

Copenhagen Metro Team I/S

Amager Strandvej 60
2300 København S
CVR No. 33504764

Annual report 2022

The Annual General Meeting adopted the
annual report on 31.03.2023

Vivian Rasmussen

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2022	13
Balance sheet at 31.12.2022	14
Statement of changes in equity for 2022	16
Cash flow statement for 2022	17
Notes	18
Accounting policies	23

Entity details

Entity

Copenhagen Metro Team I/S

Amager Strandvej 60

2300 København S

Business Registration No.: 33504764

Registered office: København

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Pablo Martinez Sonnendrucker, Chairman

Daniele Cascianelli

Luca Pavone

Executive Board

Daniele Cascianelli, Project Director

Auditors

KPMG Statsautoriseret Revisionspartnerselskab

Dampfærgevej 28

2100 København Ø

CVR No.: 25578198

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Copenhagen Metro Team I/S for the financial year 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022.

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, 31.03.2023

Executive Board

Daniele Cascianelli

Project Director

Board of Directors

Pablo Martinez Sonnendrucker

Chairman

Daniele Cascianelli

Luca Pavone

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 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022 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

Emphasis of matter regarding matters in the financial statements

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, 31.03.2023

KPMG Statsautoriseret Revisionspartnerselskab

CVR No. 25578198

Henrik Y. Jensen

State Authorised Public Accountant

Identification No (MNE) mne35442

Management commentary

Financial highlights

	2022 EUR'000	2021 EUR'000	2020 EUR'000	2019 EUR'000	2018 EUR'000
Key figures					
Revenue	15,290	14,172	43,570	123,870	188,424
Gross profit/loss	6,011	2,304	16,511	1,194	(15,558)
Operating profit/loss	6,011	2,304	16,511	1,194	(15,558)
Net financials	(10,846)	(9,002)	(8,417)	(12,877)	(5,738)
Profit/loss for the year	(4,625)	(4,801)	5,780	(8,842)	(16,846)
Total assets	144,251	128,907	120,995	89,590	139,593
Investments in property, plant and equipment	0	0	0	0	33
Equity	5,627	10,252	15,053	9,274	18,116
Cash flows from (used in) operating activities	(75)	(491)	(987)	16,157	5,140
Cash flows from (used in) investing activities	0	248	525	565	1,396
Average number of employees	16	24	45	102	186
Ratios					
Gross margin (%)	39.31	16.26	37.90	0.96	(8.26)
Net margin (%)	(30.25)	(33.88)	13.27	(7.14)	(8.94)
Return on equity (%)	(58.25)	(37.95)	47.52	(64.56)	(63.48)
Equity ratio (%)	3.90	7.95	12.44	10.35	12.98

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

Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year}}{\text{Revenue}} * 100$

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 Partnership 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 was 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 occupancy and use for its intended purpose. CMT is still involved in the 5-year defects liability period foreseen in the contract, ending on July 2024. 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 and to the follow up of the arbitration process.

CMT's Income Statement for the year ended 31st December 2022 shows a loss of EUR 4.625 thousand, and the Balance Sheet at the same date show total assets of EUR 144.251 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 among others including the installation of the Permanent Way in the tunnels and 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 804,9M€ plus the reputational claim reserved in the final account, plus the cost of the guarantees 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 for rectification of defects, 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 2022 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, as said before, 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, in 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 834,4 millions (at 31st of December 2022), 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 2023, 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.

Statutory report on corporate social responsibility

Corporate Social Responsibility (CSR) for CMT is the main policy to be followed as a fundamental element and a key driver for achieving business results in a sustainable way.

The main points of our CSR are:

- a) Human rights.
- b) Employee rights.
- c) Anti-corruption.
- d) Health and safety.
- e) Environment and climate.

CMT's CSR policy is in accordance with the policy of our main Shareholder Webuild S.p.A. – Italy.

Their latest Sustainability Report was submitted in December 2019, available on website at:

https://media.webuildgroup.com/sites/default/files/2021-04/eng-annual-report-2019-dnf-def_1.pdf

Statutory report on the underrepresented gender

Goal/Target

According to the Articles of Association of CMT, the Board of directors is appointed by the three partners of the Partnership, cf. article 5.3 of the Articles of Association. Currently, CMT has no female board members.

The Board of directors considers it an ambition to increase the number of female members of the Board of directors to one member within the next four years.

Policy

CMT initiatives are aimed at increasing the number of female managers and to instruct the in-house HR-department to seek qualified female candidates for management positions in order to make a balance between the genders. It is a demand that female candidates for vacant jobs are considered carefully.

The percentage of female leaders is presently at 20,0% (2021 was 16,7%).

The aim is that the percentage should be raised when vacant jobs arise.

The initiative is in accordance with the policy of our main Shareholder Webuild S.p.A. Italy.

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 2022

	Notes	2022 EUR'000	2021 EUR '000
Revenue		15,290	14,172
Production costs		(9,279)	(11,868)
Gross profit/loss		6,011	2,304
Other financial income	3	8,153	7,202
Other financial expenses	4	(18,999)	(16,204)
Profit/loss before tax		(4,835)	(6,698)
Tax on profit/loss for the year	5	210	1,897
Profit/loss for the year	6	(4,625)	(4,801)

Balance sheet at 31.12.2022

Assets

	Notes	2022 EUR'000	2021 EUR'000
Plant and machinery		5	5
Leased assets		349	437
Property, plant and equipment	7	354	442
Fixed assets		354	442
Contract work in progress	8	133,360	118,069
Receivables from group enterprises		1,848	1,848
Other receivables		5,892	5,793
Prepayments	9	708	591
Receivables		141,808	126,301
Cash	10	2,089	2,164
Current assets		143,897	128,465
Assets		144,251	128,907

Equity and liabilities

	Notes	2022 EUR'000	2021 EUR'000
Retained earnings		5,627	10,252
Equity		5,627	10,252
Deferred tax	11	2,400	2,610
Provisions		2,400	2,610
Lease liabilities		260	321
Non-current liabilities other than provisions	12	260	321
Current portion of non-current liabilities other than provisions	12	0	77
Trade payables		15,300	17,289
Payables to group enterprises		120,124	98,142
Other payables		540	216
Current liabilities other than provisions		135,964	115,724
Liabilities other than provisions		136,224	116,045
Equity and liabilities		144,251	128,907
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 2022

	Retained earnings EUR'000	Total EUR'000
Equity beginning of year	10,252	10,252
Profit/loss for the year	(4,625)	(4,625)
Equity end of year	5,627	5,627

Cash flow statement for 2022

	Notes	2022 EUR'000	2021 EUR'000
Operating profit/loss		6,011	2,304
Amortisation, depreciation and impairment losses		87	(207)
Working capital changes	13	4,673	6,413
Cash flow from ordinary operating activities		10,771	8,510
Financial income received		8,153	7,202
Financial expenses paid		(18,999)	(16,203)
Cash flows from operating activities		(75)	(491)
Acquisition etc of property, plant and equipment		0	(495)
Sale of property, plant and equipment		0	743
Cash flows from investing activities		0	248
Free cash flows generated from operations and investments before financing		(75)	(243)
Increase/decrease in cash and cash equivalents		(75)	(243)
Cash and cash equivalents beginning of year		2,164	2,407
Cash and cash equivalents end of year		2,089	2,164
Cash and cash equivalents at year-end are composed of:			
Cash		2,089	2,164
Cash and cash equivalents end of year		2,089	2,164

Notes

1 Events after the balance sheet date

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

2 Staff costs

	2022	2021
	EUR'000	EUR'000
Wages and salaries	4,037	4,028
Other staff costs	1	0
	4,038	4,028
Average number of full-time employees	14	24

CMT Board of Director members are not remunerated for the specific task, as this activity is deemed included in their overall compensation from Webuild Group. The compensation paid by Webuild Group to CMT Board members are: EUR 1.200 thousands in 2022 and EUR 1.056 thousands in 2021.

3 Other financial income

	2022	2021
	EUR'000	EUR'000
Other interest income	8,153	7,202
	8,153	7,202

4 Other financial expenses

	2022	2021
	EUR'000	EUR'000
Financial expenses from group enterprises	10,824	9,154
Other interest expenses	8,175	7,050
	18,999	16,204

5 Tax on profit/loss for the year

	2022	2021
	EUR'000	EUR'000
Change in deferred tax	(210)	(1,897)
	(210)	(1,897)

6 Proposed distribution of profit and loss

	2022 EUR'000	2021 EUR'000
Retained earnings	(4,625)	(4,801)
	(4,625)	(4,801)

7 Property, plant and equipment

	Plant and machinery EUR'000	Leased assets EUR'000
Cost beginning of year	30	495
Cost end of year	30	495
Depreciation and impairment losses beginning of year	(25)	(59)
Depreciation for the year	0	(87)
Depreciation and impairment losses end of year	(25)	(146)
Carrying amount end of year	5	349

8 Contract work in progress

	2022	2021
	EUR'000	EUR'000
Contract work in progress	2,539,066	2,515,630
Progress billings regarding contract work in progress	(2,405,706)	(2,397,561)
	133,360	118,069

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 2022, 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

	2022	2021
	EUR'000	EUR'000
Property, plant and equipment	(1,195)	(1,206)
Other deductible temporary differences	3,595	3,816
Deferred tax	2,400	2,610

	2022	2021
	EUR'000	EUR'000
Changes during the year		
Beginning of year	2,610	4,508
Recognised in the income statement	(210)	(1,898)
End of year	2,400	2,610

The Danish tax authorities made a verdict on the ongoing tax case during 2022 and changed the taxable income for the income years 2019 and 2020, stating that the project costs should be deducted in 2019 and the income from the project upon the finalization of the contract with Metroselskabet I/S. The project was physically delivered in 2019, but due to significant unsettled claims, this will have a significant impact on the final outcome

of the contract and the related taxable income, practically the contract is not yet finalized; as consequence CMT filed an appeal to the Tax tribunal and the management has decided not to recognize any additional tax loss carried forward related to the above matter.

12 Non-current liabilities other than provisions

	Due within 12 months 2021 EUR'000	Due after more than 12 months 2022 EUR'000
Lease liabilities	77	260
	77	260

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

13 Changes in working capital

	2022 EUR'000	2021 EUR'000
Increase/decrease in receivables	(15,507)	(8,197)
Increase/decrease in trade payables etc	(1,803)	(7,184)
Other changes	21,983	21,794
	4,673	6,413

14 Contingent liabilities

In 2021 all pending subcontractor's claims submitted in Arbitration were closed, therefore, as of 31 December 2022, 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	492	0
Financial expenses	10,824	0
Receivables	0	1,848
Liabilities other than provisions	121,221	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. The financial statement is presented in Euro (EUR).

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.