and Variation Orders have been finalized with the C.S.A. n.7 and Attachments 4, 5 and 6. The remaining disputed requests for Variation Orders and claims (approx. 110 No. in total, on various matters) were presented and substantiated. The total amount of the claims is EUR 828,7 millions (at 31st of December 2021), excluding interests and VAT. The magnitude of the claims is not unusual, and it is justified by the large dimensions of the project (22 large construction sites + tunneling) and by the exceptional efforts produced by CMT to complete the Cityringen successfully and on-time, mostly by recovering delays that were not due to CMT. All these claims have been indicated in the Statement of Final Account. In addition to this CMT has reserved a Reputational Claim, the costs of the bank guarantees and a claim for failure of the agreed Negotiation Process.

CMT claims are going to be presented in Arbitration in a more extensive manner. The Variation Orders are not included in C.S.A. n.7 and are to be considered additional if agreed by the parties or expressly ordered to CMT. In parallel to the formal process, CMT will also maintain an open and constructive dialogue aimed to a potential amicable settlement.

CMT cannot exclude that currently unforeseeable events may arise in the future which require changes to the assessments made to date, and these might be material.

Outlook

We expect to have a negative financial outcome for 2022, mainly due to legal and technical expenses for the management and follow-up of the claims in the arbitration process, and for financial expenses accrual.

Events after the balance sheet date

No event has occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2021

	Notes	2021 EUR'000	2020 EUR '000
Revenue		14,172	43,570
Production costs		(11,868)	(27,059)
Gross profit/loss		**2,304**	**16,511**
Other financial income	3	7,202	7,849
Other financial expenses	4	(16,204)	(16,266)
Profit/loss before tax		**(6,698)**	**8,094**
Tax on profit/loss for the year	5	1,897	(2,314)
Profit/loss for the year	6	**(4,801)**	**5,780**

Balance sheet at 31.12.2021

Assets

	Notes	2021 EUR'000	2020 EUR'000
Land and buildings		0	468
Plant and machinery		5	13
Other fixtures and fittings, tools and equipment		0	3
Leased assets		437	0
Property, plant and equipment	7	**442**	**484**
Fixed assets		**442**	**484**
Trade receivables		0	673
Contract work in progress	8	118,069	104,048
Receivables from group enterprises		1,848	1,837
Other receivables		5,793	10,985
Prepayments	9	591	561
Receivables		**126,301**	**118,104**
Cash	10	**2,164**	**2,407**
Current assets		**128,465**	**120,511**
Assets		**128,907**	**120,995**

Equity and liabilities

	Notes	2021 EUR'000	2020 EUR'000
Retained earnings		10,252	15,053
Equity		**10,252**	**15,053**
Deferred tax	11	2,610	4,508
Provisions		**2,610**	**4,508**
Lease liabilities		321	0
Non-current liabilities other than provisions	12	**321**	**0**
Current portion of non-current liabilities other than provisions	12	77	0
Trade payables		17,289	24,598
Payables to group enterprises		98,142	76,348
Other payables		216	488
Current liabilities other than provisions		**115,724**	**101,434**
Liabilities other than provisions		**116,045**	**101,434**
Equity and liabilities		**128,907**	**120,995**
Events after the balance sheet date	1		
Staff costs	2		
Contingent liabilities	14		
Related parties with controlling interest	15		
Transactions with related parties	16		
Group relations	17		

Statement of changes in equity for 2021

	Retained earnings EUR'000	Total EUR'000
Equity beginning of year	15,053	15,053
Profit/loss for the year	(4,801)	(4,801)
Equity end of year	**10,252**	**10,252**

Cash flow statement for 2021

	Notes	2021 EUR'000	2020 EUR'000
Operating profit/loss		2,304	16,511
Amortisation, depreciation and impairment losses		(207)	(312)
Working capital changes	13	6,413	(8,767)
Cash flow from ordinary operating activities		**8,510**	**7,432**
Financial income received		7,202	7,848
Financial expenses paid		(16,203)	(16,267)
Cash flows from operating activities		**(491)**	**(987)**
Acquisition etc of property, plant and equipment		(495)	0
Sale of property, plant and equipment		743	525
Cash flows from investing activities		**248**	**525**
Free cash flows generated from operations and investments before financing		**(243)**	**(462)**
Increase/decrease in cash and cash equivalents		**(243)**	**(462)**
Cash and cash equivalents beginning of year		2,407	2,869
Cash and cash equivalents end of year		**2,164**	**2,407**
Cash and cash equivalents at year-end are composed of:			
Cash		2,164	2,407
Cash and cash equivalents end of year		**2,164**	**2,407**

Notes

1 Events after the balance sheet date

No events have occured after the balance sheet date to this date which would influence the evaluation of this annual report.

2 Staff costs

	2021 EUR'000	2020 EUR'000
Wages and salaries	4,028	5,806
Other staff costs	0	7
	4,028	**5,813**

Average number of full-time employees	24	45

CMT Board of Director members are not remunerated for the specific task, as this activity in deemed included in their overall compensation from Webuild Group. The compensation paid by Webuild Group to CMT Board members are: EUR 1.056 thousands in 2021 and EUR 1.059 thousands in 2020.

3 Other financial income

	2021 EUR'000	2020 EUR'000
Other interest income	7,202	7,849
	7,202	**7,849**

4 Other financial expenses

	2021 EUR'000	2020 EUR'000
Financial expenses from group enterprises	9,154	7,329
Other interest expenses	7,050	8,937
	16,204	**16,266**

5 Tax on profit/loss for the year

	2021 EUR'000	2020 EUR'000
Change in deferred tax	(1,897)	2,314
	(1,897)	**2,314**

6 Proposed distribution of profit and loss

	2021 EUR'000	2020 EUR'000
Retained earnings	(4,801)	5,780
	(4,801)	**5,780**

7 Property, plant and equipment

	Land and buildings EUR'000	Plant and machinery EUR'000	Other fixtures and fittings, tools and equipment EUR'000	Leased assets EUR'000
Cost beginning of year	4,795	92	620	0
Additions	0	0	0	496
Disposals	(4,795)	(62)	(567)	0
Cost end of year	**0**	**30**	**53**	**496**
Depreciation and impairment losses beginning of year	(4,327)	(79)	(618)	0
Depreciation for the year	0	0	0	(59)
Reversal regarding disposals	4,327	54	565	0
Depreciation and impairment losses end of year	**0**	**(25)**	**(53)**	**(59)**
Carrying amount end of year	**0**	**5**	**0**	**437**

8 Contract work in progress

	2021 EUR'000	2020 EUR'000
Contract work in progress	2,515,630	2,494,639
Progress billings regarding contract work in progress	(2,397,561)	(2,390,591)
	118,069	**104,048**

Costs for unbudgeted activities were incurred during the last five years, primarily for:

A) Structure consolidation works requested by the employer.
B) Delays for approval of Architectural Finishes design, and delays due to employer's risk events;
C) Delay disruption and prolongation indirect costs;

leading to the formalization of requests for additional compensations. These costs were taken into consideration during the evaluation of work in progress, to the extent in which their reimbursement was deemed highly probable, based on technical and legal opinions, in accordance with the procedures in force within Webuild Group. A portion of raised claims has been recognized as revenues in the last budget of October 2021, to cover the extra costs incurred, and based on estimated outcome of the Claims. Part of the claims have been settled. While other claims have been deferred to the Building and Construction Arbitration Court, under certain specific condition. CMT cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date, and these changes might be material.

9 Prepayments

Prepayments accounts for prepaid insurances and deferred expenses.

10 Cash

Cash and cash equivalents are composed by bank balances in Danish banks.

11 Deferred tax

	2021 EUR'000	2020 EUR'000
Property, plant and equipment	(1,206)	(1,273)
Other deductible temporary differences	3,816	5,781
Deferred tax	**2,610**	**4,508**

Changes during the year	2021 EUR'000	2020 EUR'000
Beginning of year	4,508	2,194
Recognised in the income statement	(1,898)	2,314
End of year	**2,610**	**4,508**

12 Non-current liabilities other than provisions

	Due within 12 months 2021 EUR'000	Due after more than 12 months 2021 EUR'000
Lease liabilities	77	321
	77	**321**

The company has no long-term debt that is due more than 5 years from the balance sheet date.

13 Changes in working capital

	2021 EUR'000	2020 EUR'000
Increase/decrease in inventories	0	164
Increase/decrease in receivables	(8,197)	(32,241)
Increase/decrease in trade payables etc	(7,184)	2,743
Other changes	21,794	20,567
	6,413	**(8,767)**

14 Contingent liabilities

In 2021 all pending subcontractor's claims submitted in Arbitration were closed, therefore, as of 31 December 2021, there are no residual risks related to subcontractors claims.

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2015 for income taxes etc. for the jointly taxed entities, and from 2015 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

15 Related parties with controlling interest

The main companies closely related to Copenhagen Metro Team I/S are companies belonging to Webuild Group. The transactions between these Webuild Group companies mainly relate to commercial assistance, services (technical, organizational, legal and administrative), seconded personnel and financial transactions. These transactions are regulated by specific contracts and in accordance to the procedures in force within the group.

16 Transactions with related parties

	Parent EUR'000	Other related parties EUR'000
Production costs	2,488	0
Financial expenses	9,154	0
Receivables	0	1,848
Liabilities other than provisions	99,783	0

CMT I/S has issued a Transfer Pricing Report highlighting the various Intercompany transactions.
Related party transactions are related to: Seconded personnel, Guarantee Fee, Management Fees, Interest

expenses and other minor services (IT).

Remuneration to the parent company's executive board and board of directors is disclosed in note 2. Payables to group enterprises are disclosed in the balance sheet.

17 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Webuild S.p.A., Centro Direzionale Milanofiori Strada 6 - Palazzo L - 20089 Rozzano (MI) - Italy

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Webuild S.p.A., Centro Direzionale Milanofiori Strada 6 - Palazzo L - 20089 Rozzano (MI) - Italy

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the work performed in the financial year (the percentage-of-completion method). The percentage of completion is estimated based on realised production costs compared to the estimated total production costs.

Claims raised towards the employer are recognized as income to cover the direct and indirect costs which have been incurred when the estimated outcome of the claims can be assessed highly probable.

Production costs
Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, as well as amortisation, depreciation and impairment losses relating to property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Other financial income
Other financial income comprises interest income, including interest income on net capital gains payables and transactions in foreign currencies.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on net capital losses on, payables and transactions in foreign currencies.

Expenses in relation to performance bond are classified as a production cost.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The partnership has been registered as an individual tax subject and will provide taxes on behalf of the partnership parties.

Balance sheet

Property, plant and equipment
Land and buildings, plant and machinery, other fixtures and fittings, tools and equipment and leased assets are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Leased assets	5 years
Other fixtures and fittings, tools and equipment	5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

The entity is part of the centralized treasury account.

Contract work in progress
Contract work in progress is measured based on the percentage of completion.

Contract work in progress less prepayments received from the Client, is recognised in the balance sheet under receivable or liabilities other than provision, depending on whether the net value is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.