Scantox Holding ApS

Hestehavevej 36A, DK-4623 Lille Skensved

Annual Report for 11 January - 31 December 2021

CVR No 42 01 51 72

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 22/6 2022

Jens Bager
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Scantox Holding ApS for the financial year 11 January - 31 December 2021.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2021.

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

Lille Skensved, 22 June 2022

Executive Board

Martin Amtoft-Christensen

Jeanet Løgsted Nielsen

Board of Directors

Jens Bager
Chairman

Nicholas Povl Zilstorff Hooge

Karsten Lindhardt

Daniel Spasic

Independent Auditor's Report

To the Shareholders of Scantox Holding ApS

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 11 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Scantox Holding ApS for the financial year 11 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 consolidated financial statements and parent company 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 Group's and 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 Group or 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

Hellerup, 22 June 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Kaare von Cappeln
statsautoriseret revisor
mne11629

Company Information

The Company	Scantox Holding ApS Hestehavevej 36A DK-4623 Lille Skensved CVR No: 42 01 51 72 Financial period: 11 January - 31 December Municipality of reg. office: Køge
Board of Directors	Jens Bager, Chairman Nicholas Povl Zilstorff Hooge Karsten Lindhardt Daniel Spasic
Executive Board	Martin Amtoft-Christensen Jeanet Løgsted Nielsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	Group
	2021
	TDKK
Key figures	
Profit/loss	
Revenue	48.353
Gross profit/loss	30.751
Profit/loss before financial income and expenses	-13.054
Net financials	-1.167
Net profit/loss for the year	-3.806
Balance sheet	
Balance sheet total	108.595
Equity	33.647
Cash flows	
Cash flows from:	
- operating activities	-17.838
- investing activities	-22.842
including investment in property, plant and equipment	-7.546
- financing activities	48.808
Change in cash and cash equivalents for the year	8.128
Number of employees	64
Ratios	
Gross margin	63,6%
Profit margin	-27,0%
Return on assets	-12,0%
Solvency ratio	31,0%
Return on equity	-22,6%

Management's Review

Key activities

The Company's key activity is to own shares in other companies. Further, the purpose of the Company is to provide management and other administrative services as well as other activities related to this.

Development in the year

The income statement of the Group for 2021 shows a loss of TDKK 3,806, and at 31 December 2021 the balance sheet of the Group shows equity of TDKK 33,647.

In 2021, the Group's revenue amounted to DKK 48,353k. The income statement of the Group for 2021 shows a loss of TDKK 3,806, and at 31 December 2021 the balance sheet of the Group shows equity of TDKK 33,647.

In June 2020, in the midst of the Covid-19 pandemic, the previous owners of Scantox A/S, announced that they would close down the Company for reasons. Consequently, the Company commenced planning for the completion of ongoing studies and the subsequent closure of the research operations in Denmark, with the intention to have terminated activities by July 2021.

On 19 January 2021, Scantox A/S was sold to the investment firm Impilo AB (Sweden) who established a new group structure. The planned close down during 2020 and subsequent re-start in 2021 has significantly impacted the financial result. As the selling cycle and operational start-up of new studies takes time, the relaunch and ramp up of the business is not yet fully reflected in the financial result.

Given the significant impact of the closedown and subsequent re-start of the business under new ownership and the underlying positive operational development, the Management finds the financial result for the year satisfactory with a very satisfactory trajectory going in to 2022.

Subsequent events

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

Capital resources

Management assesses that the Company's capital resources is sufficient.

Targets and expectations for the year ahead

The Group is expected to increase both revenue and profit materially, based on the markets positive feedback and current high level of activity. The revenue is expected to exceed DKK 100.000k and profit is expected to be positive.

Management's Review

Uncertainty relating to recognition and measurement

Revenue recognition

Scantox's contracts with customers bind the Company to perform specific studies, usually at a fixed price. Revenue is recognized with the production method using estimates of the value produced in the fiscal period. The revenue estimates inherently pose some measurement uncertainty, though they are subject to extensive control and assessment.

Deferred tax asset

The Group recognizes deferred tax assets, including the tax base of tax loss carry-forward if Management assesses that these tax assets can be offset against positive taxable income within a foreseeable future. This assessment is made on an ongoing basis and is based on budgets and business plans for the coming years, including planned commercial initiatives.

On 31 December 2021, the Group had reactivated the tax assets with DKK 10,415k due to the expectations for utilization of the tax asset within a foreseeable future.

Income Statement 11 January - 31 December

	Note	Group 2021 TDKK	Parent 2021 TDKK
Revenue		**48.353**	**0**
Other operating income		5.043	0
Expenses for raw materials and consumables		-10.979	0
Other external expenses		-11.666	-218
Gross profit/loss		**30.751**	**-218**
Staff expenses	2	-36.092	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-7.713	0
Profit/loss before financial income and expenses	1	**-13.054**	**-218**
Financial expenses	4	-1.167	0
Profit/loss before tax		**-14.221**	**-218**
Tax on profit/loss for the year	5	10.415	0
Net profit/loss for the year		**-3.806**	**-218**

Balance Sheet 31 December

Assets

	Note	Group 2021 TDKK	Parent 2021 TDKK
Software		285	0
Intangible assets	6	**285**	**0**
Land and buildings		40.514	0
Other fixtures and fittings, tools and equipment		10.256	0
Property, plant and equipment	7	**50.770**	**0**
Investments in subsidiaries	8	0	37.454
Fixed asset investments		**0**	**37.454**
Fixed assets		**51.055**	**37.454**
Inventories	9	**1.404**	**0**
Trade receivables		23.739	0
Contract work in progress	10	2.084	0
Deferred tax asset	14	10.415	0
Prepayments	11	770	0
Receivables		**37.008**	**0**
Cash at bank and in hand		**19.128**	**0**
Currents assets		**57.540**	**0**
Assets		**108.595**	**37.454**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2021 TDKK	Parent 2021 TDKK
Share capital	12	500	500
Retained earnings		33.147	36.735
Equity		**33.647**	**37.235**
Mortgage loans		26.290	0
Lease obligations		1.528	0
Other payables		7.894	0
Long-term debt	15	**35.712**	**0**
Mortgage loans	15	1.961	0
Lease obligations	15	701	0
Trade payables		5.264	0
Contract work in progress, liabilities	10	17.570	0
Payables to group enterprises		0	217
Other payables	15	13.740	2
Short-term debt		**39.236**	**219**
Debt		**74.948**	**219**
Liabilities and equity		**108.595**	**37.454**
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	18		
Related parties	19		
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Statement of Changes in Equity

Group

	Share capital	Share premium account	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 11 January	40	0	0	40
Cash capital increase	460	36.953	0	37.413
Transfer from share premium account	0	-36.953	36.953	0
Net profit/loss for the year	0	0	-3.806	-3.806
Equity at 31 December	**500**	**0**	**33.147**	**33.647**

Parent

	Share capital	Share premium account	Retained earnings	Total
Equity at 11 January	40	0	0	40
Cash capital increase	460	36.953	0	37.413
Transfer from share premium account	0	-36.953	36.953	0
Net profit/loss for the year	0	0	-218	-218
Equity at 31 December	**500**	**0**	**36.735**	**37.235**

Cash Flow Statement 11 January - 31 December

	Note	Group 2021
		TDKK
Net profit/loss for the year		-3.806
Adjustments	16	-6.346
Change in working capital	17	-6.813
Cash flows from operating activities before financial income and expenses		**-16.965**
Financial expenses		-873
Cash flows from operating activities		**-17.838**
Purchase of intangible assets		-173
Purchase of property, plant and equipment		-7.546
Business acquisition		-15.123
Cash flows from investing activities		**-22.842**
Repayment of mortgage loans		-17.263
Repayment of loans from credit institutions		-1.426
Increase of lease obligations		1.833
Raising of mortgage loans		28.251
Cash capital increase		37.413
Cash flows from financing activities		**48.808**
Change in cash and cash equivalents		**8.128**
Cash and cash equivalents at 11 January		11.000
Cash and cash equivalents at 31 December		**19.128**
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		19.128
Cash and cash equivalents at 31 December		**19.128**

Notes to the Financial Statements

1 Special items

Other operating income of MDKK 5,043 relates to badwill regarding the purchase of Scantox A/S.

	Group	Parent
	2021	2021
	TDKK	TDKK
2 Staff expenses		
Wages and salaries	29.989	0
Pensions	5.502	0
Other social security expenses	569	0
Other staff expenses	32	0
	36.092	**0**
Average number of employees	**64**	**0**

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	470	0
Depreciation of property, plant and equipment	7.115	0
Gain and loss on disposal	128	0
	7.713	**0**

4 Financial expenses

Other financial expenses	870	0
Exchange loss	297	0
	1.167	**0**

5 Tax on profit/loss for the year

Current tax for the year	0	0
Deferred tax for the year	-10.415	0
	-10.415	**0**

Notes to the Financial Statements

6 Intangible assets

Group

	Software
	TDKK
Cost at 11 January	7.164
Additions for the year	173
Disposals for the year	-6.639
Cost at 31 December	698
Revaluations at 31 December	0
Impairment losses and amortisation at 11 January	6.504
Amortisation for the year	470
Reversal of amortisation of disposals for the year	-6.561
Impairment losses and amortisation at 31 December	413
Carrying amount at 31 December	**285**

7 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 11 January	129.634	50.651
Additions for the year	1.252	6.286
Disposals for the year	-3.912	-37.120
Cost at 31 December	126.974	19.817
Impairment losses and depreciation at 11 January	86.222	43.595
Depreciation for the year	4.150	3.074
Reversal of impairment and depreciation of sold assets	-3.912	-37.108
Impairment losses and depreciation at 31 December	86.460	9.561
Carrying amount at 31 December	**40.514**	**10.256**

Notes to the Financial Statements

	Parent
	2021
	TDKK
8 Investments in subsidiaries	
Cost at 11 January	0
Additions for the year	37.454
Cost at 31 December	37.454
Value adjustments at 11 January	0
Value adjustments at 31 December	0
Carrying amount at 31 December	**37.454**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Scantox Denmark ApS	Lille Skensved	40	100%	32.215	-5.239
Scantox A/S (subsidiary of Scantox Denmark ApS)	Lille Skensved	12,600	100%	16.772	4.772

Notes to the Financial Statements

	Group	Parent
	2021	2021
	TDKK	TDKK

9 Inventories

	Group 2021 TDKK	Parent 2021 TDKK
Raw materials and consumables	1.404	0
	1.404	**0**

10 Contract work in progress

	Group 2021 TDKK	Parent 2021 TDKK
Selling price of work in progress	116.468	0
Payments received on account	-131.954	0
	-15.486	**0**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	2.084	0
Prepayments received recognised in debt	-17.570	0
	-15.486	**0**

11 Prepayments

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

12 Share capital

The share capital has developed as follows:

	2021
	TDKK
Share capital at 11 January	40
Capital increase	460
Capital decrease	0
Share capital at 31 December	**500**

The Company has been founded in 2021 and therefore it is only the development in the share capital for 2021 which is presented.

Notes to the Financial Statements

		Group	Parent
		2021	2021
		TDKK	TDKK
13	**Distribution of profit**		
	Retained earnings	-3.806	-218
		-3.806	**-218**
14	**Provision for deferred tax**		
	Provision for deferred tax at 11 January	0	0
	Amounts recognised in the income statement for the year	-10.415	0
	Provision for deferred tax at 31 December	**-10.415**	**0**
	Intangible assets	63	0
	Property, plant and equipment	2.684	0
	Fixed asset investments	-2.149	0
	Leases	-490	0
	Tax loss carry-forward	-10.523	0
	Transferred to deferred tax asset	10.415	0
		0	**0**

Deferred tax asset

The deffered tax asset relates to losses in subsidiaries.

	Group	Parent
Calculated tax asset	10.415	0
Carrying amount	**10.415**	**0**

Tax on realisation of assets besides the amount provided in the Financial Statements

The deferred tax assets relates to tax-loss carryforwards in Scantox A/S, where the majority can be attributed to the financial year 2020. The financial year was affected by losses due to significant reductions in activities as a result of Scantox A/S' plan to cease. The Company has in 2021 succeded in reversing this development and apositive result for 2022 and the following years is expected. This is supported by the realised results for the firstfive months of 2022. The results are in accordance with the business plan for the coming years.

Notes to the Financial Statements

15 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:

Mortgage loans		
After 5 years	18.382	0
Between 1 and 5 years	7.908	0
Long-term part	26.290	0
Within 1 year	1.961	0
	28.251	**0**
Lease obligations		
After 5 years	408	0
Between 1 and 5 years	1.120	0
Long-term part	1.528	0
Within 1 year	701	0
	2.229	**0**
Other payables		
Between 1 and 5 years	7.894	0
Long-term part	7.894	0
Other short-term payables	13.740	0
	21.634	**0**

Notes to the Financial Statements

16 Cash flow statement - adjustments

	Group 2021 TDKK
Financial expenses	1.167
Depreciation, amortisation and impairment losses, including losses and gains on sales	2.670
Tax on profit/loss for the year	-10.415
Other adjustments	232
	-6.346

17 Cash flow statement - change in working capital

	Group 2021 TDKK
Change in inventories	-1.404
Change in receivables	-17.361
Change in trade payables, etc	11.952
	-6.813

18 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

	Group 2021 TDKK	Parent 2021 TDKK
As security for mortgage debt has been put up as security in buildings:	34.200	0

The following assets have been placed as security with bankers:

	Group 2021 TDKK	Parent 2021 TDKK
Negative pledge comprising movables, unsecured claims, inventories, operating equipment, intangible rights and charges on claims as security for the balances with Nykredit:	15.000	0

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
Impilo No 9 AB	Holländargatan 20, 111 60 Stockholm, Sweden

Other related parties

Chairman of the Board, Jens Bager
Boardmember, Nicholas Povl Zilstorff Hooge
Boardmember, Karsten Lindhardt
Boardmember, Daniel Spasic

Transactions

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

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Scantox Holding ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Consolidated and Parent Company Financial Statements for 2021 are presented in TDKK.

Recognition and measurement

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

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

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

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

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Scantox Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

20 Accounting Policies (continued)

Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

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

Receivables, payables and other monetary items in foreign currencies that have not been settled at the

Notes to the Financial Statements

20 Accounting Policies (continued)

balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Income Statement

Revenue

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

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

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Expenses for raw materials and consumables

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

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Notes to the Financial Statements

20 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3-10 years.

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment

Notes to the Financial Statements

20 Accounting Policies (continued)

are recognised in cost over the period of construction.

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

Land and Buildings	20-30	years
Plant and machinery	3-15	years
Other fixtures	3-15	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

Inventories

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

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

Receivables

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

Notes to the Financial Statements

20 Accounting Policies (continued)

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 recognised 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 realisable value.

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

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

Prepayments

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

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Current tax receivables and liabilities

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

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Cash Flow Statement

The cash flow statement shows the Group´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 Group´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, amortisation 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.

Notes to the Financial Statements

20 Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise

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

Financial Highlights

Explanation of financial ratios

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