CHRISTENSEN KJÆRULFF
PERSONLIGT ENGAGEMENT

STATSAUTORISERET REVISIONSAKTIESELSKAB
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CS Group ApS

c/o Lone Henriksen, Olsbæk Strandvej 5, 2670 Greve

Company reg. no. 33 87 16 43

Annual report

1 October 2019 - 30 September 2020

The annual report was submitted and approved by the general meeting on the 21 April 2021.

Lone Henriksen
Chairman of the meeting

Notes to users of the English version of this document:

- This document is a translation of a Danish version of the document. In the event of any dispute regarding the interpretation of any part of the document, the Danish version of the document shall prevail.
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points remain unchanged from Danish version of the document. This means that DKK 146.940 corresponds to the English amount of DKK 146,940, and that 23,5 % corresponds to 23.5 %.

Contents

Management's report

Today, the board of directors and the managing director have presented the annual report of CS Group ApS for the financial year 1 October 2019 - 30 September 2020.

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

We consider the accounting policies appropriate and, in our opinion, the consolidated financial statements and the financial statements provide a fair presentation of the assets, equity and liabilities, and the financial position, consolidated and for the company, respectively, at 30 September 2020, and of the result of the activities and cash flows, consolidated and of the company, respectively and cash flows, during the financial year 1 October 2019 – 30 September 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Greve, 21 April 2021

Managing Director

Gitte Henriksen

Board of directors

Lone Henriksen

Gitte Henriksen

Independent auditor's report

To the shareholders of CS Group ApS

Opinion

We have audited the consolidated financial statements and the financial statements of CS Group ApS for the financial year 1 October 2019 to 30 September 2020, which comprise income statement, statement of financial position, statement of changes in equity, statement af cash flows, notes and accounting policies, consolidated and of the company, respectively. The consolidated financial statements and the financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements present a fair view of the assets, equity and liabilities, and financial position, consolidated and of the company, respectively, at 30 September 2020 and of the results of the company's activities and cash flows, consolidated and of the company, respectively, for the financial year 1 October 2019 - 30 September 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the consolidated financial statements and the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements and the financial statements

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

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

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

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

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management’s preparation of the consolidated financial statements and the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from events or conditions that may cast significant doubt on the group’s and the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements and 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 group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and contents of the consolidated financial statements and the financial statements, including disclosures in notes, and whether the consolidated financial statements and the financial statements reflect the underlying transactions and events in a manner that presents a fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the consolidated financial statements and the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the consolidated financial statements or the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that the management commentary is consistent with the consolidated financial statements and the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 21 April 2021

Christensen Kjærulff

Company reg. no. 15 91 56 41

Anders Nielsen
State Authorised Public Accountant
mne42832

Kristian Pryds
State Authorised Public Accountant
mne24819

Company information

The company	CS Group ApS c/o Lone Henriksen Olsbæk Strandvej 5 2670 Greve	
	Company reg. no.	33 87 16 43
	Established:	17 August 2011
	Financial year:	1 October - 30 September
Board of directors	Lone Henriksen Gitte Henriksen	
Managing Director	Gitte Henriksen	
Auditors	Christensen Kjærulff Statsautoriseret Revisionsaktieselskab Store Kongensgade 68 1264 København K	
Subsidiaries	Galaxa Pharma ApS, Greve CanNordic A/S, Greve	

The principal activities of the group

Like previous years, the principal activities of the group and of CS Group ApS are pharmaceutical business.

Development in activities and financial matters

The revenue for the year totals DKK against DKK last year. Income or loss from ordinary activities after tax totals DKK against DKK last year. The development must be seen in light of the fact that, according to the annual report 2018/19, the company expected revenues for 2019/20 in the region of DKK and income or loss from ordinary activities after tax of DKK . Management considers the net profit or loss for the year satisfactory.

Income statement 1 October - 30 September

All amounts in DKK.

Note		Group 2019/20	Group 2018/19	Parent 2019/20	Parent 2018/19
	Revenue	2.110.727	1.425.936	0	0
	Other operating income	676.232	0	0	0
	Costs of raw materials and consumables	-1.428.074	-600.293	0	0
	Other external costs	-591.516	-614.513	-2.013	0
	Gross profit	**767.369**	**211.130**	**-2.013**	**0**
1	Staff costs	-271.386	0	0	0
	Amortisation and impairment of intangibleassets	-384.516	-24.433	0	0
	Operating profit	**111.467**	**186.697**	**-2.013**	**0**
	Income from subsidiaries	0	0	40.658	0
	Other financial income	1.297	131	0	0
2	Other financial costs	-144.550	-138.325	0	-107
	Pre-tax net profit or loss	**-31.786**	**48.503**	**38.645**	**-107**
	Tax on net profit or loss for the year	-22.793	-167.579	0	58.710
	Net profit or loss for the year	**-54.579**	**-119.076**	**38.645**	**58.603**
	Proposed appropriation of net profit:				
	Transferred to retained earnings			38.645	58.603
	Total allocations and transfers			**38.645**	**58.603**

Statement of financial position at 30 September

All amounts in DKK.

Assets

Note		Group 2020	Group 2019	Parent 2020	Parent 2019
	Non-current assets				
3	Development projects in progress	3.451.421	2.103.800	0	0
	Total intangible assets	3.451.421	2.103.800	0	0
4	Shares in subsidiaries	0	0	540.658	0
	Total investments	0	0	540.658	0
	Total non-current assets	**3.451.421**	**2.103.800**	**540.658**	**0**
	Current assets				
	Manufactured goods and trade goods	1.120.781	461.502	0	0
	Total inventories	1.120.781	461.502	0	0
	Trade debtors	46.287	108.077	0	0
	Amounts owed by subsidiaries	0	0	45.959	48.000
	Deferred tax assets	451.637	549.471	0	0
	Other debtors	69.200	52.052	0	0
	Total receivables	567.124	709.600	45.959	48.000
	Available funds	296.884	4.169	624	596
	Total current assets	**1.984.789**	**1.175.271**	**46.583**	**48.596**
	Total assets	**5.436.210**	**3.279.071**	**587.241**	**48.596**

Statement of financial position at 30 September

All amounts in DKK.

Equity and liabilities

Note		Group 2020	Group 2019	Parent 2020	Parent 2019
	Equity				
	Contributed capital	80.000	80.000	80.000	80.000
	Reserve for development costs	2.692.109	1.631.594	0	0
	Retained earnings	-2.684.868	-3.470.655	7.241	-31.404
	Total equity	**87.241**	**-1.759.061**	**87.241**	**48.596**
	Provisions				
	Provisions for deferred tax	759.313	460.193	0	0
	Other provisions	494.850	494.850	0	0
	Total provisions	**1.254.163**	**955.043**	**0**	**0**
	Liabilities other than provisions				
	Subordinate loan capital	1.724.380	2.016.667	0	0
	Bank loans	1.502.955	1.499.959	0	0
	Payables to subsidiaries	0	0	500.000	0
	Total long term liabilities other than provisions	3.227.335	3.516.626	500.000	0
	Bank overdraft	0	398.502	0	0
	Trade payables	486.665	134.985	0	0
	Other payables	380.806	32.976	0	0
	Total short term liabilities other than provisions	867.471	566.463	0	0
	Total liabilities other than provisions	**4.094.806**	**4.083.089**	**500.000**	**0**
	Total equity and liabilities	**5.436.210**	**3.279.071**	**587.241**	**48.596**

Consolidated statement of changes in equity

All amounts in DKK.

	Contributed capital not paid	Share premium	Reserve for development costs	Retained earnings	Total
Equity 1 October 2018	80.000	0	817.936	-2.527.913	-1.629.977
Profit or loss for the year	0	0	0	-942.742	-942.742
Cash capital reduction	0	0	813.658	0	813.658
Equity 1 October 2019	80.000	0	1.631.594	-3.470.655	-1.759.061
Cash capital increase	0	0	0	2.193.000	2.193.000
Profit or loss for the year	0	0	0	-1.407.213	-1.407.213
Cash capital reduction	0	0	1.060.515	0	1.060.515
	80.000	**0**	**2.692.109**	**-2.684.868**	**87.241**

Statement of changes in equity of the parent

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 October 2018	80.000	0	80.000
Profit or loss for the year brought forward	0	-31.404	-31.404
Equity 1 October 2019	80.000	-31.404	48.596
Profit or loss for the year brought forward	0	38.645	38.645
	80.000	**7.241**	**87.241**

Statement of cash flows 1 October - 30 September

All amounts in DKK.

Note		Group 2019/20	Group 2018/19	Parent 2019/20	Parent 2018/19
	Net profit or loss for the year	-54.579	-119.076	38.645	58.603
5	Adjustments	407.309	192.012	-40.658	-58.603
6	Change in working capital	170.624	1.056.819	2.041	703
	Cash flows from operating activities before net financials	523.354	1.129.755	28	703
	Interest paid, etc.	0	0	0	-107
	Cash flows from ordinary activities	523.354	1.129.755	28	596
	Cash flows from operating activities	**523.354**	**1.129.755**	**28**	**596**
	Purchase of intangible assets	-1.732.137	-1.043.560	0	0
	Purchase of fixed asset investments	0	0	-500.000	0
	Cash flows from investment activities	**-1.732.137**	**-1.043.560**	**-500.000**	**0**
	Intercompany payables	0	0	500.000	0
	Cash capital increase	1.900.000	0	0	0
	Cash flow from financing activities	**1.900.000**	**0**	**500.000**	**0**
	Change in cash and cash equivalents	**691.217**	**86.195**	**28**	**596**
	Cash and cash equivalents at 1 October 2019	-394.333	-480.528	596	0
	Cash and cash equivalents at 30 September 2020	**296.884**	**-394.333**	**624**	**596**

Notes

All amounts in DKK.

	Group 2019/20	Group 2018/19	Parent 2019/20	Parent 2018/19
1. Staff costs				
Salaries and wages	267.978	0	0	0
Other costs for social security	3.408	0	0	0
	271.386	**0**	**0**	**0**
Average number of employees	2	0	0	0

Staff costs include costs for administrative staff. Staff costs relating to development staff are capitalised and depreciated over a 3-year period.

	Group 2019/20	Group 2018/19	Parent 2019/20	Parent 2018/19
2. Other financial costs				
Other financial costs	144.550	138.325	0	107
	144.550	**138.325**	**0**	**107**

	Group 2019/20	Group 2018/19	Parent 2019/20	Parent 2018/19
3. Development projects in progress				
Cost 1 October 2019	2.103.800	1.060.240	0	0
Additions during the year	1.732.137	1.043.560	0	0
Cost 30 September 2020	**3.835.937**	**2.103.800**	**0**	**0**
Amortisation for the year	-384.516	0	0	0
Amortisation and writedown 30 September 2020	**-384.516**	**0**	**0**	**0**
Carrying amount, 30 September 2020	**3.451.421**	**2.103.800**	**0**	**0**

All amounts in DKK.

		Parent 30/9 2020	30/9 2019
4.	**Shares in subsidiaries**		
	Additions during the year	500.000	0
	Cost 30 September 2020	**500.000**	**0**
	Results for the year before goodwill amortisation	40.658	0
	Revaluation 30 September 2020	**40.658**	**0**
	Carrying amount, 30 September 2020	**540.658**	**0**

Subsidiaries:

	Domicile	**Equity interest**
Galaxa Pharma ApS	Greve	100 %
CanNordic A/S	Greve	100 %

		Group 2019/20	2018/19	Parent 2019/20	2018/19
5.	**Adjustments**				
	Depreciation, amortisation, and impairment	384.516	24.433	0	0
	Income from subsidiaries	0	0	-40.658	0
	Other financial costs	0	0	0	107
	Tax on net profit or loss for the year	22.793	167.579	0	-58.710
		407.309	**192.012**	**-40.658**	**-58.603**
6.	**Change in working capital**				
	Change in inventories	-659.279	10.298	0	0
	Change in debtors	44.642	406.435	2.041	703
	Change in trade payables and other payables	699.510	96.134	0	0
	Other changes in working capital	85.751	543.952	0	0
		170.624	**1.056.819**	**2.041**	**703**

The annual report for CS Group ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The consolidated financial statements

The consolidated income statements comprise the parent company CS Group ApS and those group enterprises of which CS Group ApS directly or indirectly owns more than 50 % of the voting rights or in other ways exercise control.

Consolidation policies

The consolidated financial statements have been prepared as a summary of the parent company's and the group enterprises' financial statements by adding together uniform accounting records calculated in accordance with the group's accounting policies.

Investments in group enterprises are eliminated by the proportionate share of the group enterprises' market value of net assets and liabilities at the acquisition date.

In the consolidated financial statements, the accounting records of the group enterprises are recognised by 100%. The minority interests' share of the profit for the year and of the equity in the group enterprises, which are not 100% owned, is included in the group's profit and equity, but presented separately.

Purchases and sales of minority interests under continuing control are recognised directly in equity as a transaction between shareholders.

Investments in associates are measured in the statement of financial position at the proportionate share of the enterprises' equity value i calculated in accordance with the parent company's accounting policies and with proportionate elimination of unrealised intercompany gains and losses. In the income statement, the proportional share of the associates' results is recognised after elimination of the proportional share of intercompany gains and losses.

The group activities in joint operations are recognised in the consolidated financial statements record by record.

Income statement

Revenue

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from equity investments in subsidiaries

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual subsidiaries are recognised in the income statement of the parent as a proportional share of the subsidiaries' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The parent and the Danish group enterprises are subject to Danish rules on compulsory joint taxation of Danish group enterprises. The parent acts as an administration company in relation to the joint taxation. This means that the total Danish income tax payable by the Danish group companies is paid to the tax authorities by the company.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and writedowns for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments

Equity investments in subsidiaries

Equity investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Equity investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterpriseswith a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in group enterprises, associates and equity interests but are not represented in the parent, the following accounting policies have been applied.

Equity investments in subsidiaries with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries are transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

As administration company, CS Group ApS is liable to the tax authorities for the subsidiaries' corporate income taxes.

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Income tax receivable” or “Income tax payable”.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the group has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the group.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

On the acquisition of entities, provisions for restructuring within the acquired entity are included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been recognised in the financial statements of the acquired entity in advance of the acquisition. Provisions for restructuring are included to the extent that they have been decided at the date of acquisition at the latest and that the process have been commenced.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are calculated as the group's and parent's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under “Interest income and dividend received”.

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the group's and parent's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand with deduction of short-term bank debts and short-term securities with a maturity less than 3 months that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

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"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

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