
COBOD International A/S

Skudehavnsvej 17, DK-2150 Nordhavn

Annual Report for 2022

CVR No. 38 15 18 86

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 20/4 2023

Jens Berthol Hansen
Chairman of the
general meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's statement	1
Independent Auditor's report	2
Management's Review	
Company information	4
Financial Highlights	5
Management's review	6
Financial Statements	
Income statement 1 January - 31 December	7
Balance sheet 31 December	8
Statement of changes in equity	10
Notes to the Financial Statements	11

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of COBOD International A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Copenhagen, 29 March 2023

Executive Board

Henrik Lund-Nielsen
CEO

Jens Berthol Hansen
Chief Financial Officer

Board of Directors

Lars Bugge
Chairman

Simon Rolf Klint Bergh

Christian Frode Peytz

Thomas Imbacher

Independent Auditor's report

To the shareholders of COBOD International A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of COBOD International A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 29 March 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
mne33262

Company information

The Company	COBOD International A/S Skudehavnsvej 17 DK-2150 Nordhavn CVR No: 38 15 18 86 Financial period: 1 January - 31 December Incorporated: 20 October 2016 Municipality of reg. office: Copenhagen
Board of Directors	Lars Bugge, chairman Simon Rolf Klint Bergh Christian Frode Peytz Thomas Imbacher
Executive board	Henrik Lund-Nielsen Jens Berthol Hansen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	116,766	83,460	25,110	12,862	2,161
Gross profit/loss	37,790	25,803	9,321	4,946	97
Profit/loss of ordinary primary operations	8,056	8,926	875	-46	-2,118
Profit/loss before financial income and expenses	7,453	8,926	875	-46	-2,118
Profit/loss of financial income and expenses	-387	-214	-106	-34	-3
Net profit/loss	5,962	6,977	722	151	-1,932
Balance sheet					
Balance sheet total	79,104	69,706	20,024	12,771	7,662
Investment in property, plant and equipment	7,154	4,020	2,181	2,313	3,265
Equity	21,066	17,604	9,139	6,177	6,025
Ratios					
Gross margin	32.4%	30.9%	37.1%	38.5%	4.5%
Profit margin	6.4%	10.7%	3.5%	-0.4%	-98.0%
Return on assets	9.4%	12.8%	4.4%	-0.4%	-27.6%
Solvency ratio	26.6%	25.3%	45.6%	48.4%	78.6%
Return on equity	30.8%	52.2%	9.4%	2.5%	-62.8%

Management's review

Key activities

The company is the leading robotic 3D construction printing company globally. The main activities of the company are development, manufacturing, sales and service of robotic 3D construction printers and related equipment and activities. The company is global with customers in Asia, Africa, Australia, The Middle East, Europe, South, and North America.

Development in the year

Following growth in sales of 40% during 2022, the income statement of the Company for 2022 shows a Profit before tax of DKK 7,065,618 and a net profit of DKK 5,962,421. On 31 December 2022 the balance sheet of the Company showed an Equity of DKK 21,065,930. The company has managed to continue to grow sales and operations without capital injections or long-term debt. However, the net result was lower than last year due to the significant increases in the cost of materials and people.

Sales during first half of the year showed strong growth but slowed down during second half of the year. Management considers this primarily an effect of the higher interest rates, and general uncertainty in the world economy.

North America remains the largest market with approximately half of the sales, while the Asian market in 2022 was not as strong as in previous years.

To cement the cooperation with some of the largest companies in the world, the company welcomed General Electric, Holcim and Cemex as new minority shareholders alongside PERI.

During the year the company also opened regional competence centres and representative offices in Miami, US, to service the North, Latin and South American markets and in Kuala Lumpur, Malaysia to service the Asian markets. In the not so distant future, the goal is to also establish a regional competence centre and office in Dubai to service the Middle East and African markets, while the European market will still be serviced from Copenhagen.

Management expects modest growth during 2023 compared to previous years until the world economy has stabilised, and the first months of 2023 have shown growth in line with these expectations.

Research and development

The company is conducting significant R&D efforts related to automation, robotics and printing technologies and to construction methods and materials. Our aim remains to develop multifunctional construction robots based on 3D printing technology and the unique skills and competences of our extraordinary talented team which at the end of the financial year approached 100 people. The company is involved in several development cooperation communities and cooperations in R&D projects with some of the leading academic institutions and materials suppliers globally. Some of the R&D efforts have been expensed, while R&D efforts related to grants have been capitalized representing a valuable immaterial asset. The grant income related to the same R&D efforts has also been taken on the balance sheet under deferred income, reducing the net value of the capitalized asset and future amortisations.

R&D efforts will continue to be increased despite the more modest sales growth.

Unusual events

The financial position at 31 December 2022 of the Company and the results of the activities and cash flows of the Company for the financial year for 2022 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Revenue		116,766,090	83,459,905
Work on own account recognised in assets		4,216,882	2,597,156
Expenses for raw materials and consumables		-64,241,089	-51,959,603
Other external expenses		-18,951,886	-8,294,301
Gross profit		37,789,997	25,803,157
Staff expenses	1	-27,978,873	-15,336,145
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-1,755,112	-1,541,172
Other operating expenses		-603,296	0
Profit/loss before financial income and expenses		7,452,716	8,925,840
Financial income		3,447	15,451
Financial expenses		-390,545	-229,944
Profit/loss before tax		7,065,618	8,711,347
Tax on profit/loss for the year	2	-1,103,197	-1,734,453
Net profit/loss for the year		5,962,421	6,976,894

Distribution of profit

	2022 DKK	2021 DKK
Proposed distribution of profit		
Proposed dividend for the year	0	2,500,000
Other statutory reserves	0	2,287,250
Retained earnings	5,962,421	2,189,644
	5,962,421	6,976,894

Balance sheet 31 December

Assets

	Note	2022 DKK	2021 DKK
Acquired other similar rights		2,263,551	0
Development projects in progress		12,495,421	6,359,719
Intangible assets	3	14,758,972	6,359,719
Land and buildings		1,016,696	1,216,145
Other fixtures and fittings, tools and equipment		8,505,614	5,851,160
Leasehold improvements		371,048	70,633
Property, plant and equipment	4	9,893,358	7,137,938
Investments in subsidiaries		810,415	0
Deposits	5	1,936,906	678,754
Fixed asset investments		2,747,321	678,754
Fixed assets		27,399,651	14,176,411
Raw materials and consumables		15,230,806	0
Finished goods and goods for resale		3,770,114	543,177
Inventories		19,000,920	543,177
Trade receivables		3,819,223	18,054,400
Contract work in progress	6	12,523,857	14,731,174
Receivables from group enterprises		172,881	1,629,679
Other receivables		6,468,254	6,642,605
Prepayments		130,474	160,803
Receivables		23,114,689	41,218,661
Cash at bank and in hand		9,588,947	13,768,188
Current assets		51,704,556	55,530,026
Assets		79,104,207	69,706,437

Balance sheet 31 December

Liabilities and equity

	Note	2022 DKK	2021 DKK
Share capital		625,500	625,500
Reserve for development costs		9,746,428	4,960,580
Retained earnings		10,694,002	9,517,431
Proposed dividend for the year		0	2,500,000
Equity		21,065,930	17,603,511
Provision for deferred tax		2,950,975	1,847,778
Other provisions	7	3,895,742	1,697,510
Provisions		6,846,717	3,545,288
Deferred income		5,366,440	4,389,078
Long-term debt	8	5,366,440	4,389,078
Prepayments received from customers		2,883,803	10,950,437
Trade payables		31,353,742	9,880,738
Contract work in progress	6	8,725,268	19,320,851
Payables to group enterprises		909,887	0
Other payables		1,952,420	4,016,534
Short-term debt		45,825,120	44,168,560
Debt		51,191,560	48,557,638
Liabilities and equity		79,104,207	69,706,437
Contingent assets, liabilities and other financial obligations	9		
Accounting Policies	10		

Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	625,500	4,960,580	9,517,429	2,500,000	17,603,509
Ordinary dividend paid	0	0	0	-2,500,000	-2,500,000
Development costs for the year	0	4,785,848	-4,785,848	0	0
Net profit/loss for the year	0	0	5,962,421	0	5,962,421
Equity at 31 December	625,500	9,746,428	10,694,002	0	21,065,930

Notes to the Financial Statements

	2022	2021
	DKK	DKK
1. Staff Expenses		
Wages and salaries	24,316,843	13,405,587
Pensions	1,168,993	649,317
Other social security expenses	452,357	197,871
Other staff expenses	2,040,680	1,083,370
	<u>27,978,873</u>	<u>15,336,145</u>
 Average number of employees	 <u>54</u>	 <u>40</u>

	2022	2021
	DKK	DKK
2. Income tax expense		
Deferred tax for the year	1,103,197	1,734,453
	<u>1,103,197</u>	<u>1,734,453</u>

3. Intangible fixed assets

	Acquired other similar rights	Develop- ment projects in progress
	DKK	DKK
Cost at 1 January	0	6,359,719
Additions for the year	1,556,643	6,135,702
Transfers for the year	1,233,738	0
Cost at 31 December	<u>2,790,381</u>	<u>12,495,421</u>
 Impairment losses and amortisation at 1 January	 0	 0
Amortisation for the year	240,960	0
Transfers for the year	285,870	0
Impairment losses and amortisation at 31 December	<u>526,830</u>	<u>0</u>
 Carrying amount at 31 December	 <u>2,263,551</u>	 <u>12,495,421</u>
 Amortised over	 <u>5 years</u>	 <u>5 years</u>

Notes to the Financial Statements

Development projects relate to the further development of the Company's 3D construction printers and also 3D construction print applications, such as printing wind turbine towers or seawalls.

The further development consists among other things of new types, various additional accessories, systems and applications.

The development projects are partly covered by grants. The income from the grants has been recognized as deferred income cf. note 8. The net value of the grant covered assets amounts to DKK 5.1 million.

4. Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK	DKK
Cost at 1 January	1,993,009	8,527,633	96,393
Additions for the year	0	6,786,989	367,152
Disposals for the year	0	-2,582,429	0
Transfers for the year	0	-1,233,738	0
Cost at 31 December	<u>1,993,009</u>	<u>11,498,455</u>	<u>463,545</u>
Impairment losses and depreciation at 1 January	776,864	2,676,474	25,760
Depreciation for the year	199,449	1,247,966	66,737
Reversal for the year of previous years impairment losses	0	-645,729	0
Transfers for the year	0	-285,870	0
Impairment losses and depreciation at 31 December	<u>976,313</u>	<u>2,992,841</u>	<u>92,497</u>
Carrying amount at 31 December	<u>1,016,696</u>	<u>8,505,614</u>	<u>371,048</u>
Amortised over	<u>10 years</u>	<u>3-5 years</u>	<u>5 years</u>

5. Other fixed asset investments

	Deposits
	DKK
Cost at 1 January	678,755
Additions for the year	<u>1,258,151</u>
Cost at 31 December	<u>1,936,906</u>
Carrying amount at 31 December	<u>1,936,906</u>

Other fixed asset investments relate to deposits for tenancy and suppliers.

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	DKK	DKK
6. Contract work in progress		
Selling price of work in progress	36,794,316	14,731,174
Payments received on account	<u>-32,995,727</u>	<u>-19,320,851</u>
	3,798,589	-4,589,677
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	12,523,857	14,731,174
Prepayments received recognised in debt	<u>-8,725,268</u>	<u>-19,320,851</u>
	3,798,589	-4,589,677

7. Other provisions

The Company provides warranties of 14 months on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of DKK 3,896k (2021: DKK 1,698k) have been recognised for potential warranty claims.

	<u>2022</u>	<u>2021</u>
	DKK	DKK
Guarantee provisions	<u>3,895,742</u>	<u>1,697,510</u>
	3,895,742	1,697,510

The provisions are expected to mature as follows:

Provisions falling due after 5 years	<u>0</u>	<u>0</u>
--------------------------------------	----------	----------

Notes to the Financial Statements

8. Long-term debt

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

The debt falls due for payment as specified below:

	<u>2022</u>	<u>2021</u>
	DKK	DKK
Deferred income		
After 5 years	0	0
Between 1 and 5 years	<u>5,366,440</u>	<u>4,389,078</u>
Long-term part	<u>5,366,440</u>	<u>4,389,078</u>
Within 1 year	<u>0</u>	<u>0</u>
	<u>5,366,440</u>	<u>4,389,078</u>

The deferred income relates to grants regarding development projects. The development projects have a total value of DKK 12,5 mill, hereof DKK 11.5 mill related to grant projects. See note 3 for description of the development projects.

	<u>2022</u>	<u>2021</u>
	DKK	DKK
9. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Payments under operating leases concerning cars	347,195	106,852
Rent payment	2,101,136	1,487,128
Payments under operating leases concerning machines	<u>715,178</u>	<u>670,184</u>
	<u>3,163,509</u>	<u>2,264,164</u>

Guarantee obligations

The Company has issued third party guarantees of

	1,946,955	0
--	-----------	---

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of The 3D Group A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

10. Accounting policies

The Annual Report of COBOD International A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in DKK.

Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

Recognition and measurement

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

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

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

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

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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

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

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

Income statement

Net sales

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

Notes to the Financial Statements

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

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and as well as office expenses, etc.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

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

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with The 3D Group A/S. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intangible fixed assets

Rights are measured at the lower of cost less accumulated amortisation and recoverable amount.

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

Acquired other similar rights have been reclassified from property, plant and equipment in the year.

Property, plant and equipment

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

Notes to the Financial Statements

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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

Other buildings	10 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of paid deposits.

Inventories

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

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

The cost of raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Notes to the Financial Statements

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

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

Equity

Dividend

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

Provisions

Other provisions include warranty obligations in respect of repair work within the warranty period of 14 months. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

Deferred income

Deferred income comprises payments grants provided for the purchase of assets, and is recognized as income in a methodical way over the useful life of the asset.

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

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