BEIERHOLM
VI SKABER BALANCE

Clinical-Microbiomics A/S

Fruebjergvej 3, 2100 København Ø
CVR no. 37 23 06 34

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 27.06.24

Henrik Laursen
Dirigent

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Group information etc.

The company

Clinical-Microbiomics A/S
Fruebjergvej 3
2100 København Ø
Registered office: København
CVR no.: 37 23 06 34
Financial year: 01.01 - 31.12

Executive Board

Anders Christian Neto de Sousa Grøn

Board of Directors

Manoj Nirmal Dadlani
Bruce Harvey Grant
Caroline Popper
Isabelle Valerie de Cremoux
Morten Sommer
Nathan Allen Ledeboer

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Clinical-Microbiomics A/S.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.23 and of the results of the group's and parent's activities for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, May 14, 2024

Executive Board

Anders Christian Neto de Sousa Grøn

Board of Directors

Manoj Nirmal Dadlani Chairman	Bruce Harvey Grant	Caroline Popper
Isabelle Valerie de Cremoux	Morten Sommer	Nathan Allen Ledeboer

Independent auditor's report

To the shareholder of Clinical-Microbiomics A/S

Opinion

We have audited the consolidated financial statements and financial statements of Clinical-Microbiomics A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies for the group as well as for the parent company. The consolidated financial statements and financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the consolidated financial statements and financial statements give a true and fair view of the group's and the company's financial position at 31.12.23 and of the results of the group's and the company's operations for the financial year 01.01.23 - 31.12.23 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 consolidated financial statements and financial statements" section of our report. We are independent of the group and the company 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.

Statement on the management's review

Management is responsible for the management's review.

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

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

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

Based on the work we have performed, we conclude that the management’s review is in accordance with the consolidated financial statements and 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’s review.

Management's responsibilities for the consolidated financial statements and financial statements

Management is responsible for the preparation of consolidated financial statements and 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 consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and financial statements, management is responsible for assessing the group's and 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 consolidated financial statements and financial statements unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements and financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and 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 consolidated financial statements and 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 group's and the company's internal control.

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

- Conclude on the appropriateness of management’s use of the going concern basis of accounting in preparing the consolidated financial statements and 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 group's and 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 consolidated financial statements and 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 group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and financial statements, including the disclosures, and whether the consolidated financial statements and financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Soeborg, Copenhagen, May 14, 2024

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Louise Corneliussen

State Authorized Public Accountant
MNE-no. mne34517

Primary activities

Clinical Microbiomics offers state-of-the-art microbiome and metabolome research services based on advanced multi-omics laboratory-, bioinformatics-, machine learning-, artificial intelligence-, and software solutions for its clients. The services enables clients to obtain a deeper understanding of microbial communities across human, animal, and environmental health.

Exceptional conditions

The decrease in the parent company's gross profit in 2023 is due to intercompany transactions between the parent company and its subsidiary MS-Omics ApS, without which the parent company's gross profit would have shown an increase from the previous year.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows an increase in gross profit to EUR 6,221k against EUR 2,760k for the group for the year 2022.

Net loss was EUR -2,542k against EUR -1,336k last year for the same period. This includes EUR 2,146k amortization of goodwill related to the acquisition of MS-Omics ApS and CosmosID Inc. Adjusting for this amortization of goodwill, the net loss was EUR -396k against EUR -1,336k last year. The balance sheet shows equity of EUR 85,160k.

Subsequent events

After the balance sheet date Clinical-Microbiomics A/S has agreed to buy DNASense ApS, a Danish company doing microbial community analysis. The transaction will accelerate CMC market entry to non-human microbiome applications (animal/environment) offering diversification and exposure to pockets with above average growth potential, while also making CMC the leading provider of long-read technologies for the microbiome field.

Treasury shares

Treasury shares consist of:

	Purchase-/salesprice EUR'000	Quantity	Percent of capital
Holding of treasury shares as at 01.01.23		3,175	0.31%
Holding of treasury shares as at 31.12.23		3,175	0.31%

Income statement

Note		Group 2023 EUR '000	Group 2022 EUR '000	Parent 2023 EUR '000	Parent 2022 EUR '000
	Gross profit	**6,221**	**2,760**	**1,779**	**2,550**
3	Staff costs	-5,343	-3,391	-3,382	-3,098
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**878**	**-631**	**-1,603**	**-548**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-3,191	-488	-378	-202
	Operating loss	**-2,313**	**-1,119**	**-1,981**	**-750**
	Financial income	15	19	9	19
4	Financial expenses	-308	-290	-115	-238
	Loss before tax	**-2,606**	**-1,390**	**-2,087**	**-969**
5	Tax on loss for the year	64	54	136	42
	Loss for the year	**-2,542**	**-1,336**	**-1,951**	**-927**

Proposed appropriation account

	Group 2023 EUR '000	Group 2022 EUR '000	Parent 2023 EUR '000	Parent 2022 EUR '000
Retained earnings	-2,542	-1,336	-1,951	-927
Total	**-2,542**	**-1,336**	**-1,951**	**-927**

Balance sheet

ASSETS

Note		Group 31.12.23 EUR '000	Group 31.12.22 EUR '000	Parent 31.12.23 EUR '000	Parent 31.12.22 EUR '000
	Completed development projects	2,063	158	994	73
	Acquired rights	16	0	0	0
	Goodwill	88,352	11,438	0	0
	Development projects in progress	419	781	375	781
6	**Total intangible assets**	**90,850**	**12,377**	**1,369**	**854**
	Land and buildings	462	735	152	360
	Plant and machinery	3,178	1,464	0	0
	Other fixtures and fittings, tools and equipment	166	138	63	75
7	**Total property, plant and equipment**	**3,806**	**2,337**	**215**	**435**
8	Equity investments in group enterprises	0	0	83,186	10,913
9	Deposits	205	138	66	61
	Total investments	**205**	**138**	**83,252**	**10,974**
	Total non-current assets	**94,861**	**14,852**	**84,836**	**12,263**
	Raw materials and consumables	671	82	351	82
	Total inventories	**671**	**82**	**351**	**82**
	Trade receivables	4,215	952	1,816	619
	Receivables from group enterprises	0	0	565	359
	Deferred tax asset	0	0	137	64
	Other receivables	285	214	258	136
	Prepayments	1,051	425	863	393
	Total receivables	**5,551**	**1,591**	**3,639**	**1,571**
	Other investments	0	3,984	0	3,984
	Total securities and equity investments	**0**	**3,984**	**0**	**3,984**
10	**Cash**	**1,822**	**2,382**	**1,410**	**1,113**
	Total current assets	**8,044**	**8,039**	**5,400**	**6,750**
	Total assets	**102,905**	**22,891**	**90,236**	**19,013**

Balance sheet

EQUITY AND LIABILITIES

Note		Group		Parent	
		31.12.23 EUR '000	31.12.22 EUR '000	31.12.23 EUR '000	31.12.22 EUR '000
	Contributed capital	271	140	271	140
	Reserve for development costs	0	0	1,069	667
	Foreign currency translation reserve	-27	0	0	0
	Retained earnings	84,916	15,498	84,950	15,241
	Total equity	**85,160**	**15,638**	**86,290**	**16,048**
11	Provisions for deferred tax	7,618	803	0	0
	Total provisions	**7,618**	**803**	**0**	**0**
12	Payables to other credit institutions	555	770	555	770
12	Lease commitments	583	1,130	0	151
12	Other payables	637	511	182	178
	Total long-term payables	**1,775**	**2,411**	**737**	**1,099**
12	Short-term part of long-term payables	892	1,046	397	573
	Payables to other credit institutions	1,856	1,518	2	2
	Prepayments received from customers	191	0	0	0
	Trade payables	3,120	996	2,389	887
	Income taxes	4	0	0	0
	Other payables	697	197	240	122
	Deferred income	1,592	282	181	282
	Total short-term payables	**8,352**	**4,039**	**3,209**	**1,866**
	Total payables	**10,127**	**6,450**	**3,946**	**2,965**
	Total equity and liabilities	**102,905**	**22,891**	**90,236**	**19,013**

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Statement of changes in equity

Figures in EUR '000	Contributed capital	Reserve for development costs	Foreign currency translation reserve	Retained earnings	Total equity
Group:					
Statement of changes in equity for 01.01.23 - 31.12.23					
Balance as at 01.01.23	140	0	0	15,498	15,638
Foreign currency translation adjustment of foreign enterprises	0	0	-27	0	-27
Capital increase	131	0	0	72,223	72,354
Cost of changes in capital	0	0	0	-130	-130
Transfers to/from other reserves	0	0	0	-133	-133
Net profit/loss for the year	0	0	0	-2,542	-2,542
Balance as at 31.12.23	271	0	-27	84,916	85,160
Parent:					
Statement of changes in equity for 01.01.23 - 31.12.23					
Balance as at 01.01.23	140	667	0	15,241	16,048
Capital increase	131	0	0	72,062	72,193
Total depreciation, amortisation, impairment losses and write-downs during the year	0	-103	0	103	0
Tax on changes in equity	0	-113	0	113	0
Transfers to/from other reserves	0	618	0	-618	0
Net profit/loss for the year	0	0	0	-1,951	-1,951
Balance as at 31.12.23	271	1,069	0	84,950	86,290

1. Exceptional conditions

The decrease in the parent company's gross profit in 2023 is due to intercompany transactions between the parent company and its subsidiary MS-Omics ApS, without which the parent company's gross profit would have shown an increase from the previous year.

2. Subsequent events

After the balance sheet date Clinical-Microbiomics A/S has agreed to buy DNASense ApS, a Danish company doing microbial community analysis. The transaction will accelerate CMC market entry to non-human microbiome applications (animal/environment) offering diversification and exposure to pockets with above average growth potential, while also making CMC the leading provider of long-read technologies for the microbiome field.

	Group		Parent	
	2023 EUR '000	2022 EUR '000	2023 EUR '000	2022 EUR '000

3. Staff costs

Wages and salaries	4,742	3,015	2,961	2,749
Pensions	319	214	229	188
Other social security costs	86	7	17	15
Other staff costs	196	155	175	146
Total	5,343	3,391	3,382	3,098
Average number of employees during the year	82	43	37	32

4. Financial expenses

Other interest expenses	270	179	98	133
Foreign currency translation adjustments	4	37	0	42
Other financial expenses	34	74	17	63
Total	308	290	115	238

5. Tax on loss for the year

Current tax for the year	68	0	0	0
Adjustment of deferred tax for the year	-137	-54	-136	-42
Adjustment of tax in respect of previous years	5	0	0	0
Total	-64	-54	-136	-42

6. Intangible assets

Figures in EUR '000	Completed development projects	Acquired rights	Goodwill	Development projects in progress
Group:				
Cost as at 01.01.23	385	0	11,890	782
Additions during the year	1,085	17	78,783	617
Transfers during the year to/from other items	980	0	0	-980
Cost as at 31.12.23	2,450	17	90,673	419
Amortisation and impairment losses as at 01.01.23	-226	0	-175	0
Amortisation during the year	-161	-1	-2,146	0
Amortisation and impairment losses as at 31.12.23	-387	-1	-2,321	0
Carrying amount as at 31.12.23	2,063	16	88,352	419
Parent:				
Cost as at 01.01.23	73	0	0	781
Additions during the year	44	0	0	574
Transfers during the year to/from other items	980	0	0	-980
Cost as at 31.12.23	1,097	0	0	375
Amortisation during the year	-103	0	0	0
Amortisation and impairment losses as at 31.12.23	-103	0	0	0
Carrying amount as at 31.12.23	994	0	0	375

Development projects are related to the development of new types of products, improvement of current business procedures and enhancement of quality in workflows.

7. Property, plant and equipment

Figures in EUR '000	Land and buildings	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Group:				
Cost as at 01.01.23	664	165	3,836	288
Additions during the year	63	582	1,255	79
Cost as at 31.12.23	727	747	5,091	367
Depreciation and impairment losses as at 01.01.23	-136	-499	-568	-150
Depreciation during the year	-129	-248	-1,345	-51
Depreciation and impairment losses as at 31.12.23	-265	-747	-1,913	-201
Carrying amount as at 31.12.23	462	0	3,178	166
Parent:				
Cost as at 01.01.23	152	707	0	217
Additions during the year	0	40	0	15
Cost as at 31.12.23	152	747	0	232
Depreciation and impairment losses as at 01.01.23	0	-499	0	-142
Depreciation during the year	0	-248	0	-27
Depreciation and impairment losses as at 31.12.23	0	-747	0	-169
Carrying amount as at 31.12.23	152	0	0	63
Carrying amount of assets held under finance leases as at 31.12.23	0	0	2,414	0

8. Equity investments in group enterprises

Figures in EUR '000	Equity investments in group enterprises
Parent:	
Cost as at 01.01.23	10,913
Additions during the year	72,273
Cost as at 31.12.23	83,186
Carrying amount as at 31.12.23	83,186

Name and registered office:	Ownership interest
Subsidiaries:	
MS-Omics ApS, Trørød	100%
Clinical Microbiomics Inc., USA	100%
CosmosID Inc., USA	100%
CosmosID AB, Sverige	100%

9. Other non-current financial assets

Figures in EUR '000	Deposits
Group:	
Cost as at 01.01.23	138
Additions during the year	67
Cost as at 31.12.23	205
Carrying amount as at 31.12.23	205
Parent:	
Cost as at 01.01.23	61
Additions during the year	5
Cost as at 31.12.23	66
Carrying amount as at 31.12.23	66

10. Cash

Cash includes bank deposits of EUR 196k which are deposited as security for guarantees provided, towards a customer.

	Group		Parent	
	31.12.23 EUR '000	31.12.22 EUR '000	31.12.23 EUR '000	31.12.22 EUR '000

11. Deferred tax

Deferred tax as at 01.01.23	952	-80	-137	-64
Additions relating to mergers and acquisition of enterprises	6,666	883	0	0
Deferred tax as at 31.12.23	7,618	803	-137	-64

12. Long-term payables

Figures in EUR '000	Repayment first year	Total payables at 31.12.23	Total payables at 31.12.22
Group:			
Payables to credit institutions	237	792	1,124
Lease commitments	655	1,238	1,822
Other payables	0	637	511
Total	892	2,667	3,457
Parent:			
Payables to credit institutions	237	792	1,124
Lease commitments	160	160	370
Other payables	0	182	178
Total	397	1,134	1,672

13. Fair value information

Figures in EUR '000	Listed securities and equity investments	Total
Group:		
Fair value as at 31.12.23	0	0
Unrealised changes of fair value recognised in the income statement for the year	0	0
Parent:		
Fair value as at 31.12.23	0	0
Unrealised changes of fair value recognised in the income statement for the year	0	0

14. Contingent liabilities

Group:

Guarantee commitments

The group has provided a guarantee of EUR 196k regarding a received prepayment.

Parent:

Recourse guarantee commitments

The company has provided a guarantee whereby the guarantor assumes primary liability for group enterprises' debt to credit institutions. The group enterprises' debt to the credit institutions concerned amounts to DKK 403k at the balance sheet date.

Guarantee commitments

The group has provided a guarantee of EUR 196k regarding af received prepayment.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

15. Charges and security

Group:

As security for debt to credit institutions, a company charge has been provided comprising intellectual property rights, fixtures and fittings, tools and equipment, inventories, trade receivables as well as fuels and other ancillary materials.

As security for debt to EIFO, a company charge has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and agricultural stock, trade receivables as well as fuels and other ancillary materials.

Parent:

As security for debt to credit institutions, a company charge has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and agricultural stock, trade receivables as well as fuels and other ancillary materials.

16. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for groups and enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

16. Accounting policies - continued -

BUSINESS COMBINATIONS

Newly acquired or newly founded enterprises are recognised as from the date of acquisition and the date of foundation, respectively. The date of acquisition is the date at which control of the enterprise is obtained. Divested or discontinued enterprises are recognised until the date of divestment or discontinuation. The date of discontinuation is the date at which control of the enterprise passes to a third party.

Acquired enterprises are recognised in accordance with the acquisition method, according to which the identifiable assets and liabilities of the newly acquired enterprises are measured at fair value at the date of acquisition.

Clinical-Microbiomics A/S has accounted for the acquisition of CosmosID Inc. according to Danish GAAP (Årsregnskabsloven).

The excess value paid over the book value of equity - which is approximately EUR 65.2m - has been allocated (PPA) between goodwill and the following intangible assets including:

- Customer relations
- Patents
- Software and data/datawarehouse
- Database(s)
- Other intangible assets

The PPA has included the following steps: (i) identification of significant intangible assets (which include the above assets) (ii) computing of the excess value to be allocated between goodwill and other intangible assets, (iii) estimation of the fair market value intangible assets identified, (iv) estimation of residual goodwill and (vi) presentation of the opening balance sheet for the businesses acquired.

Tangible assets, working capital and financial assets and liabilities are not subject to value adjustments.

The cost of the equity investments in the acquired enterprises is offset against the proportionate share of the fair value of the enterprises' net assets at the acquisition date.

The goodwill (positive difference) determined at the date of acquisition is recognised under intangible assets in the consolidated financial statements and under equity investments in subsidiaries in the parent’s balance sheet. Goodwill from acquired enterprises is adjusted until 12 months after the acquisition date.

16. Accounting policies - continued -

CURRENCY

The annual report is presented in Euro (EUR).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

LEASES

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

16. Accounting policies - continued -

INCOME STATEMENT

Gross profit

Gross profit comprises revenue and raw materials and consumables and other external expenses.

Revenue

Income from the sale of services is recognised in the income statement as delivery takes place (delivery method). Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

16. Accounting policies - continued -

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	1-3	0
Acquired rights	1-5	0
Goodwill	20	0
Buildings	4-5	0-20
Leasehold improvements	5	0-20
Plant and machinery	8	0-20
Other plant, fixtures and fittings, tools and equipment	5	0-20

Goodwill is amortized over 20 years. The useful life is determined considering the expected future net revenues from the business to which the goodwill is attached. Additionally, a business case has been prepared, which shows that new assets are being developed in the form of customer relationships, patents, etc., that can be utilized in the coming years. These assets are based on the existing goodwill, which is founded on the organization's and employees' collective know-how.

Land is not depreciated.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the ‘Impairment losses on fixed assets’ section.

Other net financials

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies, gains and losses on other securities and equity investments etc. are recognised in other net financials.

16. Accounting policies - continued -

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Completed development projects and development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

16. Accounting policies - continued -

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise land and buildings, leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the ‘Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

16. Accounting policies - continued -

Equity investments in group entreprises

Equity investments in subsidiaries are measured at cost less any impairment losses in the balance sheet of the parent. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments in the balance sheet of the parent, while transaction costs are recognised in the income statement in the consolidated financial statements.

Accounting policies for the acquisition of subsidiaries are stated in the 'Business combinations' section.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

If dividends are distributed on equity investments in subsidiaries exceeding the year earnings from the enterprise in question, this is considered an indication of impairment.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

16. Accounting policies - continued -

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Other investments

Other securities are measured at fair value, equivalent to the market value at the balance sheet date.

Cash

Cash includes deposits in bank accounts as well as operating cash.

16. Accounting policies - continued -

Equity

An amount equivalent to internally generated development costs in the balance sheet is recognised in the financial statements of the parent in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

Acquisition costs and consideration for treasury shares as well as dividends therefrom are recognised directly in equity under retained earnings.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management’s intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

16. Accounting policies - continued -

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.