

Novalume Holding A/S

Kay Fiskers Plads 9, 7., 2300 København S
CVR no. 38 26 24 59

Annual report for 2020

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 06.07.21

Christian Monrad Overgaard
Dirigent

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The company

Novalume Holding A/S
Kay Fiskers Plads 9, 7.
2300 København S
Tel.: 26 32 64 15
Registered office: København
CVR no.: 38 26 24 59
Financial year: 01.01 - 31.12

Executive Board

Kim Krahl Larsen

Board of Directors

Christian Monrad Overgaard
Per Asmund Christensen
Jakob Meiland Hansen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Subsidiaries

Novalume Chile SpA, Chile
Novalume Colombia ,S.A.S, Colombia
Novalume Solutions A/S, København

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

We have on this day presented the annual report for the financial year 01.01.20 - 31.12.20 for Novalume Holding A/S.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the the company's assets, liabilities and financial position as at 31.12.20 and of the results of the the company's activities for the financial year 01.01.20 - 31.12.20.

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, July 6, 2021

Executive Board

Kim Krahl Larsen

Board Of Directors

Christian Monrad Overgaard
Chairman

Per Asmund Christensen

Jakob Meiland Hansen

To the Shareholder of Novalume Holding A/S**Opinion**

We have audited the financial statements of Novalume Holding A/S for the financial year 01.01.20 - 31.12.20, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.20 and of the results of the company's operations for the financial year 01.01.20 - 31.12.20 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

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

Emphasis of matter

Without modifying our opinion, we refer to note 1 in which the management accounts for the condition of recognising a net receivable from the subsidiary in Chile of DKK 19m, which is included in the total receivables from group enterprises of DKK 39.5m. We agree with the management on the accounting treatment of the receivables from group enterprises.

Statement regarding the 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, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 International Standards on Auditing 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 International Standards on Auditing 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.
- 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.

Soeborg, Copenhagen, July 6, 2021

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Philip Heick-Poulsen
State Authorized Public Accountant
MNE-no. mne34280

Lasse Rosenborg Petersen
State Authorized Public Accountant
MNE-no. mne42896

Primary activities

Novalume Holding A/S administers and collects payments from existing LED streetlight projects. The company headquarter is situated in Ørestad, Copenhagen, Denmark.

Novalume Holding A/S owns subsidiaries in Santiago, Chile and in Bogotá, Colombia. Furthermore, Novalume Holding owns the Danish subsidiary Novalume Solutions A/S.

Significant changes in the company's activities

The company divested the operating activity as at 01.01.2020 to a newly established subsidiary. The activity subsequently comprises in investment in the new subsidiary and the subsidiaries in Santiago (Chile) and in Bogota (Colombia).

Uncertainty concerning recognition and measurement

In the financial statements for the financial year 01.01.20 - 31.12.20, it is important to note the following uncertainty with regard to recognition and measurement, as it has had a significant influence on the assets and liabilities recognised in the financial statements:

Receivables from group enterprises includes a net receivable from the subsidiary in Chile of DKK 19m. The subsidiary's assets primarily consist of receivables from previous project sales to a municipality. The receivable has been written down to the expected net realisable value based on submitted settlement offer. It is the management's expectation that the settlement will be concluded and therefore recognising the net receivables based on this assumption.

Development in activities and financial affairs

The income statement for the period 01.01.20 - 31.12.20 shows a profit/loss of DKK -20,442,273 against DKK -6,869,440 for the period 01.01.19 - 31.12.19. The balance sheet shows equity of DKK -7,182,399.

As per January 1st, Novalume Holding divested its Light Management and Smart City activities into the newly established subsidiary Novalume Solutions A/S. By that the activities of Novalume Holding were reduced to administering previously recognized and financed LED projects.

The financial result of the years was negatively influenced by the covid-19 pandemic, as well as the halt of payments from a large Chilean customer, which affected the results in the Chilean subsidiary in particular. In general, the pandemic has deteriorated some customer's ability to comply with the contractual payments. This has been reviewed by the management and is reflected in the accounts receivable.

On the basis of the confirmed extension of the current credit facilities for the year 2021, the Company's updated liquidity forecast shows a sufficient liquidity buffer.

Outlook

In 2021 the company expects to deliver a negative net result in the range DKK 2-5m due to the administrative role and activities of the company going forward.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

| Note | | 2020 DKK | 2019 DKK |
|------|----------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| | Gross result | -707,937 | 6,200,604 |
| 2 | Staff costs | -1,028,692 | -5,683,332 |
| | Profit/loss before depreciation, amortisation, write-downs and impairment losses | -1,736,629 | 517,272 |
| | Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment | 0 | -759,148 |
| | Loss before net financials | -1,736,629 | -241,876 |
| 3 | Income from equity investments in group enterprises | -12,335,615 | -8,100,333 |
| 4 | Financial income | 8,366,414 | 7,666,687 |
| | Impairment losses on financial assets | -1,307,585 | 0 |
| 5 | Financial expenses | -15,335,651 | -7,255,428 |
| | Loss before tax | -22,349,066 | -7,930,950 |
| 6 | Tax on loss for the year | 1,906,793 | 1,061,510 |
| | Loss for the year | -20,442,273 | -6,869,440 |
| | Proposed appropriation account | | |
| | Retained earnings | -20,442,273 | -6,869,440 |
| | Total | -20,442,273 | -6,869,440 |

| ASSETS | | 31.12.20 | 31.12.19 |
|---------------|--------------------------------------------------|-------------------|-------------------|
| | | DKK | DKK |
| Note | | | |
| | Completed development projects | 0 | 4,459,013 |
| | Acquired rights | 0 | 47,848 |
| | Development projects in progress | 0 | 3,834,957 |
| | Total intangible assets | 0 | 8,341,818 |
| | Leasehold improvements | 0 | 91,906 |
| | Other fixtures and fittings, tools and equipment | 0 | 49,867 |
| | Total property, plant and equipment | 0 | 141,773 |
| 7 | Equity investments in group enterprises | 8,661,528 | 0 |
| | Deposits | 0 | 403,650 |
| | Total investments | 8,661,528 | 403,650 |
| | Total non-current assets | 8,661,528 | 8,887,241 |
| | Manufactured goods and goods for resale | 365,403 | 1,212,420 |
| | Total inventories | 365,403 | 1,212,420 |
| | Trade receivables | 3,234,280 | 6,279,484 |
| | Receivables from group enterprises | 39,470,060 | 50,847,259 |
| | Income tax receivable | 1,727,424 | 1,105,517 |
| | Other receivables | 1,974,465 | 3,185,459 |
| | Prepayments | 4,487 | 62,480 |
| 8 | Total receivables | 46,410,716 | 61,480,199 |
| | Cash | 3,814,082 | 744,452 |
| | Total current assets | 50,590,201 | 63,437,071 |
| | Total assets | 59,251,729 | 72,324,312 |

| EQUITY AND LIABILITIES | | 31.12.20 | 31.12.19 |
|-------------------------------|---------------------------------------|-------------------|-------------------|
| | | DKK | DKK |
| Note | | | |
| | Share capital | 1,000,000 | 1,000,000 |
| | Reserve for development costs | 0 | 6,469,296 |
| | Retained earnings | -8,182,399 | 4,871,435 |
| | Total equity | -7,182,399 | 12,340,731 |
| | Provisions for deferred tax | 321,901 | 2,311,171 |
| | Total provisions | 321,901 | 2,311,171 |
| 9 | Payables to other credit institutions | 17,679,712 | 22,874,553 |
| 9 | Payables to group enterprises | 0 | 13,948,887 |
| 9 | Other payables | 24,687,764 | 5,891,783 |
| | Total long-term payables | 42,367,476 | 42,715,223 |
| 9 | Short-term part of long-term payables | 8,460,658 | 10,265,925 |
| | Payables to other credit institutions | 14,842,145 | 1,979,329 |
| | Trade payables | 177,751 | 425,142 |
| | Payables to group enterprises | 0 | 1,784,154 |
| | Other payables | 264,197 | 502,637 |
| | Total short-term payables | 23,744,751 | 14,957,187 |
| | Total payables | 66,112,227 | 57,672,410 |
| | Total equity and liabilities | 59,251,729 | 72,324,312 |

10 Contingent liabilities

11 Charges and security

Statement of changes in equity

| Figures in DKK | Share capital | Reserve for development costs | Retained earnings |
|-----------------------------------------------------------|---------------|-------------------------------|-------------------|
| Statement of changes in equity for 01.01.20 - 31.12.20 | | | |
| Balance as at 01.01.20 | 1,000,000 | 6,469,296 | 4,871,435 |
| Other changes in equity | 0 | -6,469,296 | 7,388,439 |
| Net profit/loss for the year | 0 | 0 | -20,442,273 |
| Balance as at 31.12.20 | 1,000,000 | 0 | -8,182,399 |

1. Uncertainty concerning recognition and measurement

In the financial statements for 2020, it is important to note the following uncertainty as regards recognition and measurement as it has had a significant influence on the assets and liabilities recognised in the financial statements:

Receivables from group enterprises includes a net receivable from the subsidiary in Chile of DKK 19m. The subsidiary's assets primarily consist of receivables from previous project sales to a municipality. The receivable has been written down to the expected net realisable value based on submitted settlement offer. It is the management's expectation that the settlement will be concluded and therefore recognising the net receivables based on this assumption.

| | 2020 | 2019 |
|---------------------------------------------|------------------|------------------|
| | DKK | DKK |
| 2. Staff costs | | |
| Wages and salaries | 950,192 | 5,071,707 |
| Pensions | 72,483 | 511,847 |
| Other social security costs | 2,173 | 26,129 |
| Other staff costs | 3,844 | 73,649 |
| Total | 1,028,692 | 5,683,332 |
| | | |
| Average number of employees during the year | 1 | 8 |

| | 2020 | 2019 |
|--|------|------|
| | DKK | DKK |

3. Income from equity investments in group enterprises

| | | |
|----------------------------------------------|-------------|------------|
| Share of profit or loss of group enterprises | -13,901,998 | -8,100,333 |
| Gain on the divestment of group enterprises | 1,566,383 | 0 |
| Total | -12,335,615 | -8,100,333 |

4. Financial income

| | | |
|------------------------------------------|-----------|-----------|
| Interest, group enterprises | 1,221,007 | 2,036,187 |
| Other interest income | 798,416 | 166,479 |
| Foreign currency translation adjustments | 5,534,782 | 4,837,149 |
| Other financial income | 812,209 | 626,872 |
| Total | 8,366,414 | 7,666,687 |

5. Financial expenses

| | | |
|------------------------------------------|------------|-----------|
| Interest, group enterprises | 2,200,038 | 1,184,154 |
| Other interest expenses | 1,169,413 | 1,287,958 |
| Foreign currency translation adjustments | 10,921,878 | 3,969,537 |
| Other financial expenses | 1,044,322 | 813,779 |
| Total | 15,335,651 | 7,255,428 |

6. Tax on profit for the year

| | | |
|-----------------------------------------|------------|------------|
| Current tax for the year | -1,727,424 | -1,105,517 |
| Adjustment of deferred tax for the year | -179,369 | 44,007 |
| Total | -1,906,793 | -1,061,510 |

7. Equity investments in group enterprises

| Figures in DKK | Equity invest- ments in group enterprises |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Cost as at 01.01.20 | 167,348 |
| Additions during the year | 16,149,035 |
| Cost as at 31.12.20 | 16,316,383 |
| Depreciation and impairment losses as at 01.01.20 | -11,512,308 |
| Foreign currency translation adjustment of foreign enterprises | 919,243 |
| Net profit/loss from equity investments | -12,335,615 |
| Negative equity value impaired in receivables | 15,273,825 |
| Depreciation and impairment losses as at 31.12.20 | -7,654,855 |
| Carrying amount as at 31.12.20 | 8,661,528 |
| Positive balances ascertainable on initial recognition of equity investments measured at equity value | 0 |
| Name and registered office: | Ownership interest |
| Subsidiaries: | |
| Novalume Chile SpA, Chile | 80% |
| Novalume Colombia ,S.A.S, Colombia | 100% |
| Novalume Solutions A/S, København | 95% |

| | | |
|--|----------|----------|
| | 31.12.20 | 31.12.19 |
| | DKK | DKK |

8. Receivables

| | | |
|---------------------------------------------------------------------------------------------|------------|------------|
| Receivables which fall due for payment more than 1 year after the end of the financial year | 22,023,249 | 50,677,208 |
|---------------------------------------------------------------------------------------------|------------|------------|

9. Long-term payables

| Figures in DKK | Repayment first year | Outstanding debt after 5 years | Total payables at 31.12.20 | Total payables at 31.12.19 |
|---------------------------------|-------------------------|--------------------------------------|----------------------------------|----------------------------------|
| Payables to credit institutions | 8,460,658 | 0 | 26,140,370 | 33,140,478 |
| Payables to group enterprises | 0 | 0 | 0 | 13,948,887 |
| Other payables | 0 | 0 | 24,687,764 | 5,891,783 |
| Total | 8,460,658 | 0 | 50,828,134 | 52,981,148 |

Payables to other credit institutions of DKK 26.1m includes DKK 15.6m of non-recourse debt, where the debt towards the company's bank is guaranteed by the Danish Export Credit Agency (EKF).

10. Contingent liabilities

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

11. Charges and security

As security for debt to credit institutions of DKK 40,987k, a company charge of DKK 5,000k has been provided comprising other plant, fixtures and fittings, tools and equipment, inventories as well as trade receivables.

As security for debt to credit institutions of DKK 40,987k, a company charge of DKK 2,000k has been provided comprising intellectual property rights, other plant, fixtures and fittings, tools and equipment, inventories as well as trade receivables.

12. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B.

The accounting policies have been applied consistently with previous years.

In accordance with section 110 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

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.

CURRENCY

The annual report is presented in Danish kroner (DKK).

12. Accounting policies - continued -

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**INCOME STATEMENT****Gross result**

Gross result comprises revenue, other operating income and cost of sales and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

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.

12. Accounting policies - continued -**Other operating income**

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs 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.

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 | 5 | 0 |
| Acquired rights | 5 | 0 |
| Leasehold improvements | 3 | 0 |
| Other plant, fixtures and fittings, tools and equipment | 3 | 0 |

12. Accounting policies - continued -

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.

Income from equity investments in group enterprises

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Impairment losses on financial assets

Impairment losses on financial assets comprise impairment of investments at a lower recoverable amount and write-downs of financial current assets at a lower net realisable value.

Other net financials

Interest income and interest expenses etc. are recognised in other net financials.

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.

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.

12. Accounting policies - continued -**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.

Acquired rights

Acquired 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.

Gains and losses on the disposal of intangible assets

Gains and 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 leasehold improvements as well as other fixtures and fittings, tools and equipment.

12. Accounting policies - continued -

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.

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.

Equity investments in group enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Equity investments with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Gains or losses on disposal of equity investments are determined as the difference between

12. Accounting policies - continued -

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.

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.

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.

12. Accounting policies - continued -**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.

Cash

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

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

An amount equivalent to internally generated development costs in the balance sheet is recognised 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.

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.

12. Accounting policies - continued -

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 or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates 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.

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 payables are measured at amortised cost, normally corresponding to the nominal value of such payables.