
***Odense Hospital Project Team
Joint Venture I/S***

Kochsgade 31D, 1 sal
5000 Odense C,
Denmark

**Annual Report 2020
1 January - 31 December**

CVR No 3930 2675

The Annual Report was
presented and adopted at the
Annual General Meeting of the
Company on 19th May 2021

Mr. Simone Bonauguro
Chairman of the General
Meeting

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Management's Statement

The Board of Directors have today considered and adopted the Annual Report of Odense Hospital Project Team Joint Venture I/S for the financial year 1 January - 31 December 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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

We recommend that the Annual Report be adopted at the Annual General Meeting.

Odense, 19th May 2021

Executive Board

Mr. Luciano Brunetti

Mr. Simone Bonauguro

Mr. Andrea Danese

Mr. Igor Soglia



Independent Auditor's Report

To the shareholders of Odense Hospital Project Team Joint Venture I/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Odense Hospital Project Team Joint Venture I/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("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 re-quirements 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 Inter-national 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 ethi-cal 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.

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 ex-press 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 infor-mation 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 Fi-nancial 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 Manage-ment 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 abil-ity 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 Manage-ment 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 state-ments.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the over-ride 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.

Odense, 19th May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mikael Johansen

State Authorized Public Accountant

mne23318

Claus Damhave

State Authorized Public Accountant

mne34166

Company Information

The Company

Odense Hospital Project Team Joint Venture I/S

Kochsgade 31C, 1 sal
5000 Odense C,
Denmark

Telephone: +45 3163 6006

CVR No 3930 2675

Financial year period: 1 January - 31 December

Municipality of registered office: Odense

Executive Board

Mr. Luciano Brunetti
Mr. Andrea Danese
Mr. Simone Bonauguro
Mr. Igor Soglia

Board of Representatives

Mr. Simone Bonauguro
Mr. Roberto Davoli
Mr. Andrea Danese
Mr. Giorgio Giulio Ambrosini

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Munkebjergvænget 1, 3 og 4 salt
5230 Odense M,
Denmark

Financial Highlights

Seen over a 3-year period, the development of the Company is described by the following financial highlights:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	DKK	DKK	DKK
Key figures			
Profit/loss			
Revenue	746.582.461	207.090.718	58.955.184
Gross profit	95.178.964	33.647.119	7.598.808
Profit/loss before financial income and expenses	38.981.830	10.589.507	2.928.814
Net financials	(1.482.390)	(772.837)	(156.685)
Net profit for the year	37.499.440	9.816.670	2.772.129
Balance sheet			
Balance sheet total	572.394.748	253.941.845	74.108.576
Equity	50.088.239	12.588.799	2.772.129
Cashflows			
Cash flows from:			
- Operating activities	49.321.815	155.946.519	53.958.419
- investing activities	(16.275.257)	(827.607)	0
including investment in property, plant and equipment	(16.275.257)	(827.607)	0
Change in cash and cash equivalents for the year	33.997.152	147.588.813	53.958.419
Number of employees	56	21	3
Ratios			
Gross margin	12,7%	16,2%	12,9%
Profit margin	5,2%	5,1%	5,0%
Return on assets	6,8%	4,2%	4,0%
Solvency ratio	8,8%	5,0%	3,7%
Return on equity	149,7%	156,0%	200,0%

For definitions, see under accounting policies.

Management's Review

Key activities

The entity's activity is to design and build the new Odense University Hospital for the client, Region Syddanmark. The completion date is expected to be in May 2023.

Development in the year

The income statement of the Company for 2020 shows a profit of DKK 37.499.440, and at 31 December 2020 the balance sheet of the Company shows equity of DKK 50.088.238.

The financial year for 2020 has been impacted by the Covid-19 outbreak as described under Unusual events below.

The past year and follow-up on development expectations from last year

In the Annual Report for 2019 the Company expected a positive development in 2020 and a profit level above the level achieved in 2019. However, Management also expected that the outlook would be negatively impacted by the Covid-19 outbreak.

Based on this Management considers the result to be satisfactory and in line with expectations.

Targets and expectations for the year ahead

The Company expects a positive development in 2021 and a profit level for the financial year 2021 in the range DKK 50-60 million.

Risks

Currency risk

The project revenue is in Danish kroner and the purchases are mainly in Danish kroner or Euro, and therefore the Company is not subject to any material foreign exchange risk.

Prices on raw material

Prices for purchase of raw materials are impacted by the world economy and can therefore influence the production cost significantly. The Company seeks to minimise this risk by entering into fixed price agreements for raw materials and subcontractors.

Project risk

In the construction industry, projects are the most significant risk, and therefore the controlling of project risk is an important area of focus.

Project management is essential for effective coordination, optimisation and completion of the project, and thereby delivering within the agreed terms for time and finance.

Research and development

The Company does not have any research and development activities.

Knowledge resources

The Company continues to recruit and retain competent employees who are continuously educated.

Management's Review

External environment

The Company strive to minimise their negative impact on the environment and on climate change.

Uncertainty relating to recognition and measurement

While the project starts there might be some uncertain and unforeseen situations, which could lead to an utmost consideration, however based upon the years of experience in this industry, Management considers the risk for such aspect to be minimised till the lower possible level.

Furthermore, we refer to note 1 to the Financial Statements.

Unusual events

The financial year 2020 has been negatively impacted by the Covid-19 outbreak. The Covid-19 outbreak has made the construction process more difficult in terms of raw materials and manpower. This has led to a postponement of the completion date from November 2022 to May 2023.

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 2020

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> DKK
Revenue		746.582.461	207.090.718
Expenses for raw materials and consumables		(160.468.200)	(32.810.285)
Other external expenses		(490.935.297)	(140.633.314)
Gross Profit		95.178.964	33.647.119
Staff expenses	2	(43.313.895)	(19.663.334)
Depreciation expenses	3	(12.883.239)	(3.394.278)
Profit before financial income and expenses (EBIT)		38.981.830	10.589.507
Financial income		735.342	82.498
Financial expenses		(2.217.732)	(855.335)
Profit before tax (EBT)		37.499.440	9.816.670
Tax on profit for the year		0	0
Net profit for the year		37.499.440	9.816.670

Balance Sheet 31 December 2020

Assets

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> DKK
Other fixtures and fittings, tools and equipment	3	27.163.427	23.771.409
Property, plant and equipment		27.163.427	23.771.409
Fixed Assets		27.163.427	23.771.409
Trade receivables		227.954.760	114.088
Receivables from related parties	9	73.273	73.273
Other receivables		1.585.392	994.331
Prepayments	5	80.073.512	27.441.512
Receivables		309.686.937	28.623.204
Cash at bank and in hands		235.544.384	201.547.232
Total Currents assets		545.231.321	230.170.436
Total Assets		572.394.748	253.941.845

Balance Sheet 31 December 2020

Equities and Liabilities

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> DKK
Contributed capital		0	0
Retained earnings		50.088.239	12.588.799
Total Equity		50.088.239	12.588.799
Lease obligations	7	12.106.606	14.585.533
Long-term debt		12.106.606	14.585.533
Contract liabilities	4	329.334.517	131.572.802
Trade payables		138.859.060	60.136.066
Lease obligations	7	13.739.957	8.332.886
Payables to related parties	9	1.605.343	3.582.893
Other payables		26.661.026	23.142.866
Short-term debt		510.199.903	226.767.513
Total Liability		522.306.509	241.353.046
Total Equity and Liability		572.394.748	253.941.845
Uncertainty relating to recognition and measurement	1		
Distribution of profit	6		
Contingent assets, liabilities and other financial obligations	8		
Related parties	9		

Statement of Changes in Equity

	Contributed capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January 2020	0	12.588.799	12.588.799
Net profit/loss for the year	0	37.499.440	37.499.440
Equity at 31 December 2020	0	50.088.239	50.088.239

Cash Flow Statement 1 January - 31 December

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> DKK
Net profit for the year		37.499.440	9.816.670
Adjustments	10	14.365.629	4.167.115
Change in working capital	11	(1.060.864)	142.518.653
Cash flows from operating activities		<u>50.804.205</u>	<u>156.502.438</u>
Financial Income		735.342	82.498
Financial expenses		(2.217.732)	(638.417)
Cash flows from ordinary activities		<u>49.321.815</u>	<u>155.946.519</u>
Corporation tax paid		0	0
Cash flows from operating activities		<u>49.321.815</u>	<u>155.946.519</u>
Purchase of property, plant and equipment		(16.275.257)	(827.607)
Cash flows from investing activities		<u>(16.275.257)</u>	<u>(827.607)</u>
Reduction of loans from group enterprises		(1.977.550)	(3.893.520)
Raise / reduction of lease obligations		2.928.144	(3.636.579)
Cash flows from financing activities		<u>950.594</u>	<u>(7.530.099)</u>
Changes in cash and cash equivalents		33.997.152	147.588.813
Cash and Cash equivalents at 1 January		201.547.232	53.958.419
Cash and Cash equivalents at 31 December		<u>235.544.384</u>	<u>201.547.232</u>
Changes in cash and cash equivalents are specified as follows:			
Cash at bank and in hand		235.544.384	201.547.232
Cash and Cash equivalents at 31 December		<u>235.544.384</u>	<u>201.547.232</u>

Notes to the Financial Statements

1 Uncertainty relating to recognition and measurement

When preparing financial statements, Management makes a number of accounting choices, judgements and estimates forming the basis of recognition and measurement of the Company's assets and liabilities as well as income and expenses. The estimates are based on historical experience and other factors which Management considers appropriate in the circumstances, but which are inherently uncertain or unpredictable. The assumptions may be incomplete or inaccurate, and contingencies or unexpected circumstances may arise. The Company is moreover exposed to risks and uncertainties that may result in the actual outcome deviating from these estimates. Consequently, estimates may be subject to considerable uncertainty.

Contract work in progress

Work in progress includes contract work in progress of a cumulative selling price of DKK 1,009 million at 31 December 2020, which is based on an estimate of the percentage of completion.

Management regularly reassesses budgets and forecasts and has covered part of the construction costs with agreements with subcontractors etc.

Due to the scope and length of the project, there will continue to be uncertainty related to the total project costs. The valuation of contract work in progress is therefore subject to considerable uncertainty.

	<u>2020</u>	<u>2019</u>
	DKK	DKK
2 Staff expenses		
Wages and salaries	(31.944.106)	(12.904.005)
Pensions	(2.961.828)	(928.299)
Other social security expenses	(189.908)	(73.369)
Other staff expenses, including seconded staff	(8.218.053)	(5.757.661)
	<u>(43.313.895)</u>	<u>(19.663.334)</u>
Including remuneration to the General Manager and Board of Directors.	(1.046.784)	(1.654.677)
Average number of employees	<u>56</u>	<u>21</u>

Notes to the Financial Statements

	<u>2020</u> DKK	<u>2019</u> DKK
3 Property, plant and equipment		Other fixtures and fittings, tools and equipment
Cost at 1 January	27.165.687	
Additions for the year	17.209.787	
Disposals for the year	(1.553.851)	
Cost at 31 December	<u>42.821.623</u>	
Impairment losses and depreciation at 1 January	(3.394.278)	
Depreciation for the year	(12.883.239)	
Depreciation of sold assets for the year	619.321	
Impairment losses and depreciation at 31 December	<u>(15.658.196)</u>	
Carrying amount at 31 December	<u>27.163.427</u>	
Including assets under finance leases amounting to		<u>25.845.645</u>
	<u>2020</u> DKK	<u>2019</u> DKK
4 Contract assets and liabilities		
Selling price of work in progress	1.008.556.638	265.531.660
Payments received on account	(1.337.891.155)	(397.104.462)
	<u>(329.334.517)</u>	<u>(131.572.802)</u>
Recognized in the balance sheet as follows:		
Contract work in progress recognized in assets	0	0
Prepayments received recognized in debt	(329.334.517)	(131.572.802)
	<u>(329.334.517)</u>	<u>(131.572.802)</u>
5 Prepayments		
Prepayments consist of prepaid expenses concerning rent, insurance premiums and subcontractor advances as well.		
6 Distribution of profit		
Retained earnings	37.499.440	9.816.670
	<u>37.499.440</u>	<u>9.816.670</u>

Notes to the Financial Statements

7 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>2020</u>	<u>2019</u>
	DKK	DKK
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	12.106.606	14.585.533
Long-term part	12.106.606	14.585.533
Within 1 year	13.739.957	8.332.886
	25.846.563	22.918.419

8 Contingent assets, liabilities and other financial obligations

The Company has not placed any assets as security with bankers etc., and the Company has no contingent liabilities as at 31 December 2020.

In connection with the work in progress the two partners have issued a performance guarantee of DKK 665 million.

9 Related parties

Basis

Controlling interest

Aurelia Srl	Ultimate Parent Company
C.M.B. Società Cooperativa	Partner with 51 percent share
Itinera SpA	Partner with 49 percent share

Transactions

The company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with action 98(c)(7) of the Danish Statements Act.

There are no related party transactions that have not been carried through on market terms.

Consolidated Financial Statements

The Company is included in the Annual Report of the Ultimate Parent Company and in the Annual Report of the partner:

Notes to the Financial Statements

9 Related parties (continued)

Name	Place of registered office
Aurelia Srl	Turin, Piedmont, Italy
C.M.B. Società Cooperativa	Carp, Modena, Italy

The Group Annual Report of Aurelia Srl may be obtained at the following address:

Corso Romita n.10
15057 Tortona (AL)
Italy

The Group Annual Report of C.M.B Società Cooperativa may be obtained at the following address:

Via Carlo Mars 101
41012 Carpi (MO)
Italy

	<u>2020</u>	<u>2019</u>
	DKK	DKK
10 Cash Flow Statement - adjustments		
Financial Income	(735.342)	(82.498)
Financial Expense	2.217.732	855.335
Depreciation	12.883.239	3.394.278
	<u>14.365.629</u>	<u>4.167.115</u>
11 Working Capital		
Change in work in progress, Liabilities	197.761.715	90.028.307
Change in receivables	(228.431.733)	16.032.789
Change in prepayments	(52.632.000)	(24.505.836)
Change in trade and other payables	82.241.154	60.963.393
	<u>(1.060.864)</u>	<u>142.518.653</u>

Notes to the Financial Statements

12 Accounting Policies

The Annual Report of Odense Hospital Project Team Joint Venture I/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK.

12.1 Recognition and measurement

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

Assets are recognized 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 recognized 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.

12.2 Translation policies

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 recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized 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 recognized in financial income and expenses in the income statement.

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

12.3 Leases

Leases are recognised in the balance sheet at the calculated amount of the lease liability in accordance with IFRS 16. The lease liability is calculated at the present value of the lease payments calculated by applying the interest rate implicit in the lease or Odense Hospital Project Team Joint Venture I/S's incremental borrowing rate as discount rate if the interest rate implicit in the lease is not available. Lease assets are depreciated and written down for impairment under the same policy as for Odense Hospital Project Team Joint Venture I/S's other fixed assets.

Notes to the Financial Statements

12 Accounting Policies

The Company has chosen to apply the exemptions concerning short-term and low-value leases. Therefore, such lease assets are not recognised as assets and liabilities in the balance sheet. The costs are recognised in the income statement on a straight-line basis over the lease term.

The lease liability is recognised in the balance sheet under debt and is adjusted for prepaid lease payments on a current basis. At the same time, interest is added on the liability. Interest expenses are charged to the income statement on a current basis.

12.4 Income Statement

Revenue

Revenue from contracts with customers is recognised on the basis of transfer of control, which according to IFRS 15 takes place at the time when control of the service delivered passes to the customer.

Control is considered passed to the customer when:

- a binding sales agreement has been made;
- delivery has been made before year end;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue in respect of which Odense Hospital Project Team Joint Venture I/S delivers is recognised over time (“construction contracts”). This revenue is calculated on the basis of the selling price of work performed 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 Odense Hospital Project Team I/S.

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 recognised exclusive of VAT and net of discounts relating to sales.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

Government grants

Government grants, such as economic stimulus packages, are recognised when it is reasonably certain that the Company complies with the conditions for receiving the grant, and it is reasonably certain that the Company will receive the grant. The grant is systematically recognised in the income statement over the period to which it relates, or immediately if the grant is not conditional upon incurrence of future costs or investments. Government grants are recognised as other operating income, or in the balance sheet if the purpose of the grant is investment in an asset.

Notes to the Financial Statements

12 Accounting Policies

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 subcontractors, technical assistance and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as other payroll related expenses including seconded staff.

Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses comprise amortization, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

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

Tax on profit/loss for the year

The Company is not an independent tax subject, consequently no tax has been included in the annual report.

12.5 Balance Sheet

Property, Plant and Equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

Other fixtures and fittings, tools and equipment	3-5 years
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Depreciation period and residual value are re-assessed annually.

The fixed assets' residual values are determined at nil.

Impairment of fixed assets

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

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

Notes to the Financial Statements

12 Accounting Policies

Inventories

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

The net realizable 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. The net realizable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labor.

Receivables

Receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to nominal value less provisions for bad debts.

Contract assets and liabilities

Contract work in progress

Contract work in progress regarding service 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 recognized as an expense in the income statement.

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

Prepayments

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

Equity

Dividends

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

Financial debts

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

Notes to the Financial Statements

12 Accounting Policies

12,6 Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortization and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

12 Accounting Policies

12,7 Financial Highlights

Explanation of financial ratios

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