BEIERHOLM
VI SKABER BALANCE

LABFLEX A/S

Hjorte vej 3, 7800 Skive
CVR no. 55 22 02 12

Annual report for 2020

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 02.07.21

Christian Herskind Jørgensen
Dirigent

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Group information etc.

The company

LABFLEX A/S
Hjorte vej 3
7800 Skive
Registered office: Skive
CVR no.: 55 22 02 12
Financial year: 01.01 - 31.12

Executive Board

Stig Blicher Rasmussen

Board of Directors

Christian Herskind Jørgensen, chairman
Lars Foghsaard
Ivar Malte Foghsgaard
Johan Caspar Foghsgaard

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

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 01.01.20 - 31.12.20 for LABFLEX A/S.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

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 31.12.20 and of the results of the group’s and parent’s activities and of the group's cash flows for the financial year 01.01.20 - 31.12.20.

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.

Skive, July 2, 2021

Executive Board

Stig Blicher Rasmussen

Board of Directors

Christian Herskind Jørgensen
Chairman

Lars Foghsaard

Ivar Malte Foghsgaard

Johan Caspar Foghsgaard

To the Shareholders of LABFLEX A/S

Opinion

We have audited the consolidated financial statements and parent company financial statements of LABFLEX A/S for the financial year 01.01.20 - 31.12.20, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of 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 parent company financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.20 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.20 - 31.12.20 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

We conducted our audit in accordance with International Standards on Auditing 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 parent company 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’ 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.

Management's responsibility for the consolidated financial statements and parent company financial statements

The 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. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and parent company financial statements, management is responsible for assessing the group's and the parent 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 parent company 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 parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company 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 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 parent company 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 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 parent company 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 parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company 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 per-formance 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 regarding the management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, 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 management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Soeborg, Copenhagen, July 2, 2021

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Torben Skov

State Authorized Public Accountant
MNE-no. mne19689

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2020	2019	2018	2017	2016
Profit/loss					
Gross profit	17,692	23,490	11,221	7,974	7,882
Operating profit/loss	-1,152	1,413	-13,682	-38,170	-40,431
Total net financials	-3,504	-247	-3,484	-5,106	-4,297
Profit/loss for the year	-4,656	2,144	-17,265	-47,512	-52,676
Balance					
Total assets	83,459	87,871	67,400	78,993	105,969
Investments in property, plant and equipment	1,829	687	811	222	4,118
Equity	17,921	22,302	20,551	-36,325	-13,322
Cashflow					
Net cash flow:					
Operating activities	5,702	-6,274	-2,585	-44,992	-34,287
Investing activities	-3,326	-1,697	-3,353	-1,217	-7,634
Financing activities	-815	10,041	7,048	52,230	6,301
Cash flows for the year	1,561	2,070	1,110	6,021	-35,620

Ratios

	2020	2019	2018	2017	2016
Profitability					
Return on equity	-23%	10%	0%	0%	-2,827%
Equity ratio					
Equity interest	21%	25%	30%	-46%	-13%

Ratios definitions

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

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

Primary activities

Labflex A/S is a turnkey provider of interior solutions and products to laboratories and hospitals. Core activities are design and engineering, installation and after sales supported by sales, marketing, project management and supply chain services.

Development in activities and financial affairs

The income statement for the period 01.01.20 - 31.12.20 shows a profit/loss of DKK -4,656,325 against DKK 2,143,771 for the period 01.01.19 - 31.12.19. The balance sheet shows equity of DKK 17,921,423.

Beginning of 2020, the Labflex A/S's management team had expected a continued positive development in all markets and in the Labflex performance – thereby an ability to maintain the Group's positive development in revenue and earnings obtained during H2 2018 and 2019.

Unfortunately, the Covid-19 pandemic had severe impact on the 2020 business conditions, mainly due to postponement in the awarding, preparation, and execution of projects. In addition, the extensive travel restrictions postponed the ability to further expand the Labflex business on export markets and the possibility to manage pending projects outside Denmark. Finally, the volatile foreign exchange markets during 2020 caused unexpected financial costs primarily related to the NOK and GBP currencies – in total 2020 approximately mDKK 3. These costs are though unrealized as e.g., NOK Swaps are not yet redeemed.

The unusual business conditions resulted in a 2020 revenue below 2019, but due to improved margins and fixed costs savings a positive operational result was realized, and just slightly below budget and the actual 2019 result. Main contributor to the net profit result was the unrealized exchange rate costs.

Conclusively the profit before tax is given the challenging business conditions, considered reasonable.

Outlook

From a business perspective 2021 is still affected by the Covid-19 pandemic, so the year will be a transition year where focus continue to be on operational excellence, balancing revenue, project margins and fixed costs.

During the budget planning process for 2021 the Labflex A/S's management team has to the largest possible extend tried to incorporate the continued and potential impact from the pandemic in the projections. Currently the order intake for 2021 has been satisfying and the order back-log is currently in line with budget assumptions.

The start of the financial year is roughly in line with budget expectations and with a solid order backlog, Labflex A/S's management team maintains the initial budget expectations for 2021.

Uncertainties are though related to an increasing instability in delivery of raw material and components followed by extraordinary price increases from suppliers. Focus is on avoiding production disturbance and protect profit margins by to the largest possible extension passing on the cost increases to the clients.

It is expected that the travel restrictions will be eased during H2 and consequently Labflex A/S ability to operate outside Denmark will be normalized – in case not there might be a further impact on both the ability to secure new orders and execute projects during H2.

During 2021, the geographical focus will still be the Danish, Norwegian and UK markets, with primary focus on improving and strengthening the position in UK. We will simultaneously continue to service the global key accounts and international distributors.

Outlook for 2022 is very promising as the order back-log is strong and new projects being delayed due to Covid-19 is in process of being prepared and awarded. All new major projects will be for execution from 2022.

Financial risks

Labflex A/S’s activities create exposure to a variety of financial risks. These risks include market risk (such as foreign exchange risk and interest rate risk), credit risk and liquidity risk which all can affect Labflex A/S’s net result and/or equity. The aim is to reduce the financial risks as much as possible by continuously monitoring and assessing the specific risks and implement corrective actions accordingly.

Foreign exchange risks are mitigated using cautious tender and contractual terms and using financial instruments like hedging and SWAP.

Liquidity risk results from Labflex A/S’s potential inability to meet the obligation associated with its financial liabilities, e.g. paying its suppliers, and fulfill financial lease obligations. Labflex A/S’s liquidity is managed by the parent company and the status is evaluated and reported bi-weekly including two months forecast.

Labflex A/S's liquidity situation based on the expected cash inflow and the current bank credit lines is assessed and determined as being satisfactory.

The extraordinary price increases during H1 2021 on raw material and third party supplied goods has been extensive and can put pressure on the profit margins during H2 2021. Sales prices are continuously updated, and all extraordinary cost increases are to the largest possible extend passed on to the customers.

Labflex A/S has a pending dispute with a public builder in Norway. The case is related to a disagreement about the final economy and diverse interpretations about whether the actual deliveries are in accordance with the original contract. At the management's discretion, costs are estimated for settling the case and accrued in the 2020 accounts.

Environmental performance

The environment has become a central topic on Labflex A/S’s agenda. Labflex A/S runs its business with the highest possible respect for environmental matters - both related to own produced goods and third part sourced products.

The use of polluting auxiliary substances in the production process is very limited.

Research and development activities

Labflex A/S develops new products and maintains its design continuously.

Based on assessments of the specific development activities, development costs are regularly expensed in the income statement or depreciated.

Subsequent events

No events after the balance sheet date have occurred that effects the evaluation of the annual report and e.g., accruals related to provision on debt and project risks or -liabilities is evaluated to be realistic and conservative.

Consequently, and based on the positive development in the order intake for both H2 2021 and 2022 Labflex A/S’s management team continues to operate the company based on going concern.

Income statement

Note		Group 2020 DKK	Group 2019 DKK	Parent 2020 DKK	Parent 2019 DKK
	Gross profit	**17,691,931**	**23,490,273**	**13,276,943**	**20,361,273**
	Distribution costs	-4,828,707	-5,318,810	-4,828,707	-5,318,810
	Administration costs	-14,015,308	-16,758,463	-10,289,806	-13,476,463
	Profit/loss before net financials	**-1,152,084**	**1,413,000**	**-1,841,570**	**1,566,000**
2	Income from equity investments in group enterprises	0	0	302,896	-138,160
3	Financial income	931,697	1,907,034	1,318,287	1,892,368
4	Financial expenses	-4,435,938	-2,154,476	-4,435,938	-2,154,651
	Profit/loss before tax	**-4,656,325**	**1,165,558**	**-4,656,325**	**1,165,557**
	Tax on profit or loss for the year	0	978,213	0	978,213
	Profit/loss for the year	**-4,656,325**	**2,143,771**	**-4,656,325**	**2,143,770**

5 Distribution of net profit

Balance sheet

ASSETS

Note		Group 31.12.20 DKK	Group 31.12.19 DKK	Parent 31.12.20 DKK	Parent 31.12.19 DKK
	Completed development projects	2,184,051	1,896,309	2,184,051	1,896,309
	Acquired rights	13,096	33,763	13,096	33,763
	Development projects in progress	463,865	0	463,865	0
6	**Total intangible assets**	**2,661,012**	**1,930,072**	**2,661,012**	**1,930,072**
	Leasehold improvements	2,947,169	3,369,752	2,932,073	3,335,752
	Plant and machinery	4,305,782	5,597,574	4,305,782	5,597,574
	Other fixtures and fittings, tools and equipment	1,097,742	408,677	1,097,742	408,677
7	**Total property, plant and equipment**	**8,350,693**	**9,376,003**	**8,335,597**	**9,342,003**
9	Deposits	1,080,892	1,217,623	1,080,892	1,217,623
	Total investments	**1,080,892**	**1,217,623**	**1,080,892**	**1,217,623**
	Total non-current assets	**12,092,597**	**12,523,698**	**12,077,501**	**12,489,698**
	Raw materials and consumables	3,979,020	3,183,129	3,387,282	3,183,129
	Work in progress	1,179,900	1,326,379	1,179,900	1,326,379
	Manufactured goods and goods for resale	1,264,968	618,594	1,264,968	618,594
	Total inventories	**6,423,888**	**5,128,102**	**5,832,150**	**5,128,102**
10	Work in progress for third parties	13,754,710	10,608,673	8,644,787	6,378,673
	Trade receivables	22,786,661	31,053,947	13,907,396	23,013,947
	Receivables from group enterprises	6,615,630	3,896,704	17,501,092	15,020,904
	Deferred tax asset	0	1,000,000	0	1,000,000
	Other receivables	1,424,433	1,687,305	930,384	685,305
11	Prepayments	577,874	1,170,603	577,874	1,170,603
	Total receivables	**45,159,308**	**49,417,232**	**41,561,533**	**47,269,432**
12	**Cash**	**19,783,550**	**20,801,808**	**19,783,550**	**20,775,808**
	Total current assets	**71,366,746**	**75,347,142**	**67,177,233**	**73,173,342**
	Total assets	**83,459,343**	**87,870,840**	**79,254,734**	**85,663,040**

Balance sheet

EQUITY AND LIABILITIES

Note		Group 31.12.20 DKK	Group 31.12.19 DKK	Parent 31.12.20 DKK	Parent 31.12.19 DKK
13	Share capital	7,326,193	7,326,193	7,326,193	7,326,193
	Reserve for development costs	2,065,374	0	2,065,374	1,479,121
	Foreign currency translation reserve	423,579	0	423,579	0
	Retained earnings	8,106,277	14,976,256	8,106,276	13,497,134
	Total equity	**17,921,423**	**22,302,449**	**17,921,422**	**22,302,448**
15	Other provisions	1,850,051	2,022,967	1,850,051	2,022,967
	Total provisions	**1,850,051**	**2,022,967**	**1,850,051**	**2,022,967**
16	Subordinate loan capital	11,443,785	11,219,397	11,443,785	11,219,397
16	Lease commitments	2,075,167	3,130,720	2,075,167	3,130,720
16	Other payables	3,268,987	1,344,009	3,268,987	1,344,009
	Total long-term payables	**16,787,939**	**15,694,126**	**16,787,939**	**15,694,126**
16	Short-term part of long-term payables	1,239,426	1,178,867	1,239,426	1,178,867
	Payables to other credit institutions	23,519,052	26,521,454	24,035,843	26,521,454
	Prepayments received from customers	2,181,636	1,288,883	2,181,636	1,288,883
	Trade payables	8,210,445	8,477,306	5,681,493	7,139,306
	Payables to group enterprises	405,134	392,573	405,135	392,774
	Other payables	11,344,237	9,992,215	9,151,789	9,122,215
	Total short-term payables	**46,899,930**	**47,851,298**	**42,695,322**	**45,643,499**
	Total payables	**63,687,869**	**63,545,424**	**59,483,261**	**61,337,625**
	Total equity and liabilities	**83,459,343**	**87,870,840**	**79,254,734**	**85,663,040**

17 Contingent liabilities
18 Charges and security
19 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Reserve for development costs	Foreign currency translation reserve	Retained earnings	Total equity
Group:					
Statement of changes in equity for 01.01.20 - 31.12.20					
Balance as at 01.01.20	7,326,193	0	0	14,976,256	22,302,449
Foreign currency translation adjustment of foreign enterprises	0	0	423,579	0	423,579
Other changes in equity	0	0	0	-148,280	-148,280
Transfers to/from other reserves	0	2,065,374	0	-2,065,374	0
Net profit/loss for the year	0	0	0	-4,656,325	-4,656,325
Balance as at 31.12.20	7,326,193	2,065,374	423,579	8,106,277	17,921,423
Parent:					
Statement of changes in equity for 01.01.20 - 31.12.20					
Balance as at 01.01.20	7,326,193	1,479,121	0	13,497,134	22,302,448
Foreign currency translation adjustment of foreign enterprises	0	0	423,579	0	423,579
Other changes in equity	0	0	0	-148,280	-148,280
Transfers to/from other reserves	0	586,253	0	-586,253	0
Net profit/loss for the year	0	0	0	-4,656,325	-4,656,325
Balance as at 31.12.20	7,326,193	2,065,374	423,579	8,106,276	17,921,422

Consolidated cash flow statement

Note		Group 2020 DKK	Group 2019 DKK
	Profit/loss for the year	**-4,656,325**	**2,143,771**
20	Adjustments	6,898,664	2,447,823
	Change in working capital:		
	Inventories	-1,295,786	-145,220
	Receivables	4,257,924	-7,189,365
	Trade payables	-266,861	-4,281,226
	Other payables relating to operating activities	3,996,837	483,000
	Cash flows from operating activities before net financials	**8,934,453**	**-6,541,217**
	Interest income and similar income received	1,203,541	1,907,034
	Interest expenses and similar expenses paid	-4,435,938	-2,154,476
	Income tax paid	0	515,000
	Cash flows from operating activities	**5,702,056**	**-6,273,659**
	Purchase of intangible assets	-1,443,389	-1,025,819
	Purchase of property, plant and equipment	-1,828,612	-691,351
	Sale of property, plant and equipment	0	20,000
	Purchase of investments	-94,511	0
	Disposal of investments	40,170	0
	Cash flows from investing activities	**-3,326,342**	**-1,697,170**
	Repayment of lease commitments	-1,055,553	-1,178,755
	Arrangement of payables to group entreprises	16,016	0
	Arrangement of other long-term payables	224,388	11,219,388
	Cash flows from financing activities	**-815,149**	**10,040,633**
	Total cash flows for the year	**1,560,565**	**2,069,804**
	Cash, beginning of year	20,801,808	6,588,398
	Currency translation adjustments of cash and cash equivalents	423,579	-389,852
	Short-term payables to credit institutions, beginning of year	-26,521,454	-13,987,996
	Cash, end of year	**-3,735,502**	**-5,719,646**
	Cash, end of year, comprises:		
	Cash	19,783,550	20,801,808
	Short-term payables to credit institutions	-23,519,052	-26,521,454
	Total	**-3,735,502**	**-5,719,646**

	Group		Parent	
	2020 DKK	2019 DKK	2020 DKK	2019 DKK

1. Employee aspects

Wages and salaries	31,615,100	37,038,600	29,060,875	35,253,600
Pensions	2,350,193	2,785,720	2,265,321	2,494,720
Other social security costs	213,441	249,674	213,441	249,674
Other staff costs	713,742	900,093	713,742	900,093
Total	34,892,476	40,974,087	32,253,379	38,898,087
Average number of employees during the year	74	83	69	78

Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	3,482,481	3,353,750	3,482,481	3,353,750

2. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	302,896	-138,160
Total	0	0	302,896	-138,160

3. Financial income

Interest, group enterprises	224,527	92,856	616,437	371,031
Other interest income	44,278	17,003	44,278	17,003
Foreign currency translation adjustments	662,892	843,369	657,572	843,369
Other financial income	0	953,806	0	660,965
Other financial income	707,170	1,814,178	701,850	1,521,337
Total	931,697	1,907,034	1,318,287	1,892,368

	Group		Parent	
	2020 DKK	2019 DKK	2020 DKK	2019 DKK

4. Financial expenses

Interest, group enterprises	268,428	264,824	268,428	264,999
Other interest expenses	623,716	819,943	623,716	819,943
Foreign exchange losses	3,070,822	510,066	3,070,822	510,066
Other financial expenses	472,972	559,643	472,972	559,643
Other financial expenses total	4,167,510	1,889,652	4,167,510	1,889,652
Total	4,435,938	2,154,476	4,435,938	2,154,651

5. Distribution of net profit

Retained earnings	-4,656,325	2,143,771	-4,656,325	2,143,770
Total	-4,656,325	2,143,771	-4,656,325	2,143,770

6. Intangible assets

Figures in DKK	Completed development projects	Acquired rights	Development projects in progress	Total
Group:				
Cost as at 01.01.20	2,996,637	3,780,460	0	6,777,097
Additions during the year	979,524	0	463,865	1,443,389
Disposals during the year	-180,000	-3,677,125	0	-3,857,125
Cost as at 31.12.20	3,796,161	103,335	463,865	4,363,361
Amortisation and impairment losses as at 01.01.20	-1,100,328	3,607,553	0	2,507,225
Amortisation during the year	-691,782	-20,667	0	-712,449
Reversal of amortisation of and impairment losses on disposed assets	0	-3,677,125	0	-3,677,125
Amortisation of and impairment losses on disposed assets for the year	180,000	0	0	180,000
Amortisation and impairment losses as at 31.12.20	-1,612,110	-90,239	0	-1,702,349
Carrying amount as at 31.12.20	2,184,051	13,096	463,865	2,661,012

6. Intangible assets - continued -

Figures in DKK	Completed development projects	Acquired rights	Development projects in progress	Total
Parent:				
Cost as at 01.01.20	2,996,637	3,780,460	0	6,777,097
Additions during the year	979,524	0	463,865	1,443,389
Disposals during the year	-180,000	-3,677,125	0	-3,857,125
Cost as at 31.12.20	3,796,161	103,335	463,865	4,363,361
Amortisation and impairment losses as at 01.01.20	-1,100,328	3,607,553	0	2,507,225
Amortisation during the year	-691,782	-20,667	0	-712,449
Reversal of amortisation of and impairment losses on disposed assets	0	-3,677,125	0	-3,677,125
Amortisation of and impairment losses on disposed assets for the year	180,000	0	0	180,000
Amortisation and impairment losses as at 31.12.20	-1,612,110	-90,239	0	-1,702,349
Carrying amount as at 31.12.20	2,184,051	13,096	463,865	2,661,012

Development projects relates to development of a new products and internal processes, which are intended to supplement and replace part of the current portfolio of Lab-equipment including optimizing current manufacturing processes and workstream.

7. Property, plant and equipment

Figures in DKK	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Group:			
Cost as at 01.01.20	5,550,033	20,656,533	9,505,108
Additions during the year	239,532	612,970	976,110
Disposals during the year	0	-7,354,841	-4,112,772
Cost as at 31.12.20	5,789,565	13,914,662	6,368,446
Depreciation and impairment losses as at 01.01.20	-2,175,086	-15,059,959	-9,093,987
Depreciation during the year	-667,310	-1,903,762	-281,374
Reversal of depreciation of and impairment losses on disposed assets	0	7,354,841	4,104,657
Depreciation and impairment losses as at 31.12.20	-2,842,396	-9,608,880	-5,270,704
Carrying amount as at 31.12.20	2,947,169	4,305,782	1,097,742
Parent:			
Cost as at 01.01.20	5,442,823	20,656,533	9,505,108
Additions during the year	235,347	612,970	976,110
Disposals during the year	0	-7,354,841	-4,112,772
Cost as at 31.12.20	5,678,170	13,914,662	6,368,446
Depreciation and impairment losses as at 01.01.20	-2,108,071	-15,059,959	-9,093,987
Depreciation during the year	-638,026	-1,903,762	-281,374
Reversal of depreciation of and impairment losses on disposed assets	0	7,354,841	4,104,657
Depreciation and impairment losses as at 31.12.20	-2,746,097	-9,608,880	-5,270,704
Carrying amount as at 31.12.20	2,932,073	4,305,782	1,097,742
Carrying amount of assets held under finance leases as at 31.12.20	0	2,551,528	0

8. Equity investments in group enterprises

Figures in DKK	Equity investments in group enterprises
Cost as at 01.01.20	33,388,309
Cost as at 31.12.20	33,388,309
Depreciation and impairment losses as at 01.01.20	-33,388,309
Foreign currency translation adjustment of foreign enterprises	423,579
Net profit/loss from equity investments	302,896
Other equity adjustments relating to equity investments	-148,280
Other adjustments relating to equity investments	-578,195
Depreciation and impairment losses as at 31.12.20	-33,388,309
Carrying amount as at 31.12.20	0

Name and registered office:	Ownership interest	Equity DKK	Net profit/loss for the year DKK
Subsidiaries:			
Labflex Ltd., Derby, UK	100%	6,597,412	302,896

9. Other non-current financial assets

Figures in DKK	Deposits
Group:	
Cost as at 01.01.20	1,442,918
Additions during the year	94,511
Disposals during the year	-51,413
Cost as at 31.12.20	1,486,016
Impairment losses as at 01.01.20	-225,124
Impairment losses during the year	-180,000
Impairment losses as at 31.12.20	-405,124
Carrying amount as at 31.12.20	1,080,892

9. Other non-current financial assets - continued -

Figures in DKK	Deposits
Parent:	
Cost as at 01.01.20	1,442,918
Additions during the year	94,511
Disposals during the year	-51,413
Cost as at 31.12.20	1,486,016
Impairment losses as at 01.01.20	-225,124
Impairment losses during the year	-180,000
Impairment losses as at 31.12.20	-405,124
Carrying amount as at 31.12.20	1,080,892

10. Work in progress for third parties

Work in progress for third parties	112,290,340	115,895,161	106,588,679	111,665,161
On-account invoicing	-100,717,266	-106,575,371	-100,125,528	-106,575,371
Over-invoicing set off against trade receivables	2,181,636	1,288,883	2,181,636	1,288,883
Work in progress for third parties	13,754,710	10,608,673	8,644,787	6,378,673

11. Prepayments

Other prepayments	577,874	1,170,603	577,874	1,170,603
Total	577,874	1,170,603	577,874	1,170,603

12. Cash

Cash includes a guarantee cover account amounting to t.DKK 11.000 which is pledged as security for debt to the Group's bank.

13. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	1,465,239	7,326,193

	Group		Parent	
	31.12.20 DKK	31.12.19 DKK	31.12.20 DKK	31.12.19 DKK

14. Deferred tax

Provisions for deferred tax as at 01.01.20	0	1,000,000	0	1,000,000
Provisions for deferred tax as at 31.12.20	0	1,000,000	0	1,000,000

The value of prior years deferred tax asset has been transfered to receivables from group enterprises as a receivable from prior years taxable income was recognised for the group in the joint taxation.

As at 31.12.20, the Group has an unrecognised deferred tax asset of t.DKK 32.000, which can primarily be attributed to tax losses carried forward.

15. Other provisions

Figures in DKK	Warranty commitments
Group:	
Provisions as at 01.01.20	1,850,051
Provisions as at 31.12.20	1,850,051
Parent:	
Provisions as at 01.01.20	1,850,051
Provisions as at 31.12.20	1,850,051

	Group		Parent	
	31.12.20 DKK	31.12.19 DKK	31.12.20 DKK	31.12.19 DKK

15. Other provisions - continued -

Other provisions are expected to be distributed as follows:				
Non-current liabilities	1,850,051	2,022,967	1,850,051	2,022,967

16. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.20	Total payables at 31.12.19
Group:				
Subordinate loan capital	0	0	11,443,785	11,219,397
Lease commitments	1,239,426	0	3,314,593	4,309,587
Other payables	0	0	3,268,987	1,344,009
Total	1,239,426	0	18,027,365	16,872,993
Parent:				
Subordinate loan capital	0	0	11,443,785	11,219,397
Lease commitments	1,239,426	0	3,314,593	4,309,587
Other payables	0	0	3,268,987	1,344,009
Total	1,239,426	0	18,027,365	16,872,993

The full amount of the subordinate loan capital ranks after the company's existing and future creditors. The subordinate loan capital carries interest at a rate of 2% p.a. and falls due for payment in full when bank loans are fully paid.

17. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with yearly lease payments of t.DKK 4.161, a total of t.DKK 18.675 until termination date. This includes lease agreements concluded with group enterprises, but the agreements are also specified separately below.

The group has concluded lease agreements with a total obligation of t.DKK 14.993.

Parent:

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The total tax liability for the jointly taxed companies at the balance sheet date has not yet been determined. For further information, please see the financial statements of the management company Fox3 ApS.

The parent has submitted a letter of support to Labflex Ltd. The parent confirms its willingness to support Labflex Ltd. to the effect that Labflex Ltd. is able to settle its liabilities as they fall due and so that Labflex A/S will not require payment of the amount owed to it until November 2022.

18. Charges and security

Group:

The Group has issued a company pledge of t.DKK 25,000 (2019: t.DKK 25,000) as security for debt to bank. The security comprises inventories and un-secured claims relating to the sale of goods and services as well as goodwill, etc. The company pledge is carrying amount of mortgaged assets is t.DKK 29,899 (2019: t.DKK 33,900).

Moreover, the Group has provided security for all debt to the bank upon the company's investments in Labflex Ltd. The carrying amount of mortgaged investments at 31.12.2020 is t.DKK 0.

The Group has provided a guarantee for Labflex Holding ApS as security for the OTC framework.

Parent:

The company has issued a company pledge of t.DKK 25,000 (2019: t.DKK 25,000) as security for debt to bank. The security comprises inventories and un-secured claims relating to the sale of goods and services as well as goodwill, etc. The company pledge is carrying amount of mortgaged assets is t.DKK 29,899 (2019: t.DKK 33,900).

Moreover, the company has provided security for all debt to the bank upon the company's investments in Labflex Ltd. The carrying amount of mortgaged investments at 31.12.2020 is t.DKK 0.

The company has provided a guarantee for Labflex Holding ApS as security for the OTC framework.

The shares in the subsidiaries are secured on all the Parent's and subsidiaries' bank debt. The carrying amount of the shares amounts to t.DKK 0.

19. Related parties

Controlling influence	Basis of influence
Skive Holding ApS, Skive	Ownership
Lars Foghsgaard Holding ApS, Gentofte	Ownership
Fox3 ApS, Gentofte	Ownership

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 1. Employee aspects.

The company is included in the consolidated financial statements of the parent Skive Holding ApS, Skive.

20. Adjustments for the cash flow statement

Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	3,560,977	3,178,594
Financial income	-931,697	-1,907,034
Financial expenses	4,435,938	2,154,476
Tax on profit or loss for the year	0	-978,213
Other adjustments	-166,554	0
Total	6,898,664	2,447,823

21. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for medium-sized groups and enterprises in reporting class C.

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.

CURRENCY

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

21. Accounting policies - continued -

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, inventories 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.

LEASES

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

21. Accounting policies - continued -

INCOME STATEMENT

Gross profit

Gross profit comprises revenue and production costs.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

Distribution costs

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

Administrative expenses

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are de-

21. Accounting policies - continued -

preciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	5-10	0
Acquired rights	5-10	0
Leasehold improvements	3-10	0
Plant and machinery	10	0
Other plant, fixtures and fittings, tools and equipment	3-10	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group entreprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

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.

The company is jointly taxed with Danish consolidated enterprises.

21. Accounting policies - continued -

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Completed development projects and development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Gains or losses on the disposal of intangible assets

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

21. Accounting policies - continued -

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

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 recognised and measured according to the equity method in the balance sheet of the parent. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments. However, transaction costs on the acquisition of subsidiaries are recognised in the income statement in the consolidated financial statements at the date incurred.

On subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Equity investments with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised to the extent that the parent has a legal or constructive obligation to cover the

21. Accounting policies - continued -

liabilities of the enterprise in question.

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.

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.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

21. Accounting policies - continued -

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.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

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

Cash

Cash includes deposits in bank accounts as well as operating cash.

21. Accounting policies - continued -

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

An amount equivalent to internally generated development costs in the balance sheet is recognised in the financial statements of the parent in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

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.

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

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.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

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

21. Accounting policies - continued -

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

With subordinate loan capital, the creditor has subordinated its claim to those of all other creditors of the company.

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 payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

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.

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

21. Accounting policies - continued -

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 flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.