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LABFLEX A/S
Hjortevej 3
7800 Skive
Central Business Registration
No 55220212

Annual report 2019

The Annual General Meeting adopted the annual report on 16.06.2020

Chairman of the General Meeting

____
Name: Christian Herskind Jørgensen

Contents

Entity details

Entity
LABFLEX A/S
Hjortevej 3
7800 Skive

Central Business Registration No (CVR): 55220212
Registered in: Skive
Financial year: 01.01.2019 - 31.12.2019

Board of Directors
Christian Herskind Jørgensen, chairman
Lars Foghsgaard, vice-chairman
Ivar Malte Foghsgaard
Johan Caspar Foghsgaard

Executive Board
Stig Blicher Rasmussen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of LABFLEX A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019 and of the results of the Group's and the Parent's operations and cash flows for the Group for the financial year 01.01.2019 - 31.12.2019.

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

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

Skive, 16.06.2020

Executive Board

Stig Blicher Rasmussen

Board of Directors

Christian Herskind Jørgensen chairman	Lars Foghsgaard vice-chairman	Ivar Malte Foghsgaard
Johan Caspar Foghsgaard		

Independent auditor's report

To the shareholders of LABFLEX A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of LABFLEX A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

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

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

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

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

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

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

Independent auditor's report

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

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

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

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

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

Copenhagen, 16.06.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Torben Skov
State Authorised Public Accountant
Identification No (MNE) mne19689

Heidi Julitta Østergaard Jensen
State Authorised Public Accountant
Identification No (MNE) mne34163

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Gross profit	23.490	11.221	7.974	7.882	91.975
Operating profit/loss	1.413	(13.682)	(38.170)	(40.431)	24.337
Net financials	(247)	(3.484)	(5.106)	(4.297)	(5.663)
Profit/loss for the year	2.144	(17.265)	(47.512)	(52.676)	11.810
Total assets	87.871	67.400	78.993	105.969	163.496
Investments in property, plant and equipment	691	811	222	4.118	14.568
Equity	22.302	20.551	(36.325)	(13.322)	17.048
Ratios					
Return on equity (%)	10,0	-	-	(2.827,5)	24,7
Equity ratio (%)	25,4	30,5	(46,0)	(12,6)	10,4

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Calculation formula reflects**
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

Labflex 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 finances

Labflex A/S's net profit 2019 reached DKK 2,144k against DKK -17,265k in 2018. The positive improvement of the financial performance is primarily an outcome of the turnaround process initiated in Q2 2018. The turnaround process has downsized and optimized the organization to a more agile and profitable company. The profit before tax in 2019 was realized above budget and perceived as a very satisfying result.

The financial performance improved significantly during H2 2018 and 2019, mainly caused by revenue increases, improved project execution procedures including increased financial project controlling and due to the positive impact from downsizing of the organization. A positive impact from the improved operational initiatives was achieved across all functional areas and companies within Labflex A/S. All remaining turnaround- and operational improvement initiatives will be finalized during 2020.

The positive development from 2019 has continued in 2020 as the operational profit in Q1 is realized above budget. Labflex A/S is expected to reach a financial result for the first half of the year in line with budget.

Outlook

The focus in 2020 is to further stabilize Labflex A/S by continue building the right structure and organizational base for the future business and thereby create a solid platform for the expected long-term growth development.

During 2020, the geographical focus will still be on the Danish, Norwegian and UK markets, with primary focus on improving and strengthening the position in the UK market. We will simultaneously continue to service the global key accounts.

The global Covid-19 pandemic has had an effect on the business and required immediate managerial attention in order to mitigate potential negative financial impact. It has short termed been possible to reduce costs and postpone investments and thereby compensate for the reduced or postponed revenue experienced YTD. Please see more details in the section "Event after the balance sheet date".

Particular risks

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. Among others foreign

Management commentary

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.

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.

Events after the balance sheet date

No events after the balance sheet date has 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.

The Covid-19 situation has had an impact on the business and mainly due to a decrease in the number of new projects being initiated and a delay in the clarifications needed on pending orders. But as the main construction sites in all markets during the entire Covid-19 lockdowns has been kept opened Labflex A/S has been able to proceed producing, delivering, and installing all main projects. In order to mitigate the financial impact from Covid-19 Labflex A/S has been able to amend or postpone costs and protect the financial cashflow, consequently H1 2020 is expected to be realized in line with budget.

The second half of 2020 can potentially continue to be affected by the Covid-19 in case the lockdown restrictions will remain and mainly in case the current limitations in meeting- and travelling activities will be retained. The risk of negative impact on Labflex A/S financial performance in the second half of 2020 is primarily related to the markets in Scandinavia, United Kingdom and Central Europe. The management have

Management commentary

an intensified focus on continuously monitoring the order backlog development and adapting the cost structure accordingly as well as protecting the cash-flow by regular forecast and reporting on the liquidity situation. Consequently, Labflex A/S's management team continues to operate the company on the basis of going concern.

Consolidated income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Gross profit	2, 3	**23.490**	**11.221**
Distribution costs	2, 3	(5.319)	(9.702)
Administrative expenses	2, 3	(16.758)	(15.201)
Operating profit/loss		**1.413**	**(13.682)**
Other financial income from group enterprises		93	0
Other financial income		1.815	184
Financial expenses from group enterprises		(265)	(235)
Other financial expenses		(1.890)	(3.433)
Profit/loss before tax		**1.166**	**(17.166)**
Tax on profit/loss for the year	4	978	(99)
Profit/loss for the year	5	**2.144**	**(17.265)**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Completed development projects		1.897	1.335
Acquired intangible assets		0	0
Acquired patents		34	58
Intangible assets	6	**1.931**	**1.393**
Plant and machinery		5.596	7.162
Other fixtures and fittings, tools and equipment		407	358
Leasehold improvements		3.370	3.873
Property, plant and equipment	7	**9.373**	**11.393**
Deposits		1.219	1.359
Fixed asset investments	8	**1.219**	**1.359**
Fixed assets		**12.523**	**14.145**
Raw materials and consumables		3.183	3.488
Work in progress		1.327	1.495
Manufactured goods and goods for resale		619	0
Inventories		**5.129**	**4.983**
Trade receivables		31.054	28.294
Contract work in progress	9	10.608	7.988
Receivables from group enterprises		3.898	1.789
Deferred tax	10	1.000	0
Other receivables		1.687	1.946
Joint taxation contribution receivable		0	594
Prepayments	11	1.171	1.073
Receivables		**49.418**	**41.684**
Cash	12	**20.801**	**6.588**
Current assets		**75.348**	**53.255**
Assets		**87.871**	**67.400**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital		7.326	7.326
Retained earnings		14.976	13.225
Equity		**22.302**	**20.551**
Other provisions	13	2.023	1.540
Provisions		**2.023**	**1.540**
Subordinate loan capital	14	11.219	0
Finance lease liabilities		3.131	4.310
Other payables	15	1.344	0
Non-current liabilities other than provisions	16	**15.694**	**4.310**
Current portion of long-term liabilities other than provisions	16	1.178	1.153
Bank loans		26.523	13.988
Prepayments received from customers		1.289	661
Trade payables		8.477	13.606
Payables to group enterprises		393	0
Payables to shareholders and management		464	1.026
Joint taxation contribution payable		0	57
Other payables		9.528	10.508
Current liabilities other than provisions		**47.852**	**40.999**
Liabilities other than provisions		**63.546**	**45.309**
Equity and liabilities		**87.871**	**67.400**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Transactions with related parties	21		
Group relations	22		
Subsidiaries	23		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	7.326	13.225	20.551
Exchange rate adjustments	0	(393)	(393)
Profit/loss for the year	0	2.144	2.144
Equity end of year	**7.326**	**14.976**	**22.302**

Consolidated cash flow statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Operating profit/loss		1.413	(13.682)
Amortisation, depreciation and impairment losses		3.179	3.067
Other provisions		483	(998)
Working capital changes	17	(11.616)	12.526
Cash flow from ordinary operating activities		**(6.541)**	**913**
Financial income received		1.908	184
Financial expenses paid		(2.155)	(3.283)
Income taxes refunded/(paid)		515	(399)
Cash flows from operating activities		**(6.273)**	**(2.585)**
Acquisition etc of intangible assets		(1.026)	(989)
Acquisition etc of property, plant and equipment		(691)	(811)
Sale of property, plant and equipment		20	0
Acquisition of fixed asset investments		0	(8)
Sale of fixed asset investments		0	244
Loans		0	(1.789)
Cash flows from investing activities		**(1.697)**	**(3.353)**
Loans raised		11.219	1.026
Repayments of loans etc		0	(40.000)
Incurrence of debt to group enterprises		0	(27.459)
Reduction of lease commitments		(1.179)	(785)
Cash increase of capital		0	74.266
Cash flows from financing activities		**10.040**	**7.048**
Increase/decrease in cash and cash equivalents		**2.070**	**1.110**
Cash and cash equivalents beginning of year		(7.400)	(8.385)
Currency translation adjustments of cash and cash equivalents		(392)	(125)
Cash and cash equivalents end of year		**(5.722)**	**(7.400)**

	Notes	2019 DKK'000	2018 DKK'000
Cash and cash equivalents at year-end are composed of:			
Cash		20.801	6.588
Short-term debt to banks		(26.523)	(13.988)
Cash and cash equivalents end of year		**(5.722)**	**(7.400)**

Notes to consolidated financial statements

1. Events after the balance sheet date

No events after the balance sheet date has 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.

The Covid-19 situation has had an impact on the business and mainly due to a decrease in the number of new projects being initiated and a delay in the clarifications needed on pending orders. But as the main construction sites in all markets during the entire Covid-19 lockdowns has been kept opened the Group have been able to proceed producing, delivering, and installing all main projects. In order to mitigate the financial impact from Covid-19 the Group has been able to amend or postpone costs and protect the financial cash-flow, consequently H1 2020 is expected to be realized in line with budget.

The second half of 2020 can potentially continue to be affected by the Covid-19 in case the lockdown restrictions will remain and mainly in case the current limitations in meeting- and travelling activities will be retained. The risk of negative impact on the Group financial performance in the second half of 2020 is primarily related to the markets in Scandinavia, United Kingdom and Central Europe. The management have an intensified focus on continuously monitoring the order backlog development and adapting the cost structure accordingly as well as protecting the cash-flow by regular forecast and reporting on the liquidity situation. Consequently, the Group management team continues to operate the company on the basis of going concern.

	2019 DKK'000	2018 DKK'000
2. Staff costs		
Wages and salaries	37.039	39.173
Pension costs	2.785	3.842
Other social security costs	250	169
Other staff costs	900	509
	40.974	**43.693**
Average number of employees	**83**	**89**

	Remuneration of management 2019 DKK'000	Remuneration of management 2018 DKK'000
Total amount for management categories	3.354	2.885
	3.354	**2.885**

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	488	313
Depreciation on property, plant and equipment	2.691	2.754
Profit/loss from sale of intangible assets and property, plant and equipment	18	0
	3.197	**3.067**

	2019 DKK'000	2018 DKK'000
4. Tax on profit/loss for the year		
Change in deferred tax	(1.000)	0
Adjustment concerning previous years	22	99
	(978)	**99**

	2019 DKK'000	2018 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	2.144	(17.265)
	2.144	**(17.265)**

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Acquired patents DKK'000
6. Intangible assets			
Cost beginning of year	2.599	3.677	104
Additions	1.026	0	0
Disposals	(628)	0	0
Cost end of year	**2.997**	**3.677**	**104**
Amortisation and impairment losses beginning of year	(1.264)	(3.677)	(46)
Amortisation for the year	(464)	0	(24)
Reversal regarding disposals	628	0	0
Amortisation and impairment losses end of year	**(1.100)**	**(3.677)**	**(70)**
Carrying amount end of year	**1.897**	**0**	**34**

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 manufactoring processes and workstream.

Notes to consolidated financial statements

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
7. Property, plant and equipment			
Cost beginning of year	20.530	22.461	5.483
Additions	260	323	108
Disposals	(132)	(13.280)	(41)
Cost end of year	**20.658**	**9.504**	**5.550**
Depreciation and impairment losses beginning of year	(13.368)	(22.103)	(1.610)
Depreciation for the year	(1.826)	(274)	(591)
Reversal regarding disposals	132	13.280	21
Depreciation and impairment losses end of year	**(15.062)**	**(9.097)**	**(2.180)**
Carrying amount end of year	**5.596**	**407**	**3.370**
Recognised assets not owned by entity	**3.657**	**-**	**-**

	Deposits DKK'000
8. Fixed asset investments	
Cost beginning of year	1.430
Additions	111
Disposals	(97)
Cost end of year	**1.444**
Impairment losses beginning of year	(71)
Impairment losses for the year	(154)
Impairment losses end of year	**(225)**
Carrying amount end of year	**1.219**

	2019 DKK'000	2018 DKK'000
9. Contract work in progress		
Contract work in progress	115.894	185.155
Progress billings regarding contract work in progress	(106.575)	(177.828)
Transferred to liabilities other than provisions	1.289	661
	10.608	**7.988**

Notes to consolidated financial statements

	2019 DKK'000
10. Deferred tax	
Tax losses carried forward	1.000
	1.000
Changes during the year	
Recognised in the income statement	1.000
End of year	**1.000**

The Group's full tax asset totals DKK 31.5m, however, the Group has only recognised net deferred tax assets of DKK 1.0m arising from temporary differences between carrying amounts and tax-based values. Based on the budget and the forecast for the Group, Management expects the deferred tax assets to be used in the period from 2020 to 2022. The value of the tax asset relies on some assumptions, with the key assumption being that the Group will be able to realise the 2020 budget approved by Management and the 2021-2022 forecast.

Computing expected future taxable income in the years ahead is highly subject to estimation and judgement, for which reason the valuation of the deferred tax asset recognised is inherently uncertain.

11. Prepayments

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

12. Cash and cash equivalents

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

13. Other provisions

Other provisions comprise costs for guarantees provided.

14. Subordinate loan capital

The Group has issued subordinated loan capital amounted to 11.219 t.DKK. Interests on subordinated loan is calculated equalling the interest rate on bank loans and the subordinated loan including interests falls due when bank loans are fully paid.

	2019 DKK'000	2018 DKK'000
15. Other long-term payables		
Holiday pay obligation	1.344	0
	1.344	**0**

Notes to consolidated financial statements

	Due within 12 months 2019 DKK'000	Due within 12 months 2018 DKK'000	Due after more than 12 months 2019 DKK'000
16. Liabilities other than provisions			
Subordinate loan capital	0	0	11.219
Finance lease liabilities	1.178	1.153	3.131
Other payables	0	0	1.344
	1.178	**1.153**	**15.694**

	2019 DKK'000	2018 DKK'000
17. Change in working capital		
Increase/decrease in inventories	(146)	2.686
Increase/decrease in receivables	(7.189)	8.424
Increase/decrease in trade payables etc	(4.281)	1.416
	(11.616)	**12.526**

	2019 DKK'000	2018 DKK'000
18. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**19.618**	**26.046**
Liabilities under rental agreements or leases with group enterprises until expiry	**16.812**	**19.214**

19. Contingent liabilities

The Danish entities of the Labflex A/S-Group participates in a Danish joint taxation arrangement where Fox3 ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Danish entities of the Labflex A/S-Group is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the individual entities participates in the Lars Foghsgaard Holding ApS-group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements

The company has provided guarantee commitments relating to advance payment guarantees and performance bonds.

20. Assets charged and collateral

The Group has issued a company pledge of DKK 25,000k (2018: DKK 25,000k) 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 Group pledge is carrying amount of mortgaged assets is DKK 33,900k (2018: DKK 34,133k).

Notes to consolidated financial statements

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

21. Non-arm's length related party transactions

Pursuant to paragraph 98c, section 7 of the Danish Financial Statements Act, the Group has elected not to disclose all transactions with related parties. No transactions with related parties have been carried through on non-market terms.

22. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Lars Foghsgaard Holding ApS, Charlottenlund, Central Business Registration No. 33 14 33 41

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Labflex Holding ApS, Skive, Central Business Registration No. 37 12 81 12

	Registered in	Corpo-rate form	Equity inte-rest %	Equity DKK'000	Profit/loss DKK'000
23. Subsidiaries					
Labflex Ltd.	Derby, UK	Ltd.	100,0	(7.181)	(430)

Parent income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Gross profit	2, 3	**20.361**	**12.755**
Distribution costs	2, 3	(5.319)	(9.702)
Administrative expenses	2, 3	(13.476)	(14.864)
Operating profit/loss		**1.566**	**(11.811)**
Income from investments in group enterprises		(138)	(2.169)
Other financial income from group enterprises		371	378
Other financial income		1.523	37
Financial expenses from group enterprises		(265)	(281)
Other financial expenses		(1.891)	(3.320)
Profit/loss before tax		**1.166**	**(17.166)**
Tax on profit/loss for the year	4	978	(99)
Profit/loss for the year	5	**2.144**	**(17.265)**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Completed development projects		1.897	1.335
Acquired intangible assets		0	0
Acquired patents		34	58
Intangible assets	6	**1.931**	**1.393**
Plant and machinery		5.597	7.163
Other fixtures and fittings, tools and equipment		408	359
Leasehold improvements		3.336	3.840
Property, plant and equipment	7	**9.341**	**11.362**
Investments in group enterprises		0	289
Deposits		1.218	1.359
Fixed asset investments	8	**1.218**	**1.648**
Fixed assets		**12.490**	**14.403**
Raw materials and consumables		3.183	3.488
Work in progress		1.327	1.495
Manufactured goods and goods for resale		619	0
Inventories		**5.129**	**4.983**
Trade receivables		23.013	21.634
Contract work in progress	9	6.378	1.610
Receivables from group enterprises		15.022	13.956
Deferred tax	10	1.000	0
Other receivables		685	301
Joint taxation contribution receivable		0	594
Prepayments	11	1.171	1.073
Receivables		**47.269**	**39.168**
Cash	12	**20.775**	**6.112**
Current assets		**73.173**	**50.263**
Assets		**85.663**	**64.666**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital	13	7.326	7.326
Reserve for development expenditure		1.479	373
Retained earnings		13.497	12.852
Equity		**22.302**	**20.551**
Other provisions	14	2.023	1.540
Provisions		**2.023**	**1.540**
Subordinate loan capital	15	11.219	0
Finance lease liabilities		3.131	4.310
Other payables	16	1.344	0
Non-current liabilities other than provisions	17	**15.694**	**4.310**
Current portion of long-term liabilities other than provisions	17	1.178	1.153
Bank loans		26.523	13.988
Prepayments received from customers		1.289	661
Trade payables		7.139	11.414
Payables to group enterprises		393	794
Payables to shareholders and management		464	1.027
Other payables		8.658	9.228
Current liabilities other than provisions		**45.644**	**38.265**
Liabilities other than provisions		**61.338**	**42.575**
Equity and liabilities		**85.663**	**64.666**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Related parties with controlling interest	21		
Transactions with related parties	22		

Parent statement of changes in equity for 2019

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	7.326	373	12.852	20.551
Exchange rate adjustments	0	0	(393)	(393)
Transfer to reserves	0	1.106	(1.106)	0
Profit/loss for the year	0	0	2.144	2.144
Equity end of year	**7.326**	**1.479**	**13.497**	**22.302**

Notes to parent financial statements

1. Events after the balance sheet date

No events after the balance sheet date has 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.

The Covid-19 situation has had an impact on the business and mainly due to a decrease in the number of new projects being initiated and a delay in the clarifications needed on pending orders. But as the main construction sites in all markets during the entire Covid-19 lockdowns has been kept opened the Group have been able to proceed producing, delivering, and installing all main projects. In order to mitigate the financial impact from Covid-19 the Group has been able to amend or postpone costs and protect the financial cash-flow, consequently H1 2020 is expected to be realized in line with budget.

The second half of 2020 can potentially continue to be affected by the Covid-19 in case the lockdown restrictions will remain and mainly in case the current limitations in meeting- and travelling activities will be retained. The risk of negative impact on the Group financial performance in the second half of 2020 is primarily related to the markets in Scandinavia, United Kingdom and Central Europe. The management have an intensified focus on continuously monitoring the order backlog development and adapting the cost structure accordingly as well as protecting the cash-flow by regular forecast and reporting on the liquidity situation. Consequently, the Group management team continues to operate the company on the basis of going concern.

	2019 DKK'000	2018 DKK'000
2. Staff costs		
Wages and salaries	35.254	37.043
Pension costs	2.494	3.634
Other social security costs	250	238
Other staff costs	900	509
	38.898	**41.424**
Average number of employees	**78**	**85**

	Remuneration of management 2019 DKK'000	Remuneration of management 2018 DKK'000
Total amount for management categories	3.354	2.885
	3.354	**2.885**

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	488	313
Depreciation on property, plant and equipment	2.661	2.737
Profit/loss from sale of intangible assets and property, plant and equipment	18	(34)
	3.167	**3.016**

	2019 DKK'000	2018 DKK'000
4. Tax on profit/loss for the year		
Change in deferred tax	(1.000)	0
Adjustment concerning previous years	22	99
	(978)	**99**

	2019 DKK'000	2018 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	2.144	(17.265)
	2.144	**(17.265)**

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Acquired patents DKK'000
6. Intangible assets			
Cost beginning of year	2.599	3.677	104
Additions	1.026	0	0
Disposals	(628)	0	0
Cost end of year	**2.997**	**3.677**	**104**
Amortisation and impairment losses beginning of year	(1.264)	(3.677)	(46)
Amortisation for the year	(464)	0	(24)
Reversal regarding disposals	628	0	0
Amortisation and impairment losses end of year	**(1.100)**	**(3.677)**	**(70)**
Carrying amount end of year	**1.897**	**0**	**34**

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 manufactoring processes and workstream.

Notes to parent financial statements

7. Property, plant and equipment	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost beginning of year	20.530	22.462	5.408
Additions	260	323	77
Disposals	(132)	(13.280)	(41)
Cost end of year	**20.658**	**9.505**	**5.444**
Depreciation and impairment losses beginning of year	(13.367)	(22.103)	(1.568)
Depreciation for the year	(1.826)	(274)	(561)
Reversal regarding disposals	132	13.280	21
Depreciation and impairment losses end of year	**(15.061)**	**(9.097)**	**(2.108)**
Carrying amount end of year	**5.597**	**408**	**3.336**
Recognised assets not owned by entity	**3.657**	**-**	**-**

8. Fixed asset investments	Invest-ments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	33.528	1.430
Additions	0	110
Disposals	(139)	(97)
Cost end of year	**33.389**	**1.443**
Impairment losses beginning of year	(33.239)	(71)
Exchange rate adjustments	(393)	0
Share of profit/loss for the year	(431)	0
Impairment losses for the year	0	(154)
Other adjustments	(2.690)	0
Reversal regarding disposals	3.364	0
Impairment losses end of year	**(33.389)**	**(225)**
Carrying amount end of year	**0**	**1.218**

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

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
9. Contract work in progress		
Contract work in progress	111.664	159.140
Progress billings regarding contract work in progress	(106.575)	(158.191)
Transferred to liabilities other than provisions	1.289	661
	6.378	**1.610**

	2019 DKK'000
10. Deferred tax	
Tax losses carried forward	1.000
	1.000
Changes during the year	
Recognised in the income statement	1.000
End of year	**1.000**

The Entity's full tax asset totals DKK 31.5m, however, the Entity has only recognised net deferred tax assets of DKK 1.0m arising from temporary differences between carrying amounts and tax-based values. Based on the budget and the forecast for the Entity, Management expects the deferred tax assets to be used in the period from 2020 to 2022. The value of the tax asset relies on some assumptions, with the key assumption being that the Entity will be able to realise the 2020 budget approved by Management and the 2021-2022 forecast.

Computing expected future taxable income in the years ahead is highly subject to estimation and judgement, for which reason the valuation of the deferred tax asset recognised is inherently uncertain.

11. Prepayments

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

12. Cash

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

	Number	Par value DKK'000	Nominal value DKK'000
13. Contributed capital			
Ordinary shares	7.326.193	1	7.326
	7.326.193		**7.326**

Notes to parent financial statements

14. Other provisions

Other provisions comprise costs for guarantees provided.

15. Subordinate loan capital

The Entity has issued subordinated loan capital amounted to 11.219 t.DKK. Interests on subordinated loan is calculated equalling the interest rate on bank loans and the subordinated loan including interests falls due when bank loans are fully paid.

	2019 DKK'000	2018 DKK'000
16. Other long-term payables		
Holiday pay obligation	1.344	0
	1.344	**0**

	Due within 12 months 2019 DKK'000	Due within 12 months 2018 DKK'000	Due after more than 12 months 2019 DKK'000
17. Liabilities other than provisions			
Subordinate loan capital	0	0	11.219
Finance lease liabilities	1.178	1.153	3.131
Other payables	0	0	1.344
	1.178	**1.153**	**15.694**

	2019 DKK'000	2018 DKK'000
18. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**19.618**	**26.046**
Liabilities under rental agreements or leases with group enterprises until expiry	**16.812**	**19.214**

19. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Fox3 ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

The company has provided guarantee commitments relating to advance payment guarantees and performance bonds.

Notes to parent financial statements

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 October 2021.

20. Assets charged and collateral

The company has issued a company pledge of DKK 25,000k (2018: DKK 25,000k) 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 DKK 33,900k (2018: DKK 34,133k).

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 31.12.2019 is DKK 0k.

Th Entity 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 DKK 0k.

21. Related parties with controlling interest

Related parties with a controlling interest in Labflex A/S and the Group are as follows:

- Labflex Holding ApS, Denmark holds the majority of the company shares, hence this company has a controlling interest in the company.

- Lars Foghsgaard Holding ApS, Denmark, is holding company of the Group, and from thereon has a controlling interest given its voting rights at the higher level of the Group.

- Fox3 ApS, Denmark, is the ultimate holding company of the Group, and from thereon has a controlling interest given its voting rights at the higher level of the Group.

22. Non-arm's length related party transactions

Pursuant to paragraph 98c, section 7 of the Danish Financial Statements Act, the Company has elected not to disclose all transactions with related parties. No transactions with related parties have been carried through on non-market terms.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

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

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

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

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

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the

Accounting policies

exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, production costs and other operating income.

Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs
Production: Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

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

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

Accounting policies

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

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

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

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise development projects completed with related intellectual property rights and acquired intellectual property rights.

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

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5 years, corresponding to Managements estimate of the useful life of the assets.

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

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

Accounting policies

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

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

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

Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	3-10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises
In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

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

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

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

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Accounting policies

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

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

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financecosts are recognised in the income statement as incurred.

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

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

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax.

Accounting policies

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

Cash
Cash comprises cash in hand and bank deposits.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

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

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

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

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

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

Accounting policies

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

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

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

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