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Blue World Technologies Holding ApS

Lavavej 16
9220 Aalborg Øst
Central Business Registration
No 39931621

Annual report 10.10.2018 - 31.12.2019

The Annual General Meeting adopted the annual report on 30.04.2020

Chairman of the General Meeting

____
Name: Anders Risum Korsgaard

Contents

Entity details

Entity
Blue World Technologies Holding ApS
Lavavej 16
9220 Aalborg Øst

Central Business Registration No (CVR): 39931621
Registered in: Aalborg
Financial year: 10.10.2018 - 31.12.2019

Board of Directors
Brian Lindgaard Jensen, chairman of the board
Li Lili
Wu Jing
Feng, Wu-Feng
Anders Risum Korsgaard

Executive Board
Anders Risum Korsgaard, CEO
Mads Friis Jensen, CCO
Mads Bang, CTO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4. sal
9000 Aalborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Blue World Technologies Holding ApS for the financial year 10.10.2018 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 10.10.2018 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aalborg, 02.04.2020

Executive Board

Anders Risum Korsgaard CEO	Mads Friis Jensen CCO	Mads Bang CTO

Board of Directors

Brian Lindgaard Jensen chairman of the board	Li Lili	Wu Jing
Feng, Wu-Feng	Anders Risum Korsgaard	

Independent auditor's report

To the shareholders of Blue World Technologies Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Blue World Technologies Holding ApS for the financial year 10.10.2018 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement

The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 10.10.2018 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Material uncertainty related to going concern

Without this having affected our opinion, we draw attention to the disclosesures in note 1 for the group where management accounts for the raising of the necessary liquidity to secure contunied operations. It is thus a key precondition for Management's decision to present the annual report on a going concern basis that the A round is carried out and thus ensures liquidity for the coming year.

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

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity 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 consolidated financial statements and the parent financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Parent’s internal control.

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

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business

Independent auditor's report

activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aalborg, 02.04.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

René Winther Pedersen
State Authorised Public Accountant
Identification No (MNE) mne34173

Sami Nikolai El-Galaly
State Authorised Public Accountant
Identification No (MNE) mne42793

Management commentary

Primary activities
The main acitivity of the group is to become world leading in terms of producing and selling fuel cell systems.

Development in activities and finances
The income statement shows a loss of t.EUR 1,880 and the balance sheet shows an equity of t.EUR 4,192. The result is as expected by the management, considering the fact that the group is established in 2018 and still developing the fuel cell system.

The group raised capital via seed round in 2019 and aims to complete an A-round during 2020, which would help develop the Group in the years to come.

The Group aims to send the first proto-types to customers during the first half of 2020. The production of fuel cells will take place in the Group's headquarters in Aalborg.

At year end 2019 the Group had a total cash deposit of 748 tEUR. During first half year 2020 1.8 mEUR either has been or will be disbursed on the Group's bank account as both capital increase and convertible loan. The Group's main objective for Q2 2020 is to close the ongoing A-round investment process with a significantly larger amount than the 1.8 mEUR. Negotiation with several potential investors is currently taking place with positive progress. The management strongly believe that the result of the current negotiations will be successful and thereby ensure liquidity for at least the financial year 2020 and will help the Group to achieve further financing beyond 2020. Based on the above mentioned the management report the financial statement on the basis of going concern.

Outlook
The Management expects to take further steps forward in developing the fuel cells during 2020, with the target of reaching serial production within the next 2-3 years, although not expected to begin in the coming year, which contributes to the expectation of a loss in 2020 about t.EUR 2-4,000.

Intellectual capital resources
To ensure the continuing growth of the Group, it is essential that the Company attracts and maintains highly educated professionals such as engineers. This is supported via being a newly established Group, where the employees contributes to building up processes and products etc. and are handed a high level of responsibility and trust.

Environmental performance
The fuel cell system under development by the Group is a green alternative to the regular combustion engine, meaning the Group itself is sustainable and therefore aims to live up to that in all aspects of its activity. The Group is not yet producing in large scale, meaning the effect on the external environment is very limited currently.

Management commentary

Research and development activities

It is a continuous effort to develop processes, methods and products which are of use to the Group. This is done both within the Group and in the future also expected to happen in cooperation with clients and advisors. Blue World Technologies participates in various development projects together with universities, technological institutes and other operations within og related to the industry.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2018/19

	Notes	2018/19 EUR
Gross loss	2, 3	**(11.436)**
Distribution costs		(275.798)
Administrative expenses	2, 3	(2.027.151)
Operating profit/loss		**(2.314.385)**
Income from investments in associates		(6.797)
Other financial income	4	10.030
Other financial expenses	5	(32.780)
Profit/loss before tax		**(2.343.932)**
Tax on profit/loss for the year	6	463.472
Profit/loss for the year		**(1.880.460)**
Proposed distribution of profit/loss		
Retained earnings		(1.880.460)
		(1.880.460)

Consolidated balance sheet at 31.12.2019

	Notes	2018/19 EUR
Acquired intangible assets		76.998
Development projects in progress		3.562.866
Prepayments for intangible assets		84.133
Intangible assets	7	**3.723.997**
Land and buildings		94.802
Other fixtures and fittings, tools and equipment		35.000
Prepayments for property, plant and equipment		70.858
Property, plant and equipment	8	**200.660**
Investments in associates		443.094
Fixed asset investments	9	**443.094**
Fixed assets		**4.367.751**
Other receivables		543.019
Joint taxation contribution receivable		736.308
Prepayments		19.905
Receivables		**1.299.232**
Cash		**748.150**
Current assets		**2.047.382**
Assets		**6.415.133**

Consolidated balance sheet at 31.12.2019

	Notes	2018/19 EUR
Contributed capital		10.999
Retained earnings		4.180.823
Equity		**4.191.822**
Deferred tax		272.836
Provisions		**272.836**
Debt to other credit institutions		403.911
Other payables		84.382
Non-current liabilities other than provisions		**488.293**
Bank loans		126
Finance lease liabilities		99.306
Prepayments received from customers		829.987
Trade payables		335.718
Other payables		197.045
Current liabilities other than provisions		**1.462.182**
Liabilities other than provisions		**1.950.475**
Equity and liabilities		**6.415.133**
Going concern	1	
Associates	10	
Contingent liabilities	12	
Assets charged and collateral	13	
Subsidiaries	14	

Consolidated statement of changes in equity for 2018/19

	Contributed capital EUR	**Share premium EUR**	**Retained earnings EUR**	**Total EUR**
Contributed upon formation	6.694	81.663	0	88.357
Increase of capital	4.305	5.979.620	0	5.983.925
Transfer to reserves	0	(6.061.283)	6.061.283	0
Profit/loss for the year	0	0	(1.880.460)	(1.880.460)
Equity end of year	**10.999**	**0**	**4.180.823**	**4.191.822**

Consolidated cash flow statement for 2018/19

	Notes	2018/19 EUR
Operating profit/loss		(2.314.385)
Amortisation, depreciation and impairment losses		105.491
Working capital changes	11	884.210
Cash flow from ordinary operating activities		**(1.324.684)**
Financial expenses paid		(15.767)
Cash flows from operating activities		**(1.340.451)**
Acquisition etc of intangible assets		(3.740.282)
Acquisition etc of property, plant and equipment		(133.870)
Acquisition of fixed asset investments		(449.890)
Cash flows from investing activities		**(4.324.042)**
Loans raised		403.911
Reduction of lease commitments		(63.676)
Cash increase of capital		6.072.282
Cash flows from financing activities		**6.412.517**
Increase/decrease in cash and cash equivalents		**748.024**
Cash and cash equivalents end of year		**748.024**
Cash and cash equivalents at year-end are composed of:		
Cash		748.150
Short-term debt to banks		(126)
Cash and cash equivalents end of year		**748.024**

Notes to consolidated financial statements

1. Going concern

At year end 2019 the Group had a total cash deposit of 748 tEUR. During first half year 2020 1.8 mEUR either has been or will be disbursed on the Group's bank account as both capital increase and convertible loan. The Group's main objective for Q2 2020 is to close the ongoing A-round investment process with a significantly larger amount than the 1.8 mEUR. Negotiation with several potential investors is currently taking place with positive progress. The management strongly believe that the result of the current negotiations will be successful and thereby ensure liquidity for at least the financial year 2020 and will help the Group to achieve further financing beyond 2020. Based on the above mentioned the management report the financial statement on the basis of going concern.

	2018/19 **EUR**
2. Staff costs	
Wages and salaries	2.339.097
Pension costs	92.174
Other social security costs	20.480
	2.451.751
Staff costs classified as assets	(1.454.654)
	997.097
Average number of employees	**23**

Staff costs classified as assets contains cost classified as development projects in progress.

	2018/19 **EUR**
3. Depreciation, amortisation and impairment losses	
Amortisation of intangible assets	10.169
Impairment losses on intangible assets	6.116
Depreciation on property, plant and equipment	86.898
Impairment losses on property, plant and equipment	2.308
	105.491

	2018/19 **EUR**
4. Other financial income	
Exchange rate adjustments	10.030
	10.030

Notes to consolidated financial statements

	2018/19 EUR
5. Other financial expenses	
Exchange rate adjustments	16.823
Other financial expenses	15.957
	32.780

	2018/19 EUR
6. Tax on profit/loss for the year	
Current tax	(736.308)
Change in deferred tax	272.836
	(463.472)

	Acquired intangible assets EUR	Development projects in progress EUR	Prepayments for intangible assets EUR
7. Intangible assets			
Additions	87.167	3.562.866	90.249
Disposals	0	0	(6.116)
Cost end of year	**87.167**	**3.562.866**	**84.133**
Impairment losses for the year	0	0	(6.116)
Amortisation for the year	(10.169)	0	0
Amortisation, depreciation and impairment losses on assets disposed of	0	0	6.116
Amortisation and impairment losses end of year	**(10.169)**	**0**	**0**
Carrying amount end of year	**76.998**	**3.562.866**	**84.133**

Development projects

Development projects in progress include development and test of methanol fuel cells considered a realistic green alternative to the internal combustion engine. The purpose of the project is to establish commercial production of methanol fuel cells for global distribution.

The development process are in line with Management's expectations regarding the timeplan and financial ressources. The Management has not found that the development projects in progress show sign on impairment. Development projects in progress are estimated to be completed within 4-5 years.

Notes to consolidated financial statements

	Land and buildings EUR	Other fixtures and fittings, tools and equipment EUR	Prepay-ments for property, plant and equipment EUR
8. Property, plant and equipment			
Additions	184.008	35.000	70.858
Cost end of year	**184.008**	**35.000**	**70.858**
Impairment losses for the year	(2.308)	0	0
Depreciation for the year	(86.898)	0	0
Depreciation and impairment losses end of year	**(89.206)**	**0**	**0**
Carrying amount end of year	**94.802**	**35.000**	**70.858**
Recognised assets not owned by entity	**94.802**	**-**	**-**

	Investments in associates EUR
9. Fixed asset investments	
Additions	449.890
Cost end of year	**449.890**
Amortisation of goodwill	(13.250)
Share of profit/loss for the year	6.454
Impairment losses end of year	**(6.796)**
Carrying amount end of year	**443.094**
Goodwill or negative goodwill recognized during the financial year	**397.506**

	Registered in	Equity inte-rest %
10. Associates		
Danish Power Systems ApS	Helsingør	15,0

Notes to consolidated financial statements

	2018/19 EUR
11. Change in working capital	
Increase/decrease in receivables	(562.924)
Increase/decrease in trade payables etc	1.447.134
	884.210

12. Contingent liabilities

The Group participates in a Danish joint taxation arrangement where AMM Holding Af 2018 ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

13. Assets charged and collateral

None.

	Registered in	Corporate form	Equity interest %
14. Subsidiaries			
Blue World Technologies ApS	Aalborg	ApS	100,0

Parent income statement for 2018/19

	Notes	2018/19 EUR
Gross loss	2	**(11.436)**
Administrative expenses		(131.559)
Operating profit/loss		**(142.995)**
Income from investments in group enterprises		(1.745.017)
Income from investments in associates		(6.797)
Other financial income	3	15.349
Other financial expenses	4	(5.953)
Profit/loss before tax		**(1.885.413)**
Tax on profit/loss for the year	5	4.953
Profit/loss for the year		**(1.880.460)**
Proposed distribution of profit/loss		
Retained earnings		(1.880.460)
		(1.880.460)

Parent balance sheet at 31.12.2019

	Notes	2018/19 EUR
Prepayments for intangible assets		84.133
Intangible assets	6	**84.133**
Investments in group enterprises		3.245.301
Investments in associates		443.094
Fixed asset investments	7	**3.688.395**
Fixed assets		**3.772.528**
Deferred tax		4.953
Other receivables		432.655
Receivables		**437.608**
Cash		**479.912**
Current assets		**917.520**
Assets		**4.690.048**

Parent balance sheet at 31.12.2019

	Notes	2018/19 EUR
Contributed capital		10.999
Retained earnings		4.180.823
Equity		**4.191.822**
Debt to other credit institutions		403.911
Non-current liabilities other than provisions		**403.911**
Trade payables		90.108
Payables to group enterprises		4.207
Current liabilities other than provisions		**94.315**
Liabilities other than provisions		**498.226**
Equity and liabilities		**4.690.048**
Uncertainty relating to recognition and measurement	1	
Contingent liabilities	8	
Assets charged and collateral	9	
Related parties with controlling interest	10	

Parent statement of changes in equity for 2018/19

	Contributed capital EUR	Share premium EUR	Retained earnings EUR	Total EUR
Contributed upon formation	6.694	81.663	0	88.357
Increase of capital	4.305	5.979.620	0	5.983.925
Transfer to reserves	0	(6.061.283)	6.061.283	0
Profit/loss for the year	0	0	(1.880.460)	(1.880.460)
Equity end of year	**10.999**	**0**	**4.180.823**	**4.191.822**

Notes to parent financial statements

1. Uncertainty relating to recognition and measurement

Due to the uncertainty as stated in note 1 in the consolidated financial statement, recognition and measurement of investments in group enterprises in the parent financial statements is connected with uncertainty.

	2018/19 EUR
2. Depreciation, amortisation and impairment losses	
Impairment losses on intangible assets	6.116
	6.116

	2018/19 EUR
3. Other financial income	
Financial income arising from group enterprises	7.922
Exchange rate adjustments	7.427
	15.349

	2018/19 EUR
4. Other financial expenses	
Financial expenses from group enterprises	647
Exchange rate adjustments	774
Other financial expenses	4.532
	5.953

	2018/19 EUR
5. Tax on profit/loss for the year	
Change in deferred tax	(4.953)
	(4.953)

Notes to parent financial statements

	Prepayments for intangible assets EUR
6. Intangible assets	
Additions	90.249
Disposals	(6.116)
Cost end of year	**84.133**
Impairment losses for the year	(6.116)
Amortisation, depreciation and impairment losses on assets disposed of	6.116
Amortisation and impairment losses end of year	**0**
Carrying amount end of year	**84.133**

	Investments in group enterprises EUR	Investments in associates EUR
7. Fixed asset investments		
Additions	4.990.318	449.890
Cost end of year	**4.990.318**	**449.890**
Amortisation of goodwill	0	(13.250)
Share of profit/loss for the year	(1.745.017)	6.454
Impairment losses end of year	**(1.745.017)**	**(6.796)**
Carrying amount end of year	**3.245.301**	**443.094**
Goodwill or negative goodwill recognized during the financial year	**-**	**397.506**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	Registered in	Corporate form	Equity interest %
Investments in associates comprise:			
Danish Power Systems ApS	Helsingør	ApS	15,0

Notes to parent financial statements

8. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where AMM Holding Af 2018 ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

9. Assets charged and collateral

None.

10. Related parties with controlling interest

Related parties with controlling interest – Blue Management Holding ApS, Aalborg owns the majority of the shares in Blue World Technologies Holding ApS and has controlling interest.

AMM Holding af 2018 ApS, Aalborg owns the majority of the shares in Blue Management Holding ApS and has the controlling interest.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

Non-comparability
This is the Group’s and the parent company’s first annual report which contains a period of 15 months and therefore no comparative figures.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 15% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries’ net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement
Gross profit or loss
Gross profit or loss comprises production costs.

Production costs
Production costs comprise wages and salaries as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment.

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc.

Administrative expenses
Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise development projects in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases cost is the lower of the asset’s fair value of the future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	2 years
Other fixtures and fittings, tools and equipment	5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in group enterprises
In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these en-terprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity values plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in associates.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and

Accounting policies

doubtful debts.

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Accounting policies

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term bank loans.