Swiss Properties Invest A/S

Schleppegrellsgade 8, kl., 2200 København N

CVR no. 42 74 11 16

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 19.04.24

Thorbjørn Graarud
Dirigent

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Group information etc.

The company

Swiss Properties Invest A/S
Schleppegrellsgade 8, kl.
2200 København N
Registered office: København N
CVR no.: 42 74 11 16
Financial year: 01.01 - 31.12

Ordinary generel meeting will be held on 19.04.2024 with publication of the annual report the 05.04.2024.

Executive Board

Kirsten Sillehoved

Board of Directors

Kirsten Sillehoved
Thorbjørn Graarud
Christian Bertel Seidelin

Auditors

BDO Statsautoriseret Revisionsaktieselskab

Bank

Jyske Bank A/S

Subsidiary

Swiss Properties Invest AG, Baar, Schweiz

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

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Swiss Properties Invest A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.23 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, April 5, 2024

Executive Board

Kirsten Sillehoved

Board of Directors

Kirsten Sillehoved	Thorbjørn Graarud	Christian Bertel Seidelin

Independent auditor's report

To the Shareholder of Swiss Properties Invest A/S

Opinion

We have audited the consolidated financial statements and financial statements of Swiss Properties Invest A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the consolidated financial statements and financial statements give a true and fair view of the group's and the company's financial position at 31.12.23 and of the results of the group's and the company's operations and consolidated cash flows for the financial year 01.01.23 - 31.12.23 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 financial statements" section of our report. We are independent of the group and the company 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.

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

Management is responsible for the preparation of consolidated financial statements and 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and 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 consolidated financial statements and financial statements unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements and financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and 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 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 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 consolidated financial statements and 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 consolidated financial statements and 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 consolidated financial statements and financial statements, including the disclosures, and whether the consolidated financial statements and 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.

Statement on the management's review

Management is responsible for the management's review.

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

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

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

Based on the work we have performed, we conclude that the management's review is in accordance with the consolidated financial statements and 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's review.

Hjørring, April 5, 2024

BDO Statsautoriseret Revisionsaktieselskab

CVR no. 20 22 26 70

Claus Muhlig

State Authorized Public Accountant

MNE-no. mne26711

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2023	2022	2021
Profit/loss			
Gross result	20,217	336	-151
Operating profit/loss	24,971	-271	-151
Total net financials	-9,728	-5,126	61
Profit/loss for the year	13,304	-5,641	-91
Balance			
Total assets	659,339	467,836	23,231
Equity	252,440	216,913	22,417
Cashflow			
Net cash flow:			
Operating activities	-2,504	-2,679	356
Investing activities	-215,115	-377,265	-718
Financing activities	159,891	445,106	22,500
Cash flows for the year	-57,728	65,162	22,138

Ratios

	2023	2022	2021
Profitability			
Return on equity	6%	-4%	-1%
Equity ratio			
Solvency ratio	38%	46%	97%
Liquidity and financing			
Liquidity ratio	232%	42%	2,766%

Ratios - continued -

	2023	2022	2021
Others			
Number of employees (average)	6	1	0
Earnings per share	5.8	-2.54	-
Numbers of outstanding shares	2,285,272	2,225,000	-
Average (weighted) number of outstanding shares	2,227,823	1,161,986	-
Book value per share	110.46	97.49	99.63

Ratios definitions

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Solvency ratio: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Liquidity ratio: $\frac{\text{Current assets x 100}}{\text{Short-term payables}}$

Primary activities

The group's activities consist of investments in realestate with the purpose of commercial lease.

Development in activities and financial affairs

Book value of properties	Book value per share
624.5 MDKK	**110.46 DKK**
Profit after tax	Share price (Nasdaq per 31.12.2023)
13.3 MDKK	**94.00 DKK**
Equity	Earnings per share
252.4 MDKK	**5.80 DKK**

2023 was our first full year as a listed company and it has been a very successful year.

The company was listed on the 14th of July 2022 on Nasdaq Firth North Growth Market Denmark with the promise to build a portfolio of 6 - 8 commercial properties over a two year period using the proceeds from the initial public offering (IPO).

It took less than half a year to build a portfolio of 7 commercial properties - and property number 8 was added one and a half years after the IPO.

All properties met our acquisition criteria. We expected to buy properties at a minimum of 4.5% in initial yield, but in reality it has been closer to 6% resulting in our activities already reaching a level in line with our expectations for the year 2030 as outlined in our IPO prospectus.

The Swiss Franc in relation to Danish Kroner has appreciated, also resulting in a net gain for our investors who are predominantly residing outside Switzerland.

Only the increase in interest rate has gone against us resulting in higher financing costs, but with our results still being in line with our expectations due to the better-than-expected initial yield.

The increase in the interest rate is also the direct reason why we have been able to buy commercial properties at a better initial yield than expected - and our expectation is that the interest rate will come down again while the properties that we have now acquired at a better yield remain ours!

We see a great opportunity to acquire commercial properties at attractive yields and we expect that the company will be able to provide an even better return by growing our portfolio of properties as large as possible over the next years - due to operational economies of scale combined with the compounding effect that is built into our business concept.

In 2023, we decided to seek further capital to provide funding for the acquisition of additional properties, and in December that year we made the first capital increase in a private placement.

It is our intention to make ongoing capital increases in the company in order to keep expanding the portfolio of commercial properties for the benefit of all existing and new shareholders.

The income statement for the period 01.01.23 - 31.12.23 shows a profit of DKK 13,304,246 against a loss of DKK -5,640,599 for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 252,440,222.

The gross profit for the group for the year totals DKK 20,217,153 against DKK 335,702 last year. Profit from ordinary activities after tax totals DKK 13,304,246 against a loss of DKK -5,640,599 last year.
The management considers the net profit for the year to be satisfactory.

During the financial year, the group invested in real estate. The realised rental income totals DKK 29,913,504 and can be specified as follows:

Grabenstrasse 8, 8608 Nänikon, Zurich: DKK 3,048,017
Murgstrasse 21, 9545 Wängi, Thurgau: DKK 6,280,078
Industriestrasse 17+17A, 6303 Sempach, Luzern: DKK 5,083,507
Pilatusstrasse 2, 6036 Dierikon, Luzern: DKK 4,968,645,
Weststrasse 15, 8570 Weinfelden, Thurgau: DKK 3,693,915
Ringstrasse 1, 8603 Schwerzenbach, Zürich: DKK 6,333,475
Burgstrasse 2 + Wasserturmplatz 3, 4410 Liestal, Baselland: DKK 452,748
Other income from investment properties: DKK 53,119

Subsequent events

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

Income statement

Note		Group 2023 DKK	Group 2022 DKK	Parent 2023 DKK	Parent 2022 DKK
	Gross result	**20,217,153**	**335,702**	**-29,935**	**193,851**
1	Staff costs	-1,322,731	-732,880	0	0
	Profit/loss before fair value adjustments	**18,894,422**	**-397,178**	**-29,935**	**193,851**
	Fair value adjustment of investment properties	6,076,319	126,240	0	0
	Operating profit/loss	**24,970,741**	**-270,938**	**-29,935**	**193,851**
	Financial income	69,712	0	29,893	0
	Financial expenses	-9,798,198	-5,126,367	0	-443,475
	Profit/loss before tax	**15,242,255**	**-5,397,305**	**-42**	**-249,624**
	Tax on profit or loss for the year	-1,938,009	-243,294	74	54,934
	Profit/loss for the year	**13,304,246**	**-5,640,599**	**32**	**-194,690**

Proposed appropriation account

	Group 2023 DKK	Group 2022 DKK	Parent 2023 DKK	Parent 2022 DKK
Retained earnings	13,304,246	-5,640,599	32	-194,690
Total	**13,304,246**	**-5,640,599**	**32**	**-194,690**

Balance sheet

ASSETS

Note		Group 31.12.23 DKK	Group 31.12.22 DKK	Parent 31.12.23 DKK	Parent 31.12.22 DKK
	Investment properties	624,455,563	378,108,513	0	0
	Total property, plant and equipment	**624,455,563**	**378,108,513**	**0**	**0**
2	Equity investments in group enterprises	0	0	219,059,862	219,059,862
	Total investments	**0**	**0**	**219,059,862**	**219,059,862**
	Total non-current assets	**624,455,563**	**378,108,513**	**219,059,862**	**219,059,862**
	Receivables from group enterprises	0	0	525,000	1,050,000
	Deferred tax asset	0	54,934	55,008	54,934
	Other receivables	1,627,798	1,426,836	47,053	329,600
	Prepayments	3,683,172	944,616	47,218	346,295
	Total receivables	**5,310,970**	**2,426,386**	**674,279**	**1,780,829**
	Cash	**29,572,663**	**87,300,791**	**10,784,073**	**3,710,263**
	Total current assets	**34,883,633**	**89,727,177**	**11,458,352**	**5,491,092**
	Total assets	**659,339,196**	**467,835,690**	**230,518,214**	**224,550,954**

Balance sheet

EQUITY AND LIABILITIES

Note		Group		Parent	
		31.12.23 DKK	31.12.22 DKK	31.12.23 DKK	31.12.22 DKK
	Share capital	228,527,200	222,500,000	228,527,200	222,500,000
	Foreign currency translation reserve	14,505,064	-156,225	0	0
	Retained earnings	9,407,958	-5,430,428	1,619,709	85,537
	Total equity	**252,440,222**	**216,913,347**	**230,146,909**	**222,585,537**
	Provisions for deferred tax	1,538,378	0	0	0
	Total provisions	**1,538,378**	**0**	**0**	**0**
3	Mortgage debt	390,338,165	37,760,000	0	0
	Total long-term payables	**390,338,165**	**37,760,000**	**0**	**0**
3	Short-term part of long-term payables	6,796,958	207,045,632	0	0
	Prepayments received from customers	1,006,967	0	0	0
	Trade payables	1,109,790	2,013,700	345,287	1,965,417
	Income taxes	668,025	264,320	0	0
	Other payables	1,971,160	518,377	26,018	0
	Deferred income	3,469,531	3,320,314	0	0
	Total short-term payables	**15,022,431**	**213,162,343**	**371,305**	**1,965,417**
	Total payables	**405,360,596**	**250,922,343**	**371,305**	**1,965,417**
	Total equity and liabilities	**659,339,196**	**467,835,690**	**230,518,214**	**224,550,954**

4 Fair value information
5 Charges and security

Statement of changes in equity

Figures in DKK	Share capital	Share premium	Foreign currency translation reserve	Retained earnings
Group:				
Statement of changes in equity for 01.01.23 - 31.12.23				
Balance as at 01.01.23	222,500,000	0	-156,225	-5,430,428
Foreign currency translation adjustment of foreign enterprises	0	0	14,661,289	0
Capital increase	6,027,200	512,383	0	0
Cost of changes in capital	0	0	0	1,021,757
Transfers to/from other reserves	0	-512,383	0	512,383
Net profit/loss for the year	0	0	0	13,304,246
Balance as at 31.12.23	228,527,200	0	14,505,064	9,407,958
Parent:				
Statement of changes in equity for 01.01.23 - 31.12.23				
Balance as at 01.01.23	222,500,000	0	0	85,537
Capital increase	6,027,200	512,383	0	0
Cost of changes in capital	0	0	0	1,021,757
Transfers to/from other reserves	0	-512,383	0	512,383
Net profit/loss for the year	0	0	0	32
Balance as at 31.12.23	228,527,200	0	0	1,619,709

Consolidated cash flow statement

Note		Group 2023 DKK	Group 2022 DKK
	Profit/loss for the year	**13,304,246**	**-5,640,599**
6	Adjustments	-4,904,118	5,079,508
	Change in working capital:		
	Receivables	-2,939,520	-1,996,451
	Trade payables	-903,910	1,948,700
	Other payables relating to operating activities	2,608,969	3,090,480
	Cash flows from operating activities before net financials	**7,165,667**	**2,481,638**
	Interest income and similar income received	69,712	0
	Interest expenses and similar expenses paid	-9,798,198	-5,126,367
	Income tax paid	59,008	-34,626
	Cash flows from operating activities	**-2,503,811**	**-2,679,355**
	Purchase of property, plant and equipment	-215,115,148	-377,264,674
	Cash flows from investing activities	**-215,115,148**	**-377,264,674**
	Raising of additional capital	6,539,583	200,300,808
	Expenses related to changes in capital	1,021,757	0
	Arrangement of mortgage debt	157,245,112	244,805,632
	Repayment of mortgage debt	-4,915,621	0
	Cash flows from financing activities	**159,890,831**	**445,106,440**
	Total cash flows for the year	**-57,728,128**	**65,162,411**
	Cash, beginning of year	87,300,791	22,138,380
	Cash, end of year	**29,572,663**	**87,300,791**
	Cash, end of year, comprises:		
	Cash	29,572,663	87,300,791
	Total	**29,572,663**	**87,300,791**

	Group		Parent	
	2023 DKK	2022 DKK	2023 DKK	2022 DKK

1. Staff costs

	2023 DKK (Group)	2022 DKK (Group)	2023 DKK (Parent)	2022 DKK (Parent)
Wages and salaries	1,146,737	645,872	0	0
Pensions	23,390	12,210	0	0
Other social security costs	131,600	65,088	0	0
Other staff costs	21,004	9,710	0	0
Total	1,322,731	732,880	0	0
Average number of employees during the year	6	1	0	0

2. Equity investments in group enterprises

Name and registered office:	Ownership interest
Subsidiaries:	
Swiss Properties Invest AG, Baar, Schweiz	100%

3. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.23	Total payables at 31.12.22
Group:				
Mortgage debt	6,796,958	361,148,034	397,135,123	244,805,632
Total	6,796,958	361,148,034	397,135,123	244,805,632

4. Fair value information

Figures in DKK	Investment properties
Group:	
Fair value as at 31.12.23	624,455,563
Unrealised changes of fair value recognised in the income statement for the year	6,076,319

A determination of the return from the individual properties is based on the expected rental income from fully leased properties less expected operating costs, administration costs, and maintenance costs. If the expected rental income is different than estimated rent potential the valuation expects the rent potential to be realized within 3 - 10 years. The subsequent value is adjusted for recognised vacant-period lease for a reasonable period of time and expected costs of improvements and large maintenance projects, etc., plus added deposits and prepaid lease payments.

The required rate of return has been determined on the basis of market statistics and management's knowledge of the property market in general. When determining the required rate of return, parameters such as type (residence, office, shop, etc.), location, age, state of maintenance, duration of rental agreements, and tenants credit quality, etc., are considered.

The determination of the market value (carrying value) is based on the following data:

Weighted average rate of return	4.41%
Highest rate of return	4.88%
Lowest rate of return	3.72%
Lowest vacancy rate	1.00%
Highest vacancy rate	10.00%

All the properties are primarily used for office, retail, storage and commercial purposes. In the Management's review the location of the properties is listed.

Sensitivity analysis:
Changes in the rates of return have a material effect on the measurement of investment properties. An increase in the rate of return could mean a decrease in market value. The market development may result in changed requirements on the return on real property.

An increase of the required rate of return by 1 percentage point would mean a reduction of the value of the investment properties of DKK 106,352,225.
A reduction of the required rate of return by 1 percentage point would mean an increase of the value of the investment properties of DKK 169,729,185.

5. Charges and security

Group:

Investment properties with a carrying amount of t.DKK 624,456 have been provided as security for mortgage debt of t.DKK 397,135.

Parent:

The company has not provided any security over assets.

	Group	
	2023 DKK	2022 DKK
6. Adjustments for the cash flow statement		
Fair value adjustment of investment properties	-6,076,319	-126,240
Financial income	-69,712	0
Financial expenses	9,798,198	5,126,367
Tax on profit or loss for the year	1,938,009	243,294
Other adjustments	-10,494,294	-163,913
Total	-4,904,118	5,079,508

7. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for groups and enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

7. Accounting policies - continued -

CURRENCY

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

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

INCOME STATEMENT

Gross result

Gross result comprises revenue and property costs and other external expenses.

Revenue

Income from the sale of services is recognised in the income statement as delivery takes place (delivery method). Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from the rental of properties is recognised in the income statement for the relevant period. Revenue is measured at fair value and determined exclusive of VAT and discounts.

7. Accounting policies - continued -

Property costs

Property costs comprise costs relating to property management, including repair and maintenance costs, real property taxes, insurance, overhead costs and other costs.

Other external expenses

Other external expenses comprise selling costs, cost of premises and administrative expenses as well as other capacity costs, including bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

Investment properties are not depreciated.

Fair value adjustment of investment properties

Unrealised value adjustments of investment properties and realised gains and losses on the sale of assets are recognised in the fair value adjustment of investment properties.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Amortisation of capital losses and borrowing costs relating to financial liabilities is recognised on an ongoing basis as financial expenses.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

7. Accounting policies - continued -

BALANCE SHEET

Property, plant and equipment

Investment properties

Investment properties comprise investments in land and buildings for the purpose of earning a return on such investments in the form of regular operating income and capital gains on sale. Investment properties are recognised at cost at the date of acquisition. Cost comprises the purchase price plus expenses resulting directly from the purchase until the asset is ready for use. Investment properties are subsequently measured at fair value with value adjustments in the income statement. The fair value is calculated by applying an individually determined discount rate to the capitalisation of a market-based operating income from the property. A valuer has not been used to determine the fair value.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are measured at cost less any impairment losses in the balance sheet of the parent. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments in the balance sheet of the parent, while transaction costs are recognised in the income statement in the consolidated financial statements.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

7. Accounting policies - continued -

If dividends are distributed on equity investments in subsidiaries exceeding the year earnings from the enterprise in question, this is considered an indication of impairment.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank account.

Equity

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

7. Accounting policies - continued -

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

7. Accounting policies - continued -

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash.