Polytech
Wind for life™

Annual Report 2023

Polytech Group ApS
Industrivej 75 · 6740 Bramming
CVR No. 36459948

The Annual General Meeting adopted the annual report on 28.06.2024

Henrik Lykke Søberg · Chairman of the General Meeting

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COMPANY DETAILS

Company	Polytech Group ApS Industrivej 75 6740 Bramming	
	CVR No.:	36 45 99 48
	Established:	11 December 2014
	Municipality:	Esbjerg
	Financial Year:	1 January - 31 December
Board of Directors	Søren Friis Knudsen, chairman Magnus Malmström Lars Denkov Axel Elmqvist Tove Feld Arne Handeland Andreas Damgaard	
Executive Board	Mads Kirkegaard	
Auditor	BDO Statsautoriseret revisionsaktieselskab Dokken 8 6700 Esbjerg	

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Polytech Group ApS for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

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

Bramming, 18 March 2024

Executive Board

Mads Kirkegaard

Board of Directors

Søren Friis Knudsen Chairman	Magnus Malmström	Lars Denkov
Axel Elmqvist	Tove Feld	Arne Handeland
Andreas Damgaard		

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Polytech Group ApS

Opinion

We have audited the Financial Statements of Polytech Group ApS for the financial year 1 January - 31 December 2023, which comprise income statement, Balance Sheet, statement of changes in equity, notes and 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 assets, liabilities and financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

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’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

INDEPENDENT AUDITOR'S REPORT

- 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.

Statement on Management Commentary
Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover 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 Management Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that 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 Management Commentary.

Esbjerg, 18 March 2024

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Mikael Grosbøl State Authorised Public Accountant MNE no. mne33707	Kasper Ladefoged State Authorised Public Accountant MNE no. mne49042

FINANCIAL HIGHLIGHTS

	2023 EUR '000	2022 EUR '000	2021 EUR '000	2020 EUR '000	2019 EUR '000
Income statement					
Gross profit/loss	5,329	1,896	6,390	-194	-47
Operating profit/loss of main activities	31	-4,125	474	-1,876	-47
Financial income and expenses, net	-2,350	-2,038	-372	-340	-29
Profit/loss for the year	-9,665	-5,157	17,238	34,822	19,198
Balance sheet					
Total assets	121,172	131,989	145,215	108,093	56,927
Equity	82,989	83,649	96,919	87,619	49,980
Investment in property, plant and equipment	-132	-753	-571	-212	0
Key ratios					
Equity ratio	68.5	63.4	66.7	81.1	87.8
Return on equity	-11.6	-5.7	18.7	50.6	47.0

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

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

Equity ratio: $\dfrac{\text{Equity, at year-end x 100}}{\text{Total assets, at year-end}}$

Return on equity: $\dfrac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

MANAGEMENT COMMENTARY

Principal activities
The Polytech Group's primary activities comprise the development and production of a wide portfolio of products supporting the wind industry. Products are delivered to wind turbine manufacturers (OEMs), Tier1 partners, and wind turbine asset owners and developers.

Polytech Group is offering unique value propositions within five solution portfolio areas: Lightning Protection Systems, Leading Edge Protection, Blade Monitoring & Optimization, Transport Equipment & Solutions, and Performance & Structural Components. The Polytech Group has also extended its portfolio with subsea solutions, but these are under development. The first products here – and therefore related revenue – are expected in 2025.

Development in activities and financial and economic position
The income statement for 2023 shows a loss of TEUR 9,665 and the balance sheet shows an equity at TEUR 82,989. The development and result are below management's expectations. The general market conditions as well as restructuring activities, closing the activities in Germany, impact the result for 2023.

Profit/loss for the year compared to the expected development
The revenue declined more than expected, due to a postponement of a general recovery of the wind industry which did not materialize in second half of 2023 as expected.

Significant events after the end of the financial year
No events have occurred after the end of the financial year of material importance for the Company's financial position.

Financial risk
Due to Polytech Group's international operations, both earnings, cash flow, and equity are affected by the development in exchange rates and interest rates. The Group continuously monitors fluctuations in currencies and continuously evaluates those but has chosen not to enter forward exchange contracts to hedge currency risks. Additionally, the development of fluctuations in freight rates and raw materials can potentially create a specific risk, as price compensation from customers can only be obtained to a limited degree due to contractual obligations.

Environmental situation
The group is certified to:
ISO 9001:2015 Quality Management System
ISO 14001:2015 Environmental Management System
ISO 29001:2020 Quality Management System within the Oil & Gas Industry
ISO 245001:2018 Occupational health and safety management

which is subject to inspection on a current basis to ensure a constant monitoring of the group's quality and compliance to the ISO standards.

Furthermore, the group have been certified to "Bureau Veritas requirements for the contribution of the organization in order to reach the 17 sustainable development goals defined by UN" in 2021.

The management systems are examined and updated on a current basis to ensure improvement on key Parameters within these certificates.

Knowledge resources
The knowledge resources within Polytech are key to maintaining a position in the market where new products are continuously being developed.

MANAGEMENT COMMENTARY

Research and development activities

Innovation and development are key to Polytech, and during 2023 further activities took place regarding both continuous improvements of existing products as well as new product solutions such as subsea solutions mentioned above. Consequently, high intellectual capital resources from employees, is key to the performance of Polytech in the years to come.

Future expectations

The company expects the wind industry to grow in 2024 and in combination with the completed restructuring activities, a slightly positive result for next year is expected.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2023 EUR '000	2022 EUR '000
GROSS PROFIT		**5,329**	**1,896**
Staff costs	1	-3,827	-4,712
Depreciation, amortisation and impairment losses for tangible and intangible assets		-1,471	-1,309
OPERATING PROFIT		**31**	**-4,125**
Income from investments in subsidiaries		-7,254	-283
Other financial income	2	966	504
Other financial expenses	3	-3,316	-2,542
LOSS BEFORE TAX		**-9,573**	**-6,446**
Tax on profit/loss for the year	4	-92	1,289
LOSS FOR THE YEAR	5	**-9,665**	**-5,157**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2023 EUR '000	2022 EUR '000
Completed development projects		1,972	2,468
Acquired intangible assets and licences		11,230	11,945
Development projects in progress		0	115
Intangible assets	6	**13,202**	**14,528**
Other plant, fixtures and equipment		154	96
Leasehold improvements		972	1,093
Property, plant and equipment	7	**1,126**	**1,189**
Investments in subsidiaries		68,454	76,400
Receivables from Group companies		1,282	1,149
Rent deposit and other receivables		1,186	1,260
Financial non-current assets	8	**70,922**	**78,809**
NON-CURRENT ASSETS		**85,250**	**94,526**
Trade receivables		7,743	9,892
Receivables from group enterprises		15,866	13,845
Deferred tax assets	9	1,157	1,249
Corporation tax receivable		0	1,234
Prepayments	10	5,000	5,473
Receivables		**29,766**	**31,693**
Cash and cash equivalents		**6,156**	**5,770**
CURRENT ASSETS		**35,922**	**37,463**
ASSETS		**121,172**	**131,989**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2023 EUR '000	2022 EUR '000
Share Capital		14	14
Reserve for development costs		1,538	2,583
Retained earnings		81,437	81,052
EQUITY		**82,989**	**83,649**
Bank debt		17,000	22,755
Non-current liabilities	11	**17,000**	**22,755**
Lease liabilities		0	71
Trade payables		819	1,838
Debt to Group companies		17,643	21,605
Other liabilities		2,721	2,071
Current liabilities		**21,183**	**25,585**
LIABILITIES		**38,183**	**48,340**
EQUITY AND LIABILITIES		**121,172**	**131,989**

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EQUITY

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend	Total
Equity at 1 January 2023	14	2,583	81,052	0	83,649
Proposed profit allocation, see note 5			-26,665	17,000	-9,665
Transactions with owners					
Extraordinary dividend paid				-17,000	-17,000
Capital increase			26,707		26,707
Other legal bindings					
Foreign exchange adjustments			-702		-702
Revaluations in the year		-1,045	1,045		0
Equity at 31 December 2023	**14**	**1,538**	**81,437**	**0**	**82,989**

NOTES

	2023 EUR '000	2022 EUR '000	Note
Staff costs			1
Average number of full-time employees	33	38	
Wages and salaries	3,458	4,347	
Pensions	335	327	
Social security costs	34	38	
	3,827	**4,712**	
Remuneration of Management	64	81	
	64	**81**	

Special incentive programmes

In 2021, warrants were granted free of charge in Euros HoldCo AB (a parent company) to members of Polytech Group ApS's Executive Board and Board of directors as part of an incentive programme.

A total of 9,836 A-warrants were issued, which each give a right to subscribe (without any pre-emption rights for other shareholders) a share in Euros HoldCo AB of a quota value of SEK 0.025 at a subscription of DKK 1,545.

A total of 9,836 B-warrants were issued, which each give a right to subscribe (without any pre-emption rights for other shareholders) a share in Euros HoldCo AB of a quota value of SEK 0.025 at a subscription price of DKK 1,545. B-warrants can only be exercised if the fair market price of a share of a quota value of SEK 0.025 equals or exceeds DKK 3,091.

A total of 9,836 C-warrants were issued, which each give a right to subscribe (without any pre-emption rights for other shareholders) a share in Euros HoldCo AB of a quota value of SEK 0.025 at a subscription price of DKK 1,545. C-warrants can only be exercised if the fair market price of a share in the Company of a quota value of SEK 0.025 equals or exceeds DKK 4,636.

	2023 EUR '000	2022 EUR '000	Note
Other financial income			2
Interest income from group enterprises	213	318	
Other interest income	753	186	
	966	**504**	
Other financial expenses			3
Interest expenses to group enterprises	646	753	
Other interest expenses	2,670	1,789	
	3,316	**2,542**	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year	0	985	
Adjustment of tax in previous years	0	-28	
Adjustment of deferred tax	92	-2,246	
	92	**-1,289**	

NOTES

	2023 EUR '000	2022 EUR '000	Note
Proposed distribution of profit			5
Extraordinary dividend	17,000	0	
Retained earnings	-26,665	-5,157	
	-9,665	**-5,157**	

After the end of the financial year, distribution of extraordinary dividend of EUR 10,000,000 has been made.

Intangible assets 6

	Completed development projects	Acquired intangible assets and licences	Development projects in progress
Cost at 1 January 2023	2,921	12,696	115
Transfer	116	0	-116
Additions	0	0	1
Cost at 31 December 2023	**3,037**	**12,696**	**0**
Amortisation at 1 January 2023	453	751	0
Amortisation for the year	612	715	0
Amortisation at 31 December 2023	**1,065**	**1,466**	**0**
Carrying amount at 31 December 2023	**1,972**	**11,230**	**0**

Development projects
Completed development project comprise of the development of a new ERP system and a new project system, the later has been completed in 2023. Both systems supports the company's optimization of its processes as planned.

Property, plant and equipment 7

	Other plant, fixtures and equipment	Leasehold improvements
Cost at 1 January 2023	188	1,178
Additions	132	0
Disposals	-108	0
Cost at 31 December 2023	**212**	**1,178**
Depreciation and impairment losses at 1 January 2023	92	85
Reversal of depreciation of assets disposed of	-61	0
Depreciation for the year	27	121
Depreciation and impairment losses at 31 December 2023	**58**	**206**
Carrying amount at 31 December 2023	**154**	**972**

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Financial non-current assets 8

	Investments in subsidiaries	Receivables from Group companies	Rent deposit and other receivables
Cost at 1 January 2023	80,442	1,149	1,260
Exchange adjustment at closing rate	-31	133	0
Disposals	0	0	-74
Cost at 31 December 2023	**80,411**	**1,282**	**1,186**
Revaluation at 1 January 2023	-4,042	0	0
Exchange adjustment	-661	0	0
Profit/loss for the year	-7,254	0	0
Revaluation at 31 December 2023	**-11,957**	**0**	**0**
Carrying amount at 31 December 2023	**68,454**	**1,282**	**1,186**

Investments in subsidiaries

Name and domicil	Ownership
Polytech A/S, Denmark	100 %
Polytech Wind Power Technology (Wuxi) Co., Ltd., China	100 %
Polytech Wind Power Technology Inc., USA	100 %
Polytech Test & Validation (Sheyang) Co., Ltd., China	100 %
Polytech Wind Power Technology Germany GmbH, Germany	100 %
Polytech Wind Power Technology India Private Limited, India	100 %
Polytech Manufacturing Mexico, S. de. R.L. de C.V., Mexico	100 %
Polytech Wind Power Technology Mexico, S. de. R.L. de C.V., Mexico	100 %

Deferred tax assets 9

Deferred tax primarily relates to intangible assets and tax loss carryforward.

	2023 EUR '000	2022 EUR '000
Deferred tax, beginning of year	1,249	-997
Deferred tax of the year, income statement	-92	2,246
Deferred tax assets 31 December 2023	**1,157**	**1,249**

Recognised deferred tax assets is the net amount of tax loss carryforward and differences between the carrying amount and the tax base primarily on intangible assets. Tax loss carryforward is recognised with the amount that is expected to be utilized by the company and jointly taxed companies for the following 3-4 years.

NOTES

	2023 EUR '000	2022 EUR '000	Note
Prepayments			10
Insurances	647	585	
Costs	4,353	4,888	
	5,000	**5,473**	

Prepayments consists of prepaid rent, insurance and software licence fee etc.

Long-term liabilities 11

	31/12 2023 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2022 total liabilities
Bank debt	17,000	0	0	22,755
Lease liabilities	0	0	0	71
	17,000	**0**	**0**	**22,826**

Contingencies etc. 12

Contingent liabilities
Liabilites under rental or lease agreements until maturity constitutes of TEUR 2,619

Joint liabilities
The Danish companies of the group is jointly and severally liable for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT. In Q1 the Company was included in the joint taxation with VC VIII Jupiter Holding ApS

Charges and securities 13
The group has secured a commitment with GLAS Trust Corporation Limited through a registered company charge of TEUR 24,500 nominal. The registered company charge includes property, plant and equipment, inventories, trade receivables and trade receivables from group enterprises. The carrying amount of pledged assets amounts to TEUR 13.566.

Furthermore bank loans are secured by pledge of shares in Polytech A/S. The carrying amount of the investment is TEUR 36,738.

Related parties 14
The Company's related parties include:

Controlling interest
Euros BidCo AB, Stockholm, Sweden (Parent company of Polytech Group ApS)
Euros HoldCo AB, Stockholm, Sweden (Parent company of Euros BidCo AB)

Transactions with related parties
Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

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Consolidated Financial Statements **15**

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Euros HoldCo AB, Stockholm, Sweden.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Euros HoldCo AB, Stockholm, Sweden.

Copies of the consolidated financial statements of Euros HoldCo AB may be ordered at the following adress: www.cvr.dk in addition to the financial statement of Polytech A/S, reg. no. 17736590.

ACCOUNTING POLICIES

The Annual Report of Polytech Group ApS for 2023 has been presented in accordance with the provisions of the Financial Statements Act for Danish medium-size enterprises in reporting class C .

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

The Annual Report is presented in Euros at a EUR/DKK rate of 7.45 (2022: 7.45)

Consolidated Financial Statements
Consolidated Financial Statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The Company is included in the consolidated Financial Statements of Euros HoldCo AB, Stockholm, Sweden.

INCOME STATEMENT

Net revenue
Net revenue from the sale of services is recognised in the income statement when delivery is made to the buyer.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Other operating income
Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible assets, operating loss and conflict compensations, as well as salary refunds. Compensations are recognised when the income is estimated to be realisable.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables in current assets.

Payments related to operating lease expenses and other lease agreements are recognised in the Income Statement over the contract period. The Company's total liability concerning operating and other lease agreements are stated under contingencies, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees.

Income from investments in subsidiaries
The Income Statement of the Parent Company recognises the proportional share of the results of subsidiaries determined according to the Parent Company's accounting policies and after full elimination of intercompany profits/losses and deduction of amortisation of goodwill. resulting from purchase price allocation at the date of acquisition, is recognised in the Parent Company's Income Statement.

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Interest and other costs of borrowing for financing of manufacture of current assets and fixed assets are not recognised in the cost price.

ACCOUNTING POLICIES

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

BALANCE SHEET

Intangible fixed assets
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights and acquired intellectual property rights such as patents, licenses and software.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation period used is 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement. The amortisation periods used are 3-20 years. Software is amortised over 3-4 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Tangible fixed assets
Other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

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

	Useful life	Residual value
Other plant, fixtures and equipment...	3-10 years	0 %
Leasehold improvements..	5-10 years	0 %

ACCOUNTING POLICIES

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

Lease contracts
Lease contracts relating to tangible fixed assets
for which the Company bears all material risks and benefits attached to the ownership (finance lease, see IAS 17) are recognised as assets in the Balance Sheet. The assets are at the initial recognition measured at the lower of cost stated at fair value and the and present value of the future lease payments. The internal interest rate of the lease contract, or alternatively the Company's loan interest, is used as discounting factor when calculating the present value. Finance lease assets are hereafter treated as the Group's and the Company's other similar tangible fixed assets.

The capitalised residual lease liability is recognised in the Balance Sheet as a liability and the interest portion of the lease payment is recognised in the Income Statement over the contract period.

All other lease contracts are considered to be operating leases. Payments related to operating leases and other rental agreements are recognised in the Income Statement over the contract period. The Company's total liability relating to operating leases and rental agreements is disclosed as contingencies etc.

Financial non-current assets
Investments in subsidiaries are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

Investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying Equity value, calculated in accordance with the Parent Company's accounting policies with deduction or addition of unrealised intercompany profits or losses, and with addition of remaining additional values and goodwill calculated according to the acquisition method.

The combination method is applied when acquiring enterprises within the Group, where the combination is regarded as completed at the date of acquisition, and by using the carrying amounts of the assets and liabilities acquired.

The difference between the acquisition cost and carrying amounts is recognised directly in equity.

Received dividend is deducted in the carrying amount of the equity investment.

Net revaluation of investments in subsidiaries is transferred under equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Profit and loss at disposal of investments in subsidiaries are determined as the difference between the net selling price and the carrying amount of the disposed investment at the time of sale, including non-depreciated excess values and goodwill. Profit and loss are recognised in the Income Statement under income from investments.

Deposits include rental deposits which are recognised and measured at cost. Deposits are not depreciated.

Other receivables are measured at amortised cost which usually corresponds to the nominal amount. The amount is written down to meet expected losses.

ACCOUNTING POLICIES

Impairment of fixed assets
The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

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

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Write-off is performed to provide for losses when an objective indication has been assessed to have incurred that a receivable or a portfolio of receivables are impaired. If there is an objective indication that an individual receivable is impaired, the write-off is performed at individual level.

Receivables for which there are no objective indication of impairment at individual level are assessed at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' registered office and credit rating in accordance with the Company's policy for credit risk management. The objective indicators, which are applied for portfolios, are determined based on the historical loss experiences.

Write-off is determined as the difference between the carrying amount of receivables and the present value of the expected cash flows, including realisable value of any received collaterals. The effective interest rate is used as discount rate for the single receivable or portfolio.

Prepayments & other receivables
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Cash and cash equivalents
Cash and cash equivalents include cash at bank.

Equity
<u>Reserve for development costs</u>
The reserve includes recognised post-tax development costs, which are capitalised as intangible assets. The reserve is reduced concurrently with depreciation of the intangible asset and is dissolved if the asset is discontinued from the operation of the company. Reduction of the reserve takes place via transferring directly to the distributable reserves of the equity.

<u>Fair value reserve for foreign currency translation</u>
The reserve includes a share of foreign currency translation adjustments arisen at translation of the financial statements of entities with another functional currency than Danish Kroner as well as foreign currency translation adjustments regarding assets and liabilities which constitute a share of the company's net investments in such entities. The reserve is dissolved by disposal of foreign entities. In the parent company where investments in subsidiaries, associates and equity investments are subject to the requirement of limitation of the reserve according to equity method, foreign currency translation adjustments will instead be included in the reserve according to the equity method.

ACCOUNTING POLICIES

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish Group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

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

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

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

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

The amortised cost of current liabilities corresponds usually to the nominal value.

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

Receivables, payables and other monetary items in foreign currencies that are not settled on the Balance Sheet date are translated at the exchange rate on the Balance Sheet date. The difference between the exchange rate on the Balance Sheet date and the exchange rate at the date when the receivables or payables come into existence recognised in the Income Statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

The Income Statements of foreign subsidiaries and associates fulfilling the conditions for being independent entities are translated at an average exchange rate for the month and the Balance Sheet items are translated at the rate of exchange on the Balance Sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the Balance Sheet date and from translation of Income Statements from average rate to the rates of the Balance Sheet date are recognised directly in the equity.

Exchange rate differences recognised in Equity are accumulated in a fair value reserve for currency translation of foreign entities and are transferred to the Income Statement when object of the currency translation is realised or ends. An exception is exchange rate differences arising from translation of Equity interests, which are recognised at Equity value, where the whole value adjustment, including exchange rate differences, are included in the reserve for net valuation according to the Equity value method.

ACCOUNTING POLICIES

CASH FLOW STATEMENT

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