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

Kochsgade 31C, 1 sal
5000 Odense C,
Denmark

**Annual Report 2021
1 January - 31 December**

CVR No 3930 2675

The Annual Report was
presented and adopted at the
Annual General Meeting of the
Company on
7th June 2022

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 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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, 7th June 2022

Executive Board

Mr. Simone Bonauguro
Chairman

Mr. Massimo Andreoni

Mr. Igor Soglia

Mr. Luciano Brunetti



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 2021, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 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 2021, 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 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.

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.



Independent Auditor's Report

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



Independent Auditor's Report

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosure 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, 7th June 2022

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 32 22 57 23

CVR No 3930 2675

Financial year period: 1 January - 31 December

Municipality of registered office: Odense

Executive Board

Mr. Simone Bonauguro
Mr. Igor Soglia
Mr. Massimo Andreoni
Mr. Luciano Brunetti

Board of Representative

Mr. Simone Bonauguro
Mr. Roberto Davoli
Mr. Lars Henriksen
Mr. Giorgio Giulio Ambrosini

Auditors

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

Financial Highlights

Seen over a 4-year period, the development of the Company is described by the following financial highlights:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
	DKK	DKK	DKK	DKK
Key figures				
Profit/loss				
Revenue	957.222.543	746.582.461	207.090.718	58.955.184
Gross profit	121.945.053	95.178.964	33.647.119	7.598.808
Profit/loss before financial income and expenses	49.030.836	38.981.830	10.589.507	2.928.814
Net financials	(2.198.122)	(1.482.390)	(772.837)	(156.685)
Net profit for the year	46.832.714	37.499.440	9.816.670	2.772.129
Balance sheet				
Balance sheet total	702.890.767	572.394.748	253.941.845	74.108.576
Equity	96.920.953	50.088.239	12.588.799	2.772.129
Cashflows				
Cash flows from:				
- Operating activities	219.375.091	49.321.815	155.946.519	53.958.419
- investing activities	(2.997.588)	(16.275.257)	(827.607)	0
including investment in property, plant and equipment	(2.997.588)	(16.275.257)	(827.607)	0
Change in cash and cash equivalents for the year	206.254.364	33.997.152	147.588.813	53.958.419
Number of employees	79	56	21	3
Ratios				
Gross margin	12,7%	12,7%	16,2%	12,9%
Profit margin	5,1%	5,2%	5,1%	5,0%
Return on assets	7,0%	6,8%	4,2%	4,0%
Solvency ratio	13,8%	8,8%	5,0%	3,7%
Return on equity	96,6%	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 Nov 2023.

Development in the year

The income statement of the Company for 2021 shows a profit of DKK 46.832.714, and at 31 December 2021 the balance sheet of the Company shows equity of DKK 96.920.953.

The financial year for 2021 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 2020 the Company expected a positive development in 2021 and a profit level above the level achieved in 2020. 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 2022 and a profit level for the financial year 2022 in the range of DKK 60-70 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 2021 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 November 2023.

Statement of corporate social responsibility

OHPT JV partner Itinera Group has published the CSR report for 2021 on its website. The CSR report can be found at:

<https://www.itinera-spa.it/wp-content/uploads/2022/05/ITINERA-2021-Sustainability-Report.pdf>

Statement on gender composition

Target figures for the Executive Board:

In the current financial year, the Executive Board have had 4 male members. Going forward, the Company will to the extent possible nominate suitable female candidates.

The intention is to increase the underrepresented gender's share to 25% in 2025.

Gender equality at other management levels of the Company:

Management has joint responsibility for identifying and developing employees who want a management career with staff or business area responsibility. Besides skills, ambition and talent, Management focuses in the selection process on the general need for gender diversity at the Company's future management levels. The Company thus wants to offer equal opportunities in terms of supplementary training and to ensure that advertising targets both male and female candidates.

The Company always employs the best candidate for the job, which specifically in 2021 meant that the gender representation at other management levels has remained unchanged.

Management's Review

Statement on data ethics

The Company complies with legal requirements and acknowledge and respect that use of data (both personal data and non-personal data) may create risks for the users that applicable laws do not cover. The Company have standards in relation to where data is collected and how it is used:

- The Company refrain from extensive collection of data which may be characterised as data-driven surveillance.
- The Company set standards for collection of data from assets and other sources.

The Company will develop additional policies and procedures to ensure compliance with the abovementioned principles.

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 2021

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Revenue		957,222,543	746,582,461
Expenses for raw materials and consumables		(109,564,714)	(160,468,200)
Other external expenses		(725,712,776)	(490,935,297)
Gross Profit		121,945,053	95,178,964
Staff expenses	2	(57,479,275)	(43,313,895)
Depreciation expenses	3	(15,434,942)	(12,883,239)
Profit before financial income and expenses (EBIT)		49,030,836	38,981,830
Financial income		1,440,159	735,342
Financial expenses		(3,638,281)	(2,217,732)
Profit before tax (EBT)		46,832,714	37,499,440
Tax on profit for the year		0	0
Net profit for the year		46,832,714	37,499,440

Balance Sheet 31 December 2021

Assets

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Other fixtures and fittings, tools and equipment	3	14,726,073	27,163,427
Property, plant and equipment		14,726,073	27,163,427
Fixed Assets		14,726,073	27,163,427
Inventories		884,424	0
Trade receivables		161,623,112	227,954,760
Receivables from related parties	9	0	73,273
Other receivables		10,332,198	1,585,392
Prepayments	5	73,526,212	80,073,512
Receivables		245,481,522	309,686,937
Cash at bank and in hands		441,798,748	235,544,384
Total Currents assets		688,164,697	545,231,321
Total Assets		702,890,767	572,394,748

Balance Sheet 31 December 2021

Equities and Liabilities

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Contributed capital		0	0
Retained earnings		96,920,953	50,088,239
Total Equity		96,920,953	50,088,239
Lease obligations	7	830,915	12,106,606
Long-term debt		830,915	12,106,606
Contract liabilities	4	405,755,596	329,334,517
Trade payables		144,347,778	138,859,060
Lease obligations	7	12,642,067	13,739,957
Payables to related parties	9	3,855,785	1,605,343
Other payables		38,537,673	26,661,026
Short-term debt		605,138,899	510,199,903
Total Liability		605,969,814	522,306,509
Total Equity and Liability		702,890,767	572,394,748
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

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
	DKK	DKK	DKK
Equity at 1 January 2021	0	50,088,239	50,088,239
Net profit/loss for the year	0	46,832,714	46,832,714
Equity at 31 December 2021	0	96,920,953	96,920,953

Cash Flow Statement 1 January - 31 December

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Net profit for the year		46,832,714	37,499,440
Adjustments	10	17,633,064	14,365,629
Change in working capital	11	157,107,435	(1,060,864)
Cash flows from operating activities		<u>221,573,213</u>	<u>50,804,205</u>
Financial Income		1,440,159	735,342
Financial expenses		(3,638,281)	(2,217,732)
Cash flows from ordinary activities		<u>219,375,091</u>	<u>49,321,815</u>
Corporation tax paid		0	0
Cash flows from operating activities		<u>219,375,091</u>	<u>49,321,815</u>
Purchase of property, plant and equipment		(4,403,373)	(16,275,257)
Proceeds from sale of PPE		1,405,785	0
Cash flows from investing activities		<u>(2,997,588)</u>	<u>(16,275,257)</u>
Reduction of loans from group enterprises		2,250,442	(1,977,550)
Raise / reduction of lease obligations		(12,373,581)	2,928,144
Cash flows from financing activities		<u>(10,123,139)</u>	<u>950,594</u>
Changes in cash and cash equivalents		206,254,364	33,997,152
Cash and Cash equivalents at 1 January		235,544,384	201,547,232
Cash and Cash equivalents at 31 December		<u>441,798,748</u>	<u>235,544,384</u>

Changes in cash and cash equivalents are specified as follows:

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 1.948.098.350 Contract work in progress has been measured and recognized based on an estimate, and the measurement is therefore subject to uncertainty.

	<u>2021</u>	<u>2020</u>
	DKK	DKK
2 Staff expenses		
Wages and salaries	(41,547,757)	(31,944,106)
Pensions	(4,204,872)	(2,961,828)
Other social security expenses	(270,383)	(189,908)
Other staff expenses, including seconded staff	(11,456,263)	(8,218,053)
	<u>(57,479,275)</u>	<u>(43,313,895)</u>
Including remuneration to the General Manager and Board of Directors.	(1,046,784)	(1,046,784)
Average number of employees	<u>79</u>	<u>56</u>

Notes to the Financial Statements

	<u>2021</u> DKK
3 Property, plant and equipment	Other fixtures and fittings, tools and equipment
Cost at 1 January	42,821,623
Additions for the year	4,403,373
Disposals for the year	(5,961,855)
Cost at 31 December	<u>41,263,141</u>
Impairment losses and depreciation at 1 January	(15,658,196)
Depreciation for the year	(15,434,942)
Depreciation of sold assets for the year	4,556,070
Impairment losses and depreciation at 31 December	<u>(26,537,068)</u>
Carrying amount at 31 December	<u>14,726,073</u>
Including assets under finance leases amounting to	<u>13,392,492</u>

	<u>2021</u> DKK	<u>2020</u> DKK
4 Contract assets and liabilities		
Selling price of work in progress	1,948,098,349	1,008,556,638
Payments received on account	(2,353,853,945)	(1,337,891,155)
	<u>(405,755,596)</u>	<u>(329,334,517)</u>
Recognized in the balance sheet as follows:		
Contract work in progress recognized in assets	0	0
Prepayments received recognized in debt	(405,755,596)	(329,334,517)
	<u>(405,755,596)</u>	<u>(329,334,517)</u>

Notes to the Financial Statements

5 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subcontractor advances as well.

	<u>2021</u> DKK	<u>2020</u> DKK
6 Distribution of profit		
Retained earnings	46,832,714	37,499,440
	<u>46,832,714</u>	<u>37,499,440</u>

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:

Lease obligations

After 5 years	0	0
Between 1 and 5 years	830,915	12,106,606
Long-term part	830,915	12,106,606
Within 1 year	12,642,067	13,739,957
	<u>13,472,982</u>	<u>25,846,563</u>

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 2021.

In connection with the work in progress the two partners have issued a performance guarantee of DKK 721 million.

Notes to the Financial Statements

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:

Name

Aurelia Srl

Place of registered office

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 Societa Cooperativa may be obtained at the following address:

Via Carlo Mars 101

41012 Carpi (MO)

Italy

Notes to the Financial Statements

	<u>2021</u>	<u>2020</u>
	DKK	DKK
10 Cash Flow Statement - adjustments		
Financial Income	(1,440,159)	(735,342)
Financial Expense	3,638,281	2,217,732
Depreciation	15,434,942	12,883,239
	<u>17,633,064</u>	<u>14,365,629</u>
11 Working Capital		
Change in contract assets and liabilities	76,421,079	197,761,715
Change in inventories	(884,424)	0
Change in receivables	57,658,115	(228,431,733)
Change in prepayments	6,547,300	(52,632,000)
Change in trade and other payables	17,365,365	82,241,154
	<u>157,107,435</u>	<u>(1,060,864)</u>

Notes to the Financial Statements

12 Accounting Policies

The Annual Report of Odense Hospital Project Team Joint Venture I/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in DKK.

Recognition and measurement

12.1

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.

Translation policies

12.2

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.

Notes to the Financial Statements

12 Accounting Policies

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.

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 Joint Venture 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.

Notes to the Financial Statements

12 Accounting Policies

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.

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.

Notes to the Financial Statements

12 Accounting Policies

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.

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.

Notes to the Financial Statements

12 Accounting Policies

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$