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# ***Hewlett-Packard ApS***

Engholm Parkvej 8, DK-3450 Allerød

## **Annual Report for 1 November 2018 - 31 October 2019**

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CVR No 76 94 59 18

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
31/3 2020

Jarle Roar Sabo  
Chairman of the General  
Meeting

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Hewlett-Packard ApS for the financial year 1 November 2018 - 31 October 2019.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 October 2019 of the Company and of the results of the Company operations for 2018/19.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Allerød, 31 March 2020

## **Executive Board**

Carsten Regner Nielsen

## **Board of Directors**

Louise Karlskov Kaasgaard  
Chairman

Carsten Regner Nielsen

Marten Thorhauge  
Staff Representative

Kim Agertoft  
Staff Representative

# **Independent Auditor's Report**

To the Shareholder of Hewlett-Packard ApS

## **Opinion**

We have audited the financial statements of Hewlett-Packard ApS for the financial year 1 of November 2018 to 31 of October 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 of October 2019 and of the results of the Company's operations for the financial year 1 of November 2018 to 31 of October 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

## **Management's responsibilities 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 as to 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 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

# Independent Auditor's Report

the economic decisions of users taken on the basis of the financial statements.

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

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

## 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 the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the

## **Independent Auditor's Report**

financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 March 2020

**Ernst & Young**

Godkendt Revisionspartnerselskab

*CVR No 30 70 02 28*

Alex Petersen

State Authorised Public Accountant

mne28604

## Company Information

### **The Company**

Hewlett-Packard ApS  
Engholm Parkvej 8  
DK-3450 Allerød

CVR No: 76 94 59 18  
Financial period: 1 November - 31 October  
Municipality of reg. office: Allerød

### **Board of Directors**

Louise Karlskov Kaasgaard, Chairman  
Carsten Regner Nielsen  
Marten Thorhauge  
Kim Agertoft

### **Executive Board**

Carsten Regner Nielsen

### **Auditors**

Ernst & Young  
Godkendt Revisionspartnerselskab  
Dirch Passers Allé 36  
DK-2000 Frederiksberg

## Financial Highlights

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

	2018/19 TDKK	2017/18 TDKK	2016/17 TDKK	2015/16 TDKK	2014/15 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	1.277.428	1.421.028	1.341.203	1.401.698	2.466.386
Profit/loss before financial income and expenses	7.571	-13.532	92.011	-16.299	-31.068
Net financials	407	-7.772	-7.747	17.942	74.680
Net profit/loss for the year	10.487	-20.713	76.228	1.213	40.224
<b>Balance sheet</b>					
Balance sheet total	609.586	689.382	696.278	907.964	877.595
Equity	167.069	156.582	251.435	325.207	323.994
Investment in property, plant and equipment	1.806	5.861	686	449	2.473
Number of employees	146	164	205	259	327
<b>Ratios</b>					
Return on assets	1,2%	-2,0%	13,2%	-1,8%	-3,5%
Solvency ratio	27,4%	22,7%	36,1%	35,8%	36,9%
Return on equity	6,5%	-10,2%	26,4%	0,4%	13,2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

The key figures for the periods 2015/16 - 2014/15 are not comparable to the periods for 2018/19 - 2016/17 as the figures comprises business divisions that were spun off: HP Inc (2015/16), Enterprise Services (2016/2017) and Software (2016/2017).

# Management's Review

## Main business activities

Formed in Denmark in 1967, Hewlett Packard ApS (the Company or HPE) is a wholly owned subsidiary of Hewlett-Packard Corporation, one of the world's largest IT companies with a yearly revenue of USD 29.1 billion in the latest fiscal year. The Danish subsidiary imports, markets and sells a broad range of IT products, solutions and services for enterprise businesses, public institutions and private customers in the Danish market.

Hewlett Packard Enterprise is a global technology leader focused on developing intelligent solutions that allow customers to capture, analyze and act upon data seamlessly from edge to cloud. HPE enables customers to accelerate business outcomes by driving new business models, creating new customer and employee experiences, and increasing operational efficiency today and into the future.

Hewlett Packard Enterprise provides solutions and services within three major pillars; Intelligent Edge (including Aruba Networks), Hybrid IT and Financial Services, and serve all business segments within the Danish market.

Aruba Networks is the leading provider of next-generation network access solutions for the mobile enterprise. Aruba Networks are changing the rules of networking to create smart digital experiences, by providing a next-generation network – one that's software-defined, secure, and designed for mobile and IoT.

Hybrid IT is the leading provider of Software Defined Composable infrastructure and solutions, including AI capabilities. Our offerings includes Server, Hyper Converged, Storage/backup and High Performance Compute infrastructure and related services, spanning from Break and Fix to Advisory services. Further Hewlett Packard Enterprise has expanded its Greenlake service offerings, which provides "pay per use" offerings to our customers.

Financial Services provides investment and assessment services, which help our customer optimize existing IT infrastructure and transition to new technologies.

## Business review

Revenue for 2018/19 came in at t. DKK 1.277.428 and has decreased by 10% compared to prior fiscal year. The Company's income statement for fiscal year 2018/19 shows a profit before tax of t. DKK 7.978 and the balance sheet per October 31, 2019 shows equity of t. DKK 167.069.

Despite the revenue decrease from last year, the result is considered satisfactory given the changes to the business composition and organization. HPE executed on our strategy to pivot more towards value products and solutions, while keeping our market position within key strategy areas. Further HPE continue acquiring new technologies, especially within the High Performance Compute area, with the acquisition of Cray Technologies. The Company has succeeded in maintaining or increasing its market shares within all its primary market segments.

# Management's Review

## Market overview

In 2019, the Danish server market continued its growth, and HPE experienced again double-digit growth YoY. HPE is by far the biggest supplier of Server solutions to the Danish market. High Performance Computing saw some strong growth, which we expect to continue in 2020, with the Cray technology acquisition. We continue to see a high demand for business critical server solutions due to the successful collaborating with SAP on HANA. Further HPE is from 2019, again a supplier on the SKI agreement to the public segment in Denmark.

HPE's network business (Aruba Networks) continued its development and consolidated its position as number 2 in the Danish network market. We saw a positive market momentum and several customers are adapting Aruba Network technologies and services. Several new customers' logos were acquired during fiscal year 2018/19, both within public and private market segments. In Fiscal Year 2019/20, we expect continued revenue growth, and grow our business and increase our market coverage and share, in especially in the enterprise and mid-market space.

Despite a slowdown in the market growth, HPE consolidated its position within the storage segment, and introduced in second half of fiscal year 2018/19, its new Data Management platform called Primera. Further HPE is from 2019, again a supplier on the SKI agreement to the public segment in Denmark.

HPE Pointnext is the service business within Hybrid IT, and consists of two pillars: Advisory, Professional, and Operational Services. Fiscal year 2018/19 was a satisfactory year, with above market growth on orders, keeping revenue and margin in line with expectations. HPE continued its focus on consumption based (Greenlake) offerings and announced that by 2021 all HPE products and solutions will be available as consumption-based solutions.

More than 70% of HPE's products and solutions are delivered to the market in cooperation with our partners and distributors. It is important to HPE to be a trustworthy and profitable supplier that actively and visibly develops the market. The Partner Ready program, supporting the development and maintenance of sales, architecture and delivery competencies with our resellers and distributors, facilitates that HPE's customers receive competent services and attain the business targets driving.

HPE also supports the channel with new services, as the market demands as-a-service offerings alongside conventional on-premise solutions.

# Management's Review

## *Operating risks*

Risks, uncertainties and assumptions include the need to address the many challenges facing the Company's businesses including the impact of macroeconomic and geopolitical trends and events, pandemics and public health problems, such as the outbreak of novel coronavirus (COVID-19) and the execution and performance of contracts by Hewlett Packard Enterprise and its suppliers, customers, clients and partners, including any impact thereon resulting from events such as the coronavirus.

The impact of the coronavirus on our business at this time is uncertain as the situation remains very fluid. The health and safety of our employees, customers and partners is our priority and we are following appropriate guidance to limit the impact on them. Coronavirus represents a risk as it is causing disruption to both supply and demand and, while we cannot quantify the real impact at this time, we're monitoring the situation closely and are working with our customers, partners and suppliers to minimize potential impacts.

The Company's results are also affected by competitors' market activities. The Company competes on brand, technology, performance, price, quality, reliability, customer relations, distribution, security, cost structure, price structure and availability. If the Company's products, solutions and services are unable to compete successfully on these parameters, its results will suffer. Persistent price drops and fluctuations in the US dollar rate may also affect revenue and earnings.

The Company relies on the parent company's continuous development and manufacture of the products demanded by the Danish market. Finally, the Company's supply capability might be impacted by insufficient production capacity as a result of e.g. natural disasters or pandemics (COVID-19).

# Management's Review

## Outlook

HPE corporation will continue to focus on four core businesses in fiscal year 2019/20:

Ignite innovation with cloud to accelerate enterprises in a multi-cloud reality. HPE helps customers transition to a next-generation software-defined infrastructure by delivering an open, workload-optimized software stack.

Refine experiences at the edge by being the category creator for converged systems at the edge of the network. HPE is creating and delivering seamless, connected experiences that are always secure and leverages mobile-first disruption to grow in campus segment and capture opportunities from wired/wireless convergence in campus and branch.

Deliver everything-as-a-service. We believe everything will be delivered as-a-service. HPE is shifting to be a consumption-driven company, everything we deliver will be available as-a-service by 2022, so we can participate in the larger, growing and more profitable "aaS" market. In addition, we execute mission-critical projects to help transform our customers' business and IT functions. We accelerate our customer's mix toward Hybrid IT and provide the flexibility for customers to consume IT the way they want it.

Unleash the power of our customer's data. We believe intelligence changes everything and HPE is investing to help enterprises unlock data's value everywhere.

Due to COVID-19 outbreak, which has recently very rapidly expanded globally including Denmark, there is a lot of uncertainty on both global and domestic IT market, creating risk to business performance of all companies in FY20 and beyond. At this stage it is not possible to estimate any impact on Hewlett-Packard ApS in a reliable way and therefore it is reasonable not to state any expectations for the business in fiscal year 2019/20.

## Employee care

Throughout 2019, the Company worked to maintain and improve employee satisfaction through targeted activities within employee involvement, management and execution as well as HP's values and culture. Through these activities, the Employee Engagement score rose 18% YoY, and the Culture index grew 11% YoY.

Healthy food in the cafeteria, a fitness center and massage is offered to employees' onsite. Further, the Company has maintained and expanded its many employee benefits in the form of family activities and employee and sports clubs.

# Management's Review

## Statutory CSR report under section 99a of the Danish Financial Statements Act

### HPE LIVING PROGRESS

Living Progress is our plan to apply the innovation engine of Hewlett Packard Enterprise (HPE) to create sustainable IT solutions. This commitment to environmental, social, governance (ESG) matters is integrated into our business strategy, increasing the competitiveness and resilience of our business.

Our customers consider HPE's sustainable and efficient IT solutions to be a strategic differentiator, helping to meet both their financial and sustainability goals. Through innovative product designs and solutions, HPE enables our customers to maximize the efficiency of IT infrastructure, achieving more work for less cost and lower environmental impact.

Building the operational and reputational resilience of our value chain is also key to meeting and exceeding the expectations of our stakeholders. HPE's proactive approach to managing ESG factors mitigates risks to our company, such as fluctuating commodity prices or tightening regulations, while creating new financial opportunities.

Our leadership has earned HPE recognition on global rankings including the Dow Jones Sustainability Index, EcoVadis Gold, and CDP Climate A List. This leadership fosters employee pride both in our company and in the important role HPE solutions play in solving the world's biggest social and environmental challenges.

### OUR MATERIAL ISSUES

Materiality guides our Living Progress plan, helping to meet the expectations of our stakeholders, integrate sustainability across our business, and ensure overall accountability. We believe that a stakeholder-centric approach will help HPE achieve these objectives.

Every two years we conduct a global materiality assessment to help ensure our strategy is focused in the right areas. Our most recent materiality assessment was completed in December 2017, taking into account changes to HPE's operations from spin-offs as well as emerging priorities in the external sustainability agenda. Conducted by external consultant BSR, our materiality assessment engaged customers, industry analysts, nongovernmental organizations, and HPE management to identify priority issues. This was paired with the use of artificial intelligence software to analyse online and social media conversations that may indicate current or potential sustainability risks.

For more information on HPE's latest materiality assessment, please refer to our global Living Progress Report.

### REPORTING SCOPE

Hewlett-Packard ApS is part of the Hewlett Packard Enterprise Group (HPE), established in Denmark in 1967. The Danish subsidiary imports, markets and sells a broad range of IT products, solutions and

## Management's Review

services for enterprise businesses, public institutions and private customers in the Danish market. As such, this report covers only issues with material impacts specific to HPE Denmark, primarily regarding our local workforce and business conduct. Issues material to HPE's global supply chain and products and services are covered in the annual global HPE Living Progress Report.

Material issues addressed in this report include: Corporate governance, Ethical behaviour and business partnerships; Public policy engagement; Employee, health, safety, and wellbeing; Employee development and engagement; and Inclusion and diversity. This report outlines HPE's global management approach to these material issues, supported by non-financial KPIs specific to HPE Denmark where applicable. The report also covers non-material issues including environment and climate impacts, which are critical to reporting compliance.

For more information on HPE's approach to ESG issue management, including issues relevant to our supply chain and products and solutions, please visit [HPE Living Progress](#).

### CORPORATE GOVERNANCE

HPE's CEO and Board of Directors oversee global environmental, social, and governance (ESG) issues and are committed to operating HPE in a responsible manner. The HPE Board participates in five standing committees:

- Audit
- Finance and Investment
- Human Resources (HR) and Compensation
- Nominating, Governance, and Social Responsibility (NGSR)
- Technology

HPE Living Progress is overseen by the NGSR Committee which reviews, assesses, reports and provides guidance to management and the Board regarding HPE's policies and programs relating to ESG. Living Progress engages at least annually with the Board and Executive Committee as a matter of best practice to drive ESG strategies for continued business success.

All finance- and risk management in the company is handled centrally within HPE's global functions. The central guidance states the responsibilities of the Board of Directors and the Managing Director and limits financial risks for the business to an acceptable level. In addition, HPE Denmark has four board members, two of whom are shareholder elected and two are employee elected. Matter requiring signatures from the board should be signed by all four members. In case of a voting tie, the chairperson will be given a double vote, hence giving shareholder elected board members control.

HPE Denmark contributes to the local economy, providing high-quality employment for 148 workers in 1 office located at Engholm Parkvej 8, 3450 Lillerød, Denmark. We fulfil taxation responsibilities in every country we operate.

## Management's Review

Global Policies - HPE Corporate Governance Guidelines

HPE Denmark KPIs:

- Number of HPE Denmark Board Members: 4
- Number of employees: 148

### ETHICAL BEHAVIOR AND BUSINESS PARTNERSHIPS

We do not tolerate corrupt behavior, including bribery or kickbacks. We comply with relevant laws in every country in which we do business, and we set and share our expectations with employees through our anti-corruption program.

We expect everyone involved in our business to behave responsibly and ethically, setting expectations and holding people accountable via relevant policies and procedures. We require compliance with the law and with our Standards of Business Conduct (SBC), and we set specific requirements for suppliers, business partners, and contingent workers.

Our Ethics and Compliance Committee and our Audit Committee oversee our approach to ethical conduct, with the HPE Board of Directors taking ultimate responsibility.

Although we implement policies, procedures and training designed to facilitate compliance with responsible business practices and laws against corruption or malpractice, our employees, contractors and agents, as well as those of the companies to which we outsource certain of our business operations, may take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have an adverse effect on our business and reputation. We encourage anyone with a concern or question about business conduct to raise it via one of our reporting channels, without fear of reprisal. Reports are confidential and can be made anonymously where local law allows. For each report made, we conduct any required investigations appropriately, carrying out disciplinary or remedial action when needed. If a violation occurs, we hold employees accountable.

Our anti-corruption program includes:

- Policies that provide clear guidance, including the HPE Anti-Corruption Policy and the HPE Global Business Amenities Policy. These documents are available in more than 20 languages.
- Tools and training to help employees identify and avoid potential issues, including the Amenities Approval Tool (AAT).
- Process controls to review higher-risk transactions and screen third-party partners. We identify countries at a high risk for corruption based in part on Transparency International's Corruption Perceptions Index.
- Support and advice from specialized anti-corruption attorneys and other compliance professionals.
- A transparent, systematic process for investigating and addressing potential concerns

Global Policies:

- HPE Standards of Business Conduct
- HPE Supplier Code of Conduct
- HPE Partner Code of Conduct
- HPE Contingent Worker Code of Conduct

## Management's Review

- HPE Supply Chain Social and Environmental Responsibility Policy
- HPE Anti-Corruption Policy
- HPE Global Business Amenities Policy
- HPE Supplier SER Requirements

### HPE Denmark KPIs:

- Percentage of active employees who completed annual SBC training: 98%
- Percentage of new employees who completed the SBC New Hire training: 100%

## PUBLIC POLICY ENGAGEMENT

We promote public policies that open markets and encourage growth, allowing HPE to rapidly advance and deploy breakthrough technology. Specifically, we support policies that protect intellectual property, remove trade barriers, both spur innovation and promote competition, and in total encourage economic development, with the protection of the environment in mind.

HPE's global Product Compliance & Reliability (PCR) team monitors regulatory developments across the EU, as well as at national level, to ensure compliance with applicable environmental and social supply chain requirements. This may also include voluntary requirements, where appropriate.

Our comprehensive Supplier Code of Conduct sets out guidelines to help suppliers reduce the environmental impact of their activities. We ensure that social and environmental responsibility (SER) is factored into our business decisions through our supplier business scorecard. The inclusion of SER indicators in the scorecard links supplier social and environmental performance with our procurement choices. We provide suppliers with a full list of restricted substances and clear guidance on suitable alternatives in our General Specification for the Environment.

HPE is a member of the American Chamber of Commerce and the European association Digital Europe. HPE generally works within organizations such as this to develop policy positions and engage with stakeholders, including policymakers and regulatory authorities. However, HPE also meets national and European stakeholders on its own behalf to share knowledge and experiences related to implementation of legal obligations and technology developments.

HPE, either directly or through its partners, participates in public tenders. HPE helps answer customer inquiries, including from public sector customers, regarding environmental or social supply chain topics, such as energy efficiency, product recycling and workers' rights in HPE's supply chain.

HPE's global policies and standards, as described above, are to be respected at all times.

HPE also identifies challenges and opportunities for the business by following EU policy developments on key digital issues such as Artificial Intelligence, High Performance Computing and European projects for exascale machines, the European Processor Initiative, WiFi4EU and European infrastructure programs.

## Management's Review

In accordance with the HPE Political Contributions Policy, no HPE funds or assets may be used for political contributions outside the United States, even where permitted by local law, without the prior written approval of HPE's Chief Executive Officer.

Global Policies:

- HPE Political Contributions Policy
- HPE Supplier Code of Conduct
- HPE Supplier SER Requirements
- HPE General Specification for the Environment
- HPE Vendor Requirements Hardware Recycling Standard
- HPE Vendor Requirements Hardware Reuse Standard

HPE Denmark KPIs:

- Number of employees globally responsible for environmental
- Product Compliance & Reliability (PCR): 90

### EMPLOYEE HEALTH, SAFETY, AND WELL-BEING

HPE is fully invested in protecting the health, safety, and well-being of our employees through our Environmental, Health, and Safety (EHS) program. Our global Environmental, Health and Safety Policy and management systems are aligned with industry best practices, including the Occupational Health and Safety Assessment Series (OHSAS) 18001, ISO 140001, and the International Labour Organization (ILO) OSH 2001. In every instance, at both the national and the regional level, we aim to meet or exceed regulations.

We use EHS Management Systems (MS) and Global Standards to structure our approach to EHS priorities, meet HPE and external requirements, control risk, and improve performance. The EHS MS requires sites to monitor performance, conduct audits and management reviews, and to implement corrective actions.

HPE Denmark is compliant with EU labor laws regarding working conditions, including provisions on working time, part-time, and fixed-term work, temporary workers, and the positioning of workers. We also rely on third-party suppliers for the provision of contingent workers, and our failure to manage our use of such workers effectively could adversely affect our results of operations. We have been exposed to various legal claims relating to the status of contingent workers in the past and could face similar claims in the future. We may be subject to shortages, oversupply or fixed contractual terms relating to contingent workers. Our ability to manage the size of, and costs associated with, the contingent workforce may be subject to additional constraints imposed by local laws.

In 2019, we implemented an internal EHS risk reporting tool to track relevant regulations and compliance mechanisms across our global sites. This tool gives our EHS team greater visibility into site-specific risks and how they are being addressed. When workplace injuries occur, we track them in compliance with the International Labour Organization.

## Management's Review

HPE Denmark offers our employees health and wellness benefits, such as massage, physiotherapy, and on-site exercise room, as well as canteen services.

Global Policies:

- HPE Environmental, Health and Safety Policy

HPE Denmark KPIs:

- Percentage of sites with ISO-27001:2013 certified employees: 100% (5 certified employees).

### EMPLOYEE ENGAGEMENT AND DEVELOPMENT

In order to be successful, we must attract, retain, train, motivate, develop and transition qualified executives and other key employees, including those in managerial, technical, development, sales, marketing and IT support positions. In order to attract and retain executives and other key employees in a competitive marketplace, we must provide a competitive compensation package, including cash- and equity-based compensation. Our equity-based incentive awards may contain conditions relating to our stock price performance and our long-term financial performance that make the future value of those awards uncertain. If the anticipated value of such equity-based incentive awards does not materialize, if our equity-based compensation otherwise ceases to be viewed as a valuable benefit, if our total compensation package is not viewed as being competitive, or if we do not obtain the stockholder approval needed to continue granting equity-based incentive awards in the amounts we believe are necessary, our ability to attract, retain, and motivate executives and key employees could be weakened.

Our failure to successfully hire executives and key employees or the loss of any executives and key employees could have a significant impact on our operations. Further, changes in our management team may be disruptive to our business, and any failure to successfully transition and assimilate key new hires or promoted employees could adversely affect our business and results of operations.

Our leaders are key to talent retention. Biannually, managers meet with employees to review performance, contributions to business objectives, and set goals. These reviews also provide the opportunity to discuss employee career aspirations and identify the best-suited learning and development programs for each employee.

Celebrating the successes of individual employees is integral to our culture. Through our Recognition@HPE program, employees are acknowledged by peers and leaders via in-person events, online platforms like Connect Now, and monetary bonuses.

HPE Denmark employees take advantage of our global Employee Development Grant program, which provides grants to employees working toward bachelor's, master's, or doctorate degrees. We continuously engage with our employees through channels including Connect Now, HPE Insider, and Living Progress Champions. We seek employee feedback through our annual Voice of the Workforce survey, as well as monthly pulse surveys to get feedback on specific programs or timely issues. We offer employees a variety of development programs, including job rotations, job shadowing, and mentorship opportunities. We also provide training opportunities through learning tools like Accelerating U — our self-directed employee learning platform. It features on-demand, interactive, and mobile access to

## Management's Review

personalized learning opportunities. The platform contains more than 5,800 courses with over 800,000 course completions as of 2019.

Employee Resource Groups (ERGs) provide a place for employees to connect with others who have shared interests. HPE Denmark has 1 ERG, the Young Employee Network, which serves as a community for younger employees within the organization.

We also empower our employees to strengthen their communities and leverage our technology and expertise to drive social impact in the digital age. Every employee receives 60 hours of paid time each year to devote to volunteer activities, allowing them to give back locally, enriching their communities and developing their team-building and leadership skills in the process.

Global Policies:

- HPE Standards of Business Conduct
- HPE Open Door Policy
- HPE Harassment-Free Work Environment Policy
- HPE Nondiscrimination Policy

HPE Denmark KPIs:

- Number of employees actively engaged in Employee Resource Groups: 29
- Total number of hours volunteered by employees: 301.5

### ENVIRONMENT & CLIMATE

Our operations are subject to regulation under various federal, state, local, and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air and water, the management, movement, and disposal of hazardous substances and wastes and the clean-up of contaminated sites. We could incur substantial costs, including clean-up costs, fines and civil or criminal sanctions and third-party damage or personal injury claims, if we were to violate or become liable under environmental laws.

We are committed to maintaining compliance with all environmental laws applicable to our operations, products and services, and to reducing our environmental impact across all aspects of our business. We meet this commitment with a comprehensive environmental, health and safety policy, strict environmental management of our operations and worldwide environmental programs and services.

We are focused on advancing the circular economy. HPE leads by example, remanufacturing and refurbishing both our customers' and our own retired IT equipment through our state-of-the-art Technology Renewal Centers (TRCs). In 2019, nearly 4 million assets were returned to our TRCs, 88% of which were given new life, while only 12% were sent to recycling. Our circular economy program extends to our packaging innovation. In 2019, we reduced packaging material by 216 tonnes compared to the previous generation of products.

Environmental costs and accruals are presently not material to our operations, cash flows or financial position. Although there is no assurance that existing or future environmental laws applicable to our

## Management's Review

operations, services or products will not have a material adverse effect on our operations, cash flows or financial condition, we do not currently anticipate material capital expenditures for environmental control facilities. More information regarding environmental programs covering our operations, supply chain, and solutions, can be found in the HPE Living Progress Report.

### CLIMATE IMPACTS AND BUSINESS DISRUPTION

Our operations, services and ultimately our products are expected to become increasingly subject to federal, state, local, and foreign laws, regulations and international treaties relating to climate change. As these laws, regulations, treaties, and similar initiatives and programs are adopted and implemented throughout the world, we will be required to comply or potentially face market access limitations or other sanctions, including fines. However, we believe that technology will be fundamental to finding solutions to achieve compliance with and manage those requirements, and we are collaborating with industry, business groups and governments to find and promote ways that our technology can be used to address climate change and to facilitate compliance with related laws, regulations and treaties.

Our worldwide operations could be disrupted by natural or human induced disasters including, but not limited to, earthquakes, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, power or water shortages, telecommunications failures, materials scarcity and price volatility, and medical epidemics or pandemics. We are predominantly self-insured to mitigate the impact of most catastrophic events. Climate change serves as a risk multiplier increasing both the frequency and severity of natural disasters that may affect our worldwide business operations. Therefore, forecasting disruptive events and building additional resiliency into our operations accordingly will become an increasing business imperative. The occurrence of business disruptions could result in significant losses, seriously harm our revenue, profitability and financial condition, adversely affect our competitive position, increase our costs and expenses, and require substantial expenditures and recovery time in order to fully resume operations.

HPE has a robust climate strategy with science-based emissions reduction targets across our value chain to meet the decarbonization levels of the Paris Agreement. In 2019 we announced a new target to cut operational greenhouse gas emissions by 55% from 2016 to 2025, making HPE one of the first global companies to align to a 1.5 degree Celsius climate scenario as recommended by the Intergovernmental Panel on Climate Change (IPCC). Other HPE targets include sourcing 50% renewable power for our operations by 2025 and reducing supply chain emissions by 15% from 2016 to 2025.

Given that over two-thirds of HPE's global carbon footprint results from the use of our products, primarily related to energy consumption, HPE is focused on innovating sustainable IT solutions and partnering with customers to minimize the footprint of their IT infrastructures. Our goal is to improve the energy performance of our product portfolio 30-fold from 2015 to 2025. In 2019, we increased our product energy performance to 3X our 2015 baseline, almost doubling our 2018 performance. As the demand for data-intensive workloads explodes, we are innovating hyper-efficient supercomputing solutions. In 2019, HPE had 70 supercomputers on the Green500 list.

Beyond our products and services, we advocate for industrywide improvements in data center efficiency. Throughout 2019, HPE partnered with digitalswitzerland, as well as industry, academia, and the Swiss

## Management's Review

government, to launch a first-of-its-kind data center efficiency label designed to decarbonize data centers and significantly reduce their energy consumption. The Swiss Data Center Efficiency Label applies an advanced calculation methodology to offer a holistic view of energy consumption by considering all sources of energy consumption and energy supply, as well as the reuse of energy consumed. The label supports datacenter operators in reducing the energy consumption of their infrastructure. In 10 pilot cases, datacenters that adopted the label and its recommendations reduced their energy between 50 to 70%, with five of the pilot users employing 100% carbon-neutral energy sources.

More information regarding these efforts can be found in the HPE Living Progress Report at <http://www8.hp.com/us/en/hpe/hp-information/livingprogress/reporting.html>.

Global Policies:

- HPE Supplier Code of Conduct
- HPE Supplier SER Requirements
- HPE General Specification for the Environment
- HPE Vendor Requirements Hardware Recycling Standard
- HPE Vendor Requirements Hardware Reuse Standard

### **Statutory CSR report under section 99b of the Danish Financial Statements Act**

Our workforce is strengthened by people from different ethnicities, abilities, education levels, gender identities, sexual orientation, and cognitive styles. Yet a lack of diversity remains a top issue within our industry. It is a business imperative for us to continue recruiting and promoting employees with varied backgrounds who, when brought together, develop solutions that drive innovation.

All departments at HPE set measurable goals aligned with our Global Diversity and Inclusion strategy and policies, and our people leaders are evaluated based on inclusion training, programs and events.

It is well known that women are underrepresented in the tech industry. This is a reality we are working to reverse. Of the 13 global HPE Board members, five are women and three identify with one or more diverse groups in ethnicity, race, or nationality. 12 members are independent of HPE. In addition, the HPE Denmark Board consists of four individuals: Two are shareholder elected and two are employee elected, one of whom is female. Currently, women make up over 27.7% of the HPE Denmark workforce and 25% of our senior management positions. We exceeded our target to comprise at least one-third of the elected board from an underrepresented gender, with 50% female general assembly elected board members in 2019.

The equal opportunities committee at HPE works towards ensuring that all co-workers in HPE are treated fairly and that no one is discriminated against based on age, sex, nationality, religious belief or sexual orientation. In 2019, HPE was listed on the global Bloomberg's Gender Equality Index, which tracks the financial performance of public companies committed to supporting gender equality through policy development, representation, and transparency.

## Management's Review

We have a zero tolerance policy of discrimination and harassment, as well as an Open Door Policy for employees to express any concerns over experiences at work. We encourage employees to report ethics violations to their human resources department or our Ethics and Compliance Office.

The basic freedoms and standards of treatment to which all people are entitled are universal. Upholding these rights is fundamental to our values. The HPE Global Human Rights Policy is the foundation for our approach, which is rooted in the expectations set out by the UN Guiding Principles on Business and Human Rights. The HPE Office of Legal and Administrative Affairs guides our approach to human rights, and works across the business to address specific issues as they arise.

Global Policies:

- HPE Global Human Rights Policy
- HPE Open Door Policy
- HPE Harassment-Free Work Environment Policy
- HPE Nondiscrimination Policy
- HPE Standards of Business Conduct
- HPE Accessibility Policy

HPE Denmark KPIs:

	Men	Men %	Women	Women %
Employees (regular full-time) by gender	107	72.3%	41	27.7%
Senior managers by gender	3	75%	1	25%
HPE Denmark Board by gender	3	75%	1	25%

### Significant events

There were no significant events in fiscal year 2018/19.

### Subsequent events

COVID-19 is an emerging and growing global and local issue with as yet unknown community and economic consequences. Should the virus pandemic continue for an extended period of time, possible financial impacts may include impairment concerns, supply chain and logistics interruptions, changes in customer buying patterns and volumes and cash flow disruption. As none of these items are known with any certainty at the date of this report, no financial effect of these items or other potential items are contained in this financial report.

There were no other reported events that could materially impact the Company's financial position have occurred subsequent to the financial year-end.

## Income Statement 1 November - 31 October

	Note	2018/19 TDKK	2017/18 TDKK
<b>Revenue</b>	2	<b>1.277.428</b>	<b>1.421.028</b>
Cost of sales		-1.047.828	-1.195.731
Other external expenses		<u>-58.729</u>	<u>-60.892</u>
<b>Gross profit/loss</b>		<b>170.871</b>	<b>164.405</b>
Staff expenses	3	-160.837	-175.706
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	4	<u>-2.463</u>	<u>-2.231</u>
<b>Profit/loss before financial income and expenses</b>		<b>7.571</b>	<b>-13.532</b>
Financial income	5	4.371	11.322
Financial expenses	6	<u>-3.964</u>	<u>-19.094</u>
<b>Profit/loss before tax</b>		<b>7.978</b>	<b>-21.304</b>
Tax on profit/loss for the year	7	<u>2.509</u>	<u>591</u>
<b>Net profit/loss for the year</b>		<b><u>10.487</u></b>	<b><u>-20.713</u></b>

# Balance Sheet 31 October

## Assets

	Note	2018/19 TDKK	2017/18 TDKK
Goodwill		1.969	3.657
<b>Intangible assets</b>	8	<b>1.969</b>	<b>3.657</b>
Plant and machinery		54	0
Other fixtures and fittings, tools and equipment		759	2
Leasehold improvements		6.237	5.994
Property, plant and equipment in progress		10	33
<b>Property, plant and equipment</b>	9	<b>7.060</b>	<b>6.029</b>
<b>Fixed assets</b>		<b>9.029</b>	<b>9.686</b>
<b>Inventories</b>		<b>13.024</b>	<b>16.027</b>
Trade receivables		2.952	21.801
Receivables from group enterprises		408.336	478.298
Other receivables		606	1.466
Deferred tax asset	10	11.900	9.200
Prepayments	11	7.637	1.015
<b>Receivables</b>		<b>431.431</b>	<b>511.780</b>
<b>Cash at bank and in hand</b>		<b>156.102</b>	<b>151.889</b>
<b>Currents assets</b>		<b>600.557</b>	<b>679.696</b>
<b>Assets</b>		<b>609.586</b>	<b>689.382</b>

# Balance Sheet 31 October

## Liabilities and equity

	Note	2018/19 TDKK	2017/18 TDKK
Share capital		31.101	31.101
Retained earnings		135.968	125.481
<b>Equity</b>	12	<b>167.069</b>	<b>156.582</b>
Other provisions	14	18.785	18.506
<b>Provisions</b>		<b>18.785</b>	<b>18.506</b>
Other payables		2.701	0
<b>Long-term debt</b>	15	<b>2.701</b>	<b>0</b>
Trade payables		14.429	11.470
Contract work in progress, liabilities		1.137	1.262
Payables to group enterprises		38.545	155.444
Corporation tax		0	1.572
Other payables	15	99.985	69.877
Deferred income	16	266.935	274.669
<b>Short-term debt</b>		<b>421.031</b>	<b>514.294</b>
<b>Debt</b>		<b>423.732</b>	<b>514.294</b>
<b>Liabilities and equity</b>		<b>609.586</b>	<b>689.382</b>
Subsequent events	1		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Fee to auditors appointed at the general meeting	19		
Accounting Policies	20		

## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 November	31.101	125.481	156.582
Net profit/loss for the year	0	10.487	10.487
<b>Equity at 31 October</b>	<b>31.101</b>	<b>135.968</b>	<b>167.069</b>

# Notes to the Financial Statements

## 1 Subsequent events

COVID-19 is an emerging and growing global and local issue with as yet unknown community and economic consequences. Should the virus pandemic continue for an extended period of time, possible financial impacts may include impairment concerns, supply chain and logistics interruptions, changes in customer buying patterns and volumes and cash flow disruption. As none of these items are known with any certainty at the date of this report, no financial effect of these items or other potential items are contained in this financial report. There were no other reported events that could materially impact the Company's financial position have occurred subsequent to the financial year-end.

	2018/19 TDKK	2017/18 TDKK
<b>2 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	1.088.892	841.634
Revenue, exports	188.536	579.394
	<b>1.277.428</b>	<b>1.421.028</b>
<b>Business segments</b>		
Hybrid IT (Product)	739.134	797.591
Pointnext (Financial Services)	268.986	295.264
Intelligent Edge	259.343	318.822
Other	9.965	9.351
	<b>1.277.428</b>	<b>1.421.028</b>
<b>3 Staff expenses</b>		
Wages and salaries	147.826	161.525
Pensions	11.373	12.436
Other social security expenses	1.638	1.745
	<b>160.837</b>	<b>175.706</b>
<b>Average number of employees</b>	<b>146</b>	<b>164</b>

Remuneration to the Executive Board and the Board of Directors has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

## Notes to the Financial Statements

	2018/19 TDKK	2017/18 TDKK
<b>4 Depreciation, amortisation and impairment of property, plant and equipment and intangible assets</b>		
Amortisation of intangible assets	1.688	1.688
Depreciation of property, plant and equipment	775	543
	<b>2.463</b>	<b>2.231</b>
Which is specified as follows:		
Goodwill	1.688	1.688
Plant and machinery	0	45
Other fixtures and fittings, tools and equipment	101	32
Leasehold improvements	674	466
	<b>2.463</b>	<b>2.231</b>
<b>5 Financial income</b>		
Interest received from group enterprises	775	6.953
Other financial income	126	1
Exchange gains	3.470	4.368
	<b>4.371</b>	<b>11.322</b>
<b>6 Financial expenses</b>		
Interest paid to group enterprises	1.205	30
Other financial expenses	553	708
Exchange losses	2.206	18.356
	<b>3.964</b>	<b>19.094</b>

## Notes to the Financial Statements

	2018/19 TDKK	2017/18 TDKK
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	191	8
Deferred tax for the year	-2.700	-600
Adjustment of tax concerning previous years	0	1
	<b>-2.509</b>	<b>-591</b>

## 8 Intangible assets

	Goodwill TDKK
Cost at 1 November	22.391
Cost at 31 October	22.391
Impairment losses and amortisation at 1 November	18.734
Amortisation for the year	1.688
Impairment losses and amortisation at 31 October	20.422
<b>Carrying amount at 31 October</b>	<b>1.969</b>

## 9 Property, plant and equipment

	Plant and machinery TDKK	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK	Property, plant and equipment in progress TDKK
Cost at 1 November	82	510	15.763	33
Additions for the year	0	912	894	0
Transfers for the year	54	-54	23	-23
Cost at 31 October	136	1.368	16.680	10

## Notes to the Financial Statements

### 9 Property, plant and equipment (continued)

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Impairment losses and depreciation at 1 November	82	508	9.769	0
Depreciation for the year	0	101	674	0
Impairment losses and depreciation at 31 October	82	609	10.443	0
<b>Carrying amount at 31 October</b>	<b>54</b>	<b>759</b>	<b>6.237</b>	<b>10</b>

### 10 Deferred tax asset

	2018/19 TDKK	2017/18 TDKK
Deferred tax asset at 1 November	9.200	8.600
Amounts recognised in the income statement for the year	2.700	600
<b>Deferred tax asset at 31 October</b>	<b>11.900</b>	<b>9.200</b>

The recognised tax asset comprises loss carry-forwards expected to be utilised within the next 5 years.

### 11 Prepayments

Prepayments consist of prepaid expenses concerning prepaid sales commissions, prepaid subcontractors services, prepaid rent and other prepayments.

# Notes to the Financial Statements

## 12 Equity

The share capital is broken down as follow:

	Number	Nominal value TDKK
A-anparter	30.000	30.000
A-anparter	500	500
A-anparter	1.000	1
B-anparter	500	500
C-anparter	100	100
		<b>31.101</b>

## 13 Distribution of profit

	2018/19 TDKK	2017/18 TDKK
Retained earnings	10.487	-20.713
	<b>10.487</b>	<b>-20.713</b>

## 14 Other provisions

Balance at beginning of year	18.506	19.829
Amounts provided in the year	9.302	8.593
Amounts utilised during the year	-9.023	-9.916
	<b>18.785</b>	<b>18.506</b>

Provision is made for expected warranty claims on products with unexpired warranty periods. Standard product warranty terms generally include post-sales support and repairs or replacement of a product at no additional charge for a specified period of time. Estimated warranty obligation is based on contractual warranty terms, repair costs, product call rates, average cost per call, current period product shipments and ongoing product failure rates, as well as specific product class failure outside of baseline experience. It is expected that these costs will have been incurred within 3 years of the balance sheet date in accordance with the respective contractual obligations.

# Notes to the Financial Statements

## 15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2018/19 TDKK	2017/18 TDKK
<b>Other payables</b>		
Between 1 and 5 years	2.701	0
Long-term part	2.701	0
Other short-term payables	99.985	69.877
	<b>102.686</b>	<b>69.877</b>

## 16 Deferred income

Deferred income primarily relates to support contracts booked as income over the terms of the contracts.

## 17 Contingent assets, liabilities and other financial obligations

### Contingent assets

The company has a non-recognised tax asset of DKK 55 million in FY18/19. (DKK 72,3 million in FY17/18)

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	3.441	3.816
Between 1 and 5 years	4.710	7.698
	<b>8.151</b>	<b>11.514</b>

# Notes to the Financial Statements

## 18 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Hewlett-Packard The Hague B.V., Amstelveen, The Netherlands	Parent company

### Transactions

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

All transactions with related parties are conducted at arm's length.

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Companies

<u>Name</u>	<u>Place of registered office</u>
Hewlett-Packard Company (Ultimate parent)	California, USA
Hewlett-Packard The Hague B.V. (parent company)	Amstelveen, The Netherlands

The Group Annual Report of Hewlett-Packard Company (ultimate parent) & Hewlett-Packard The Hague B.V. (parent company) may be obtained at the following address:

Hewlett-Packard Company, 3000 Hanover Street, Palo Alto, Californien, USA  
Hewlett-Packard The Hague B.V., Stroombaan 16, 1181 VX, Amstelveen, The Netherlands

## 19 Fee to auditors appointed at the general meeting

### Ernst & Young

	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK
Audit fee	293	293
	<b>293</b>	<b>293</b>

# Notes to the Financial Statements

## 20 Accounting Policies

The Annual Report of Hewlett-Packard ApS for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018/19 are presented in TDKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Hewlett-Packard The Hague B.V. (parent company), the Company has not prepared a cash flow statement.

### Leases

In accordance with IAS 17 leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

### Revenue

Information on geographical segments based on the Companys risks and returns and its internal financial reporting system. Geographical segments are regarded as the primary segments.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Income Statement

#### Revenue

Revenue from the sale of goods in accordance with IAS 18 is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services in accordance with IAS 18 are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

#### Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year.

#### Other external expenses

Other external expenses comprise the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

#### Staff expenses

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

#### Amortisation, depreciation and impairment losses

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

#### Financial income and expenses

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

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Tax on profit/loss for the year

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

## Balance Sheet

### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

Plant and machinery	3-10	years
Other fixtures and fittings, tools and equipment	3-10	years
Leasehold improvements	5-15	years

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

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

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

### Inventories

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

The cost of goods for resale equals landed cost as well as other costs directly attributable to the acquisition.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Receivables

Receivables in accordance with IAS 39 are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value.

In accordance with IAS 39, an impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis, in which case the carrying amount is reduced to the net realisable value.

### Contract work in progress

Contract work in progress regarding service in accordance with IAS 11 is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

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

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

### Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial reporting years.

### Provisions

Provisions comprise expected expenses relating to guarantee commitments, etc. Provisions are recognised when the company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Deferred tax assets and liabilities

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

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

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

### Current tax receivables and liabilities

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

### Other payables

Other payables are measured at net realisation value.

### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

## Financial Highlights

### Explanation of financial ratios

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