CA Auto Finance Danmark A/S

Park Allé 295,

2605 Brøndby

CVR No. 62857013

Annual Report 2022

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 30 June 2023

Michael Hald Wøhlk
Chairman

CA Auto Finance Danmark A/S

Contents

CA Auto Finance Danmark A/S

Management's Statement

The board of Directors and excecutive boards have today discussed and approved the annual report of CA Auto Finance Danmark A/S for the financial year 1 January 2022 - 31 December 2022.

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 assets, liabilities and financial position of the company at 31 December 2022 and of the results of the company's operations for the financial year 1 January 2022 - 31 December 2022.

In our opinion, the management's review includes a true and fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be adopted by the company at the annual general meeting.

Copenhagen, 30 June 2023

Executive Board

Michael Hald Wøhlk

Board of Directors

Juan Manuel Pino Dronet Chairman	Claudia Daniela Beriava	Hans Peter Sørensen

Independent Auditors' Report

To the shareholders of CA Auto Finance Danmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 January 2022 - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of CA Auto Finance Danmark A/S for the financial year 1 January 2022 - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditors' Report

Management's responsibility for the financial statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 30-06-2023
PricewaterhouseCoopers
Stattsautoriseret Revisionspartnerselskab
CVR-no. 33771231

Benny Voss
State Authorised Public Accountant
mne15009

Stefan Vastrup
State Authorised Public Accountant
mne32126

CA Auto Finance Danmark A/S

Company details

Company	CA Auto Finance Danmark A/S Park Allé 295, 2605 Brøndby
Telephone	43228900
Website	www.ca-autofinance.dk
CVR No.	62857013
Date of formation	18 February 1963
Financial year	1 January 2022 - 31 December 2022
Board of Directors	Juan Manuel Pino Dronet Claudia Daniela Beriava Hans Peter Sørensen
Executive Board	Michael Hald Wøhlk
Parent Company	CA Auto Bank S.p.A
Group enterprises	The company is included in the group annual report of FCA Bank Group S.p.A. The group annual report of FCA Bank Group S.p.A. may be obtained at the following address: Corso Agnelli 200 10135 Torino Italy
Auditors	PricewaterhouseCoopers Stattsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup CVR-no.: 33771231

CA Auto Finance Danmark A/S

Key Figures and Financial Ratios

The development in the Company's key figures, presented in TDKK and financial ratios can be described as follows:

	2022	2021	2020	2019	2018
Net turnover	261.424	259.114	233.177	232.844	194.789
Gross profit	108.002	116.422	118.072	76.391	67.949
Operating profit/loss	63.408	57.510	49.073	21.092	23.771
Profit/loss for the year	33.249	26.310	25.088	16.199	19.542
Total assets	2.542.899	2.306.049	2.287.134	1.971.849	1.596.802
Investment in non-current assets	2.214	9.527	83.487	148.175	50.183
Total equity	242.974	209.877	183.441	157.808	141.928
Avg. number of full-time employees	36	40	40	34	34
Financial ratios					
Gross profit (%)	41,31	44,93	50,64	32,81	34,88
Profit margin (%)	24,25	22,19	21,05	9,06	12,20
Return on capital employed (%)	2,62	2,50	2,30	1,18	1,58
Solvency ratio (%)	9,56	9,10	8,02	8,00	8,90
Return on equity (ROE) (%)	14,68	13,38	14,70	10,81	14,78

Pursuant to section 101(3) of the Danish Financial Statements Act, the company has omitted to restate comparative figures for the 3-5 previous financial years in connection with the change of accounting policies.

With reference to the accounting policies, the Company has chosen to implement IFRS 9 and IFRS 15 to be more aligned with the Group policies. Due to the nature of the company the implementation have no significant impact on the Financial Highlights as presented above.

The financial ratios are calculated in accordance with definitions according to summary of significant accounting policies.

The Company's principal activities

The company's principal activitiy is retail financing at variable and fixed rate interest, leasing and stock financing for dealers and importeres in Denmark and Finland, primarily for the affiliated companies.

Insecurity regarding recognition or measurement

There is no material insecurity regarding recognition or measurement.

Unusual matters

The company's financial position at 31 December 2022 and the results of its operations for the financial year ended 31 December 2022 are not affected by any unusual matters.

Development in activities and the financial matters

The Company's Income Statement of the financial year 1 January 2022 - 31 December 2022 shows a result of DKK 33.249 and the Balance Sheet at 31 December 2022 a balance sheet total of DKK 2.542.899 and an equity of DKK 242.974.

For 2023, the company expects to realize a profit before tax in the interval of 40-80 million DKK.
It is expected that the inflation will be at a relatively high level and interest rates will continue to increase during 2023.

Special risks apart from generally occurring risks in industry

Financial risks

Through its engagement in Finland, the company has both debt and receivables in EUR. Due to the size of the net balance, a currency risk is not considered material. The company is exposed to an interest rate risk on the part of its lending that has a fixed rate interest since the company finances its activity through floating rate loans. This risk is covered by interest rate swaps through the company's owner.

Credit risks

The company's current liabilities exceed the company's current assets. At 31 December 2022, the parent company had a net receivable from CA Auto Finance Danmark A/S of TDKK 2.071.187. The company's management has obtained confirmation from the parent company that the parent company will continue to support the company financially by making adequate credit facilities available to the company thereby enabling the company to maintain and continue its current activities over the coming 12 months.

Foreign branches

The company has a branch in Finland.

Influence on the external enviroment

We do not believe that our business - in all materiallity - has a significant impact on the external environment.

Net profit/loss for the year compared with expected developments in the most recently published annual report

In 2022 profit before tax shows a profit of TDKK 37.802 against a proft before tax of TDKK 40.271 in 2021. The result is negatively influenxed by extraordinary development of inflation and interest rates. Under these circumstances, management considers the result satisfactionary.

Events after the balance sheet date

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

CA Auto Finance Danmark A/S

Income Statement

	Note	2022 TDKK	2021 TDKK
Revenue	2	261.424	259.114
Other operating income		111	308
Cost of sales		-131.827	-127.582
Other external expenses		-21.706	-15.418
Gross result		**108.002**	**116.422**
Staff expenses	3	-28.184	-24.767
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-16.410	-34.145
Operating profit /loss		**63.408**	**57.510**
Finance income	4	2.733	234
Finance expences	5	-29.338	-17.473
Profit from ordinary activities before tax		**36.803**	**40.271**
Tax expense on ordinary activities	6	-3.554	-13.961
Profit/loss for the year		**33.249**	**26.310**
Proposed distribution of results	7		

CA Auto Finance Danmark A/S

Balance Sheet as of 31 December

	Note	2022 TDKK	2021 TDKK
Assets			
Acquired intangible assets	8	12.577	3.777
Intangible assets		**12.577**	**3.777**
Fixtures, fittings, tools and equipment	9	28.533	87.810
Property, plant and equipment		**28.533**	**87.810**
Long-term investments in group enterprises	10, 11	121	121
Other long-term receivables	12	1.733.561	1.337.076
Investments		**1.733.682**	**1.337.197**
Fixed assets		**1.774.792**	**1.428.784**
Inventories		37.719	28.425
Inventories	13	**37.719**	**28.425**
Other short-term receivables		625.404	767.809
Prepayments	14	102.024	81.031
Receivables		**727.428**	**848.840**
Cash and cash equivalents		**2.960**	**0**
Current assets		**768.107**	**877.265**
Assets		**2.542.899**	**2.306.049**

CA Auto Finance Danmark A/S

Balance Sheet as of 31 December

	Note	2022 TDKK	2021 TDKK
Liabilities and equity			
Contributed capital		14.154	14.154
Reserve for net revaluation of investment assets		9.300	1.953
Other reserves		-883	-731
Retained earnings		220.403	194.501
Equity		**242.974**	**209.877**
Provisions for deferred tax	15	21.197	24.622
Provisions		**21.197**	**24.622**
Debt to banks		75.503	48.693
Payables to group enterprises		2.071.179	1.903.655
Tax payables		3.451	10.215
Other payables		27.321	15.974
Deferred income	16	101.274	93.013
Short-term liabilities		**2.278.728**	**2.071.550**
Total liabilities		**2.278.728**	**2.071.550**
Liabilities and equity		**2.542.899**	**2.306.049**
Contingent liabilities	17		
Ownership	18		
Financial instruments	19		

CA Auto Finance Danmark A/S

Statement of changes in Equity

	TDKK Share capital	TDKK Reserve for development costs	TDKK Other reserves	TDKK Retained earnings	TDKK Total
Equity 1 January 2022	14.154	1.953	-731	194.501	209.877
Equity transfers to reserves			-152		-152
Profit (loss)				33.249	33.249
Development costs for the year		7.348		-7.348	0
Equity 31 December 2022	**14.154**	**9.301**	**-883**	**220.402**	**242.974**

The share capital has remained unchanged for the last 5 years.
Number of shares: 1-14.154 each of DKK 1.000 (one share certificate)

	2022	2021

1. Capital resources

The company's current liabilities exceed the company's currents assets. At 31 December 2022, the parent company had a net receivable from the company of TDKK 2.071.179. The company's management has obtained confirmation from the parent company that the parent company will continue to support the company financially by making adequate credit facilities available to the company thereby enabling the company to maintain and continue its current activities over the coming 12 months.

2. Revenue

Revenues, dealer financing	4.910	6.760
Revenues, retail contracts	119.800	99.323
Sale of vehicles	73.494	76.237
Revenues, leases	57.927	66.881
Other income	5.293	9.913
	261.424	**259.114**

3. Employee benefits expense

Wages and salaries	24.011	21.593
Pension	2.643	2.090
Other social security costs	506	328
Other employee expense	1.024	756
	28.184	**24.767**
Average number of employees	36	40

According to section 98 B(3) of the Danish Financial Statements Act, renumeration to the Executive Board has not been disclosed.

4. Financial income

Financial income from group enterprises	2.734	233
Other financial income	-1	1
	2.733	**234**

5. Finance expenses

Finance expenses arising from group enterprises	-27.469	-15.581
Other finance expenses	-1.869	-1.892
	-29.338	**-17.473**

	2022	2021
6. Tax on profit/loss for the year		
Current tax for the year	5.299	4.127
Deferred tax for the year	3.177	4.912
Adjustment of deferred tax concerning previous years	-6.559	4.922
Adjustment of tax concerning previous years	1.637	0
	3.554	**13.961**
7. Distribution of profit		
Retained earnings	33.249	26.310
	33.249	**26.310**
8. Acquired intangible assets		
Cost at the beginning of the year	5.606	3.102
Addition during the year	9.420	2.504
Cost at the end of the year	**15.026**	**5.606**
Depreciation and amortisation at the beginning of the year	-1.829	-1.203
Amortisation for the year	-620	-626
Impairment losses and amortisation at the end of the year	**-2.449**	**-1.829**
Carrying amount at the end of the year	**12.577**	**3.777**

A development project in progress with a total value of TDKK 11.924 in 2022(TDKK 2.504 in 2021) is included in the above figures.
The project is a new main IT system, and it is expected that development will be complete by september 2023.

	2022	2021
9. Fixtures, fittings, tools and equipment		
Cost at 1 January	138.680	198.133
Addition during the year	2.214	9.527
Disposal during the year	-95.088	-68.980
Cost at 31 December	**45.806**	**138.680**
Impairment losses and depreciation at 1 January	-51.552	-44.600
Amortisation for the year	-15.790	-33.519
Reversal of impairment losses and amortisation of disposed assets	50.069	27.249
Impairment losses and depreciciation at 31 December	**-17.273**	**-50.870**
Carrying amount at 31 December	**28.533**	**87.810**
10. Long-term investments in group enterprises		
Cost at 1 January	121	121
Cost at 31 December	**121**	**121**
Carrying amount at 31 December	**121**	**121**

11. Disclosure in long-term investments in group enterprises

Name	Registered office	Ownership	Equity	Profit/loss
CA Auto Finance Norge AS	Norway	100,00	22.313	4.271
CA Auto Finance Sverige AB	Sweden	100,00	57.822	5.810
			80.135	**10.081**

12. Long term receivables		
Long Term Receivables	2.358.965	2.104.772
Short term receivables	-625.404	-767.696
Carrying amount at 31 December	**1.733.561**	**1.337.076**
13. Inventories		
Inventories are stated as follows:		
Manufactured goods and goods for resale	37.719	28.425
Inventories in total	**37.719**	**28.425**

	2022	2021

14. Prepayments

Prepayments include bonus to distributors that are accrued at the time of contract opening and charged as expense, in the subsequent periods when the recognitions criteria are satisfied.

15. Provision for deferred tax

Provision for deferred tax at 1 January	-24.579	-14.740
Adjustment	3.382	-9.882
Provision for deferred tax at 31 december	**-21.197**	**-24.622**

16. Deferred income

Deferred income comprises payments relating to contract opening fees which will not be recognised as income until the subsequent financial year when the recognition criteria are satisfied.

17. Contingent liabilities

Rent and liase liabilities include a rent obligation of TDKK 5.689 (2021: TDKK 690)

The company has issued guarantees totalling TDKK 500 (2021: TDKK 2.500)

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

CA Auto Finance Danmark A/S has provided a letter of support to the subsidiary CA Auto Finance Sverige AB

	2022	2021

18. Related parties and ownership structure

Controlling interest

CA Auto Bank S.p.A
Corso Agnelli 200
10135 Torino
Italy

Transactions are made within market conditions.

CA Auto Finance Danmark A/S had the following transactions with related parties:

TDKK		
Purchase of goods from group companies	82.787	82.083
Income from managment fee to group companies	-1.120	7.637
Financial costs net to group companies	24.693	15.310
Payables to group companies	2.071.179	1.903.655
Financial income from group enterprises	-2.734	-233

19. Financial instruments

Interest rate risks

The company uses interest rate swaps to hedge interest rate risks, whereby floating interest payments are rescheduled into fixed interst payments.

The hedged cash flows are expected to be realised and will affect results of operations over the term to maturity of the interest rate swap.

TDKK		
Notional principal	526.200	462.100
Value adjustment recognised in equity	-883	-731
Fair Value	-1.132	-892
Term to maturity in months	0 - 48	0 - 48

Accounting Policies

The annual report of CA Auto Finance Danmark A/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Company has decided not to include a cash flow statement in accordance with the Danish Financial Statements Act §86, 4.
The Cash flow statement is part of the consolidated financial statements of the parent company.

Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

The Company has chosen to implement IFRS 9 and IFRS 15 to be more aligned with the Group policies.

The accounting policies are unchanged compared with 2021.

Reporting currency
The annual report is presented in Danish kroner.

Translation policies
Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the income statement under financial income and expenses.

Derivative financial instruments
Derivative financial instruments are measured at cost and subsequently at fair value at initial recognition in the balance sheet. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and fulfilling the criteria for hedging the fair value of a recognised asset or liability are recognised in the income statement together with any changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments classified as and fulfilling the conditions for hedging future assets and liabilities are recognised directly in equity. When the hedged transaction are realised, the accumulated gain or loss is recognised as part of cost of the relevant items.

For derivative financial instruments that do not fulfil the conditions for treatment as hedging instruments, changes in the fair value will continously be recognised in the income statement.

Accounting Policies

General information

Basis of recognition and measurement
The financial statement have been prepared under the historical cost principle.

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

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

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

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the financial statement, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Income statement

Revenue
Revenue is recognised in the income statement if the goods have been delivered and the risk has passed to the buyer before year-end and if the revenue can be reliably calculated and expected to be received. Revenue is recognised excluding VAT and all discounts granted are recognised in revenue.

Cost of sales
Cost of finished goods and goods for resale include finished goods and goods for resale used in generating the year´s revenue.

Other external expenses
Other external expenses include expenses for distribution, sales, advertising, administration, premises, bad debts, operating leasing expenses etc.

Staff costs
Staff costs include wages and salaries including compensated absence and pension to the Companies employees, as well as other social security contributions etc. The item is deducted from refunds from public authorities.

Amortisation, depreciation and impairment of tangible assets
Amortization and impairment of intangible assets, property, plant and equipment has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortized on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

Income from investments in subsidiaries and associates
Dividend from investments is recognised in the reporting year in which the dividend is declared.

Financial income and expenses
Financial income and expenses are recognised in the income statement based at the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses, financial expenses of finance leases, realised and unrealised capital gains and losses regarding securities, accounts payable and transactions in foreign currencies, repayment on mortgage loans, and surcharges and allowances under the advance-payment of tax scheme.

Dividends from other investments are recognised as income in the financial year in which the dividends are declared.

Tax on profit/loss for the year
Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Balance sheet

Intangible assets
Development projects that are clearly defined and identifiable, and where the degree of technical utilization, sufficient resources and a potential future market or development potential in the Company are provable and where the intention is to manufacture, market or use the product or process are recognised as intangible assets if the value in use can be determined reliably and it is sufficiently certain that future earnings can cover production, sales and administration costs as well as total development costs.

Other development costs are recognised as costs in the income statement as they incur.

Development costs comprise costs, including wages, salaries and amortization, that are directly or indirectly attributable to the development activities of the enterprise and meet the recognition criteria.

Capitalized development costs are measured at cost on initial recognition and subsequently at the lower of cost less accumulated amortization and the recoverable amount.

Property, plant and equipment
Property, plant and equipment are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the data of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual component differ.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the individual assets and their residual values:

The carrying amounts of property plant and equipment are tested annually to determine whether there is any indication of impairment other than what is expressed by amortization and depreciation. If so, the assets are tested for impairment to determine whether the recoverable amounts are lower than the carrying amounts and the relevant assets are written down to such lower recoverable amounts. An impairment test is carried out annually of ongoing development projects, whether or not there is any indication of impairment.

The recoverable amount of an asset is determined as the higher of the net sales price and the value in use. Where the recoverable amount of the individual assets cannot be determined, the assets are grouped together into the smallest group of assets that can be estimated to determine an aggregate reliable recoverable amount for those units.

Equity investments in subsidiaries
Equity investments in group enterprises and associates are measured at cost. Dividends that exceed accumulated earnings of the group enterprise or the associate during the ownership period are treated as a reduction of the cost. If cost exceeds the net realizable value, a write-down to this lower value will be performed.

Inventories
Inventories are measured at cost on the basis of the FIFO principle. Where the net realizable value is lower than cost, the inventories are written down to this lower value.

The net realizable value of inventories is calculated as the selling price less costs of completion and costs incurred to make the sale. The value is determined taking into account the negotiability

of inventories, obsolescence and expected development in sales price.

Receivables
Receivables are measured at amortized cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Impairment on trade receivables is based on the simplified expected credit loss model. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

Impairment on long term and short term loan receivables measured at amortized cost is based on the general expected credit loss model. The guiding principle of the expected credit loss model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognized as a loss allowance or provision depends on the extent of credit deteroration since initial recognition. Under the general approach, the company has applied two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality;
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

Prepayments
Prepayments recognised under 'Current assets' comprises expenses incurred regarding subsequent financial years.

Income tax and deferred tax
Deferred tax
Deferred tax and the associated adjustments for the year are determined according to the liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax.

Other payables
Other payables are measured at amortized cost, which usually corresponds to the nominal value.

Deferred income
Deferred income recognised under 'Current liabilities' comprises payments received regarding income in the subsequent financial years.

Financial highlights
Definitions of financial ratios

Key figures and financial ratios are determined based on "Recommendations & Financial Ratios" issued by the Danish Society of Financial Analysts.

$$\text{Gross margin ratio} = \frac{\text{Gross profit X 100}}{\text{Revenue}}$$

$$\text{EBIT margin} = \frac{\text{Profit/loss before financials X 100}}{\text{Revenue}}$$

$$\text{Return on assets} = \frac{\text{Profit/loss before financials X 100}}{\text{Average assets}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year-end X 100}}{\text{Total assets at year-end}}$$

$$\text{Return on equity} = \frac{\text{Net profit for the year X 100}}{\text{Average equity}}$$