
Storstroem Bridge Joint Venture I/S

Brovejen 16 A,
4760 Vordingborg,
Denmark

Annual Report 2019

1 January - 31 December

CVR No 3938 7166

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
14th May 2020

Mr. Andrea Danese
Chairman of the General
Meeting

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Company Information	
Company Information	4
Financial Highlights	5
Management's Review	6
Financial Statements	
Income Statement 1 January - 31 December	8
Balance Sheet 31 December	9
Statement of Changes in Equity	11
Cash Flow Statement 1 January – 31 December	12
Notes to the Financial Statements	13

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Storstroem Bridge Joint Venture I/S for the financial year 1 January - 31 December 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 December 2019 of the Company and of the results of the Company operations for 2019.

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.

Vordingborg, 14th May 2020

General Manager

Mr. Luciano Brunetti

Board of Directors

Mr. Andrea Danese
Chairman

Mr. Giorgio Giulio Ambrosini
Member

Mr. Emanuele Lancellotti
Member

Mr. Silvio Fascio
Member



Independent Auditor's Report

To the Partners of Storstroem Bridge Joint Venture I/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Storstroem Bridge Joint Venture I/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

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.



Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Odense, 14th May 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mikael Johansen
State Authorized Public Accountant
mne23318

Claus Damhave
State Authorized Public Accountant
mne34166

Company Information

The Company

Storstroem Bridge Joint Venture I/S

Brovejen 16 A,
4760 Vordingborg,
Denmark

Telephone: +45 3163 6006.

CVR No 3938 7166

Financial period: 1 January - 31 December

Municipality of registered office: Vordingborg

General Manager

Mr. Luciano Brunetti

Board of Directors

Mr. Andrea Danese

Mr. Emanuele Lancellotti

Mr. Giorgio Giulio Ambrosini

Mr. Silvio Fascio

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Rytterkasernen 21,

5000 Odense C,

Denmark

Financial Highlights

Seen over the period, the development of the Company is described by the following financial highlights:

	<u>2019</u> DKK	<u>2018</u> DKK
Key figures		
Profit/loss		
Revenue	239.582.568	163.719.951
Gross profit/loss	(79.242.305)	25.528.431
Profit/loss before financial income and expenses	(157.828.387)	4.771.793
Net financials	(2.270.334)	41.970
Net loss for the year	(160.098.721)	4.813.763
Balance sheet		
Balance sheet total	397.738.541	286.300.995
Equity	(155.284.958)	4.813.763
Cash flows		
Cash flows from:		
- Investing activities	(93.507.872)	(594.151)
Including investment in property, plant and equipment	(93.507.872)	(594.151)
Number of employees	75	16
Ratios		
Gross margin	-33,1%	15,6%
Profit margin	-65,9%	2,9%
Return on assets	-39,7%	1,7%
Solvency ratio	-39,0%	1,7%
Return on equity	-206,2%	200,0%

For definitions, see under accounting policies.

Management's Review

Key activities

The entity has entered into a Turnkey contract with client Vejdirektoratet for the design and construction of Storstrøm Bridge Project between Masnedø and Falster with a total contract value of DKK 2 billion. The project has commenced on 26 February 2018 and expected to complete on 19 September 2022.

Development in the year

The income statement of the Company for 2019 shows a loss of DKK 160.098.721, and at 31 December 2019 the balance sheet of the Company shows negative equity of DKK 155.284.958.

The contract for the construction of Storstrøm Bridge has in 2019 been assessed as a loss-making contract. As a result hereof, the total expected loss is recognised as an expense in the income statement for 2019.

Management considers the result to be unsatisfactory.

In order to ensure sufficient liquidity, the Company has received a Letter of Support from the parent company Itinera SpA, declaring that they will provide the required liquidity for planned activities in Storstroem Bridge Joint Venture I/S for the financial year 2020, so that the Company is to be considered as going concern.

Strategy

The company will proceed in 2020 to execute our strategy and adjust to the progressions driven by innovation and always showing signs of change client desires and expectations. We will do as such by proceeding to put resources into client driven items and arrangements in our mission to convey the best client experience. Fulfilled clients are the best way to accomplishing long haul gainful development and an essential for turning our vision of turning into the most confided in specialist co-op into the real world.

The partnership agreements have enabled us to grow while maintaining high customer satisfaction and The association understandings have empowered us to develop while keeping up high consumer loyalty and sound credit quality. We screen advancements in the business sectors intently and keep up a mindful methodology in our exercises.

Targets and expectations for the year ahead

As described above the contract has been assessed as a loss-making contract. Before the Covid-19 outbreak, the Company expected a breakeven result for the coming years.

However, the Company's outlook for the future will be negatively affected by the Covid-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak. Management is monitoring developments closely. It is, however, too early to give an opinion as to whether and, if so, to what extent Covid-19 will impact revenue and earnings in 2020, see also subsequent events disclosures in note no. 2 to the Financial Statements.

Management's Review

Uncertainty relating to recognition and measurement

While the project starts there might be some uncertain and unforeseen situation which could lead to an utmost consideration, however based upon the years of experience in this industry we believe the risk for such aspect would be minimized till the lower possible level.

Furthermore, we refer to note 2 to the Financial Statements.

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities and cash flows of the Company for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

Refer to note 3 to the Financial Statements.

Income Statement 1 January - 31 December 2019

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Revenue		239.582.568	163.719.951
Expenses for raw materials and consumables		(46.752.846)	(4.528.463)
Other external expenses		<u>(272.072.027)</u>	<u>(133.663.057)</u>
Gross Profit/(Loss)		(79.242.305)	25.528.431
Staff expenses	4	(65.899.841)	(20.720.425)
Depreciation Expenses		<u>(12.686.241)</u>	<u>(36.213)</u>
Profit/loss before financial income and expenses (EBIT)		(157.828.387)	4.771.793
Financial income		418.239	204.104
Financial expenses	5	<u>(2.688.573)</u>	<u>(162.134)</u>
Profit before tax (EBT)		<u>(160.098.721)</u>	4.813.763
Tax on profit for the year		<u>0</u>	<u>0</u>
Net losses for the year		<u>(160.098.721)</u>	<u>4.813.763</u>

Balance Sheet 31 December 2019

Assets

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Software	6	<u>105.664</u>	<u>0</u>
Intangible assets		<u>105.664</u>	<u>0</u>
Other fixtures and fittings, tools and equipment	7	<u>213.665.953</u>	<u>557.938</u>
Property, plant and equipment		<u>213.665.953</u>	<u>557.938</u>
Fixed assets		<u>213.771.617</u>	<u>557.938</u>
Inventories		<u>16.622.423</u>	<u>910.320</u>
Contract assets	8	87.160.042	74.452.312
Trade receivables		5.666.601	35.067.548
Receivables from related parties		0	4.814.356
Other receivables		6.936.199	5.320.126
Prepayments	9	<u>62.500.802</u>	<u>37.144.115</u>
Receivables		<u>162.263.644</u>	<u>156.798.457</u>
Cash at bank and in hands		<u>5.080.857</u>	<u>128.034.280</u>
Total Currents assets		<u>183.966.924</u>	<u>285.743.057</u>
Total Assets		<u>397.738.541</u>	<u>286.300.995</u>

Balance Sheet 31 December 2019

Liabilities and Equity

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Contributed capital		0	0
Retained earnings		<u>(155.284.958)</u>	<u>4.813.763</u>
Total Equity		<u>(155.284.958)</u>	<u>4.813.763</u>
Prepayments received from customers	11	150.000.000	150.000.000
Lease obligations	11	<u>95.106.150</u>	<u>0</u>
Long-term debt		<u>245.106.150</u>	<u>150.000.000</u>
Credit institutions		48.921.999	0
Lease obligations	11	28.533.387	0
Trade payables		93.432.472	84.776.627
Payables to related parties		130.440.317	45.962.834
Other payables		<u>6.589.174</u>	<u>747.771</u>
Short-term debt		<u>307.917.349</u>	<u>131.487.232</u>
Total Liability		<u>553.023.499</u>	<u>281.487.232</u>
Total Liability and Equity		<u>397.738.541</u>	<u>286.300.995</u>
Going concern	1		
Uncertainty relating to recognition and measurement	2		
Subsequent events	3		
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		

Statement of Changes in Equity

	Contributed capital	Retained earnings	Total Equity
	DKK	DKK	DKK
Equity at 1 January 2019	0	4.813.763	4.813.763
Net profit/loss for the year	<u>0</u>	<u>(160.098.721)</u>	<u>(160.098.721)</u>
Equity at 31 December 2019	<u>0</u>	<u>(155.284.958)</u>	<u>(155.284.958)</u>

Cash Flow Statement 1 January – 31 December

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Net loss for the year		(160.098.721)	4.813.763
Adjustments	14	14.956.573	(5.757)
Change in working capital	15	<u>(6.680.042)</u>	<u>123.778.455</u>
Cash flows from operating activities		<u>(151.822.190)</u>	<u>128.586.461</u>
Financial Income		418.239	204.104
Financial expenses		<u>(2.115.326)</u>	<u>(162.134)</u>
Cash flows from ordinary activities		<u>(153.519.277)</u>	<u>128.628.431</u>
Corporation tax paid		<u>0</u>	<u>0</u>
Cash flows from operating activities		<u>(153.519.277)</u>	<u>128.628.431</u>
Purchase of intangible assets		(108.032)	0
Purchase of property, plant and equipment		<u>(93.399.840)</u>	<u>(594.151)</u>
Cash flows from investing activities		<u>(93.507.872)</u>	<u>(594.151)</u>
Change in loans from group enterprises		84,477,483	0
Repayment of lease obligations		<u>(9,325,756)</u>	<u>0</u>
Cash flows from financing activities		<u>75.151.727</u>	<u>0</u>
Change in cash and cash equivalents		(171.875.422)	128.034.280
Cash and Cash equivalents at 1 January		<u>128.034.280</u>	<u>0</u>
Cash and Cash equivalents at 31 December		<u>(43.841.142)</u>	<u>128.034.280</u>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		5.080.857	128.034.280
Credit institutions		<u>(48.921.999)</u>	<u>0</u>
Cash and cash equivalents at 31 December		<u>(43.841.142)</u>	<u>128.034.280</u>

Notes to the Financial Statements

1 Going Concern

In order to ensure sufficient liquidity, the Company has received a Letter of Support from the parent company Itinera SpA, declaring that they will provide the required liquidity for planned activities in Storstroem Bridge Joint Venture I/S for the financial year 2020, so that the Company is to be considered as going concern.

2 Uncertainty relating to recognition and measurement

When preparing financial statements, Management makes a number of accounting choices, judgements and estimates forming the basis of recognition and measurement of the Company's assets and liabilities as well as income and expenses. The estimates are based on historical experience and other factors which Management considers appropriate in the circumstances, but which are inherently uncertain or unpredictable. The assumptions may be incomplete or inaccurate, and contingencies or unexpected circumstances may arise. The Company is moreover exposed to risks and uncertainties that may result in the actual outcome deviating from these estimates. Consequently, estimates may be subject to considerable uncertainty.

Contract work in progress

Work in progress includes contract work in progress of a cumulative selling price of DKK 387.120.753. Contract work in progress has been measured and recognized based on an estimate, and the measurement is therefore subject to uncertainty.

3 Subsequent events

Management considers the consequences of Covid-19 as an event that occurred after the balance sheet date, which is therefore a non-adjusting event to the Company.

The consequences of Covid-19 are expected to indeed have an impact on the Company in 2020. Management is monitoring developments closely. It is, however, too early to give an opinion as to whether and, if so, to what extent Covid-19 will impact revenue and earnings in 2020. Naturally, Management will make an effort to recapture any lost revenue later in the year.

As described in note 1 above the Company has received a Letter of Support from the parent company Itinera SpA, and therefore Management still considers the cash resources reasonable.

	<u>2019</u> DKK	<u>2018</u> DKK
4 Staff expenses		
Wages and salaries	(40.872.227)	(9.025.947)
Pensions	(2.776.658)	(272.749)
Other social security expenses	(253.905)	(55.950)
Other staff expenses, including seconded staff	<u>(21.997.051)</u>	<u>(11.365.779)</u>
	<u>(65.899.841)</u>	<u>(20.720.425)</u>
Including remuneration to the General Manager and Board of Directors.	<u>(2.794.527)</u>	<u>(1.475.782)</u>
Average number of employees	<u>75</u>	<u>16</u>

Notes to the Financial Statements

	<u>2019</u> DKK	<u>2018</u> DKK
5 Financial expenses		
Other financial expenses	(1.670.480)	(162.134)
Financial expenses to related parties	<u>(998.093)</u>	<u>0</u>
	<u>(2.668.573)</u>	<u>(162.134)</u>
		<u>Software</u> DKK
6 Intangible assets		
Cost at 1 January		0
Additions for the year		<u>108.032</u>
Cost at 31 December		<u>108.032</u>
Impairment losses and depreciation at 1 January		0
Amortization for the year		<u>(2.368)</u>
Impairment losses and depreciation at 31 December		<u>(2.368)</u>
Carrying amount at 31 December		<u>105.664</u>
		Other fixtures and fittings, tools and <u>equipment</u> DKK
7 Property, plant and equipment		
Cost at 1 January		594.151
Additions for the year		148.327.030
FA in progress		<u>77.464.858</u>
Cost at 31 December		<u>226.386.039</u>
Impairment losses and depreciation at 1 January		(36.213)
Depreciation for the year		<u>(12.683.873)</u>
Impairment losses and depreciation at 31 December		<u>(12.720.086)</u>
Carrying amount at 31 December		<u>213.665.953</u>
Including assets under finance leases amounting to		<u>117.978.357</u>

Notes to the Financial Statements

	<u>2019</u> DKK	<u>2018</u> DKK
8 Contract assets and liabilities		
Selling price of work in progress	387.120.753	158.905.595
Payments received on account	<u>(299.960.711)</u>	<u>(84.453.283)</u>
	<u>87.160.042</u>	<u>74.452.312</u>
Recognized in the balance sheet as follows:		
Contract work in progress recognized in assets	87.160.042	74.452.312
Prepayments received recognized in debt	<u>0</u>	<u>0</u>
	<u>87.160.042</u>	<u>74.452.312</u>
9 Prepayments		
Prepayments consist of prepaid expenses concerning rent, insurance premiums and subcontractor advances as well.		
10 Distribution of profit		
Retained earnings	<u>160.098.721</u>	<u>(4.813.763)</u>
	<u>160.098.721</u>	<u>(4.813.763)</u>
11 Long-term debt		
Payments due within 1 year are recognized in short-term debt. Other debt is recognized in long-term debt. The debt falls due for payment as specified below.		
Prepayments received from customers		
After 5 years	0	0
Between 1 and 5 years	<u>150.000.000</u>	<u>150.000.000</u>
Long-term part	150.000.000	150.000.000
Within 1 year	<u>0</u>	<u>0</u>
	<u>150.000.000</u>	<u>150.000.000</u>
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	<u>95.106.150</u>	<u>0</u>
Long-term part	95.106.150	0
Within 1 year	<u>28.533.387</u>	<u>0</u>
	<u>123.639.537</u>	<u>0</u>

Notes to the Financial Statements

12 Contingent assets, liabilities and other financial obligations

The Company has not placed any assets as security with bankers etc., and the Company has no contingent liabilities as at 31 December 2019.

In connection with the work in progress the parent company has issued a performance guarantee of DKK 308 million and an advance payment guarantee of DKK 150 million.

13 Related parties

Basis

Controlling interest

Aurelia Srl
Itinera SpA

Ultimate Parent Company
Partner with majority share

Transactions

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

There are no related party transactions that have not been carried through on market terms.

Consolidated Financial Statements

The company is included in the Group Report of the Ultimate Parent Company and in the group Report of the partner with majority share:

Name	Place of registered office
Aurelia Srl	Turin, Piedmont, Italy
Itinera SpA	Tortona, Alessandria, Italy

The Group Annual Report of Aurelia Srl may be obtained at the following address:

Corso Romita n. 10
15057 Tortona (AL)
Italy

The Group Annual Report of Itinera SpA may be obtained at the following address:

Via Mario Balustra n. 15
15057 Tortona (AL)
Italy

Notes to the Financial Statements

	<u>2019</u> DKK	<u>2018</u> DKK
14 Cash flow Adjustments		
Financial Income	(418.239)	(204.104)
Financial Expense	2.688.573	162.134
Depreciation	<u>12.686.239</u>	<u>36.213</u>
	<u>14.956.573</u>	<u>(5.757)</u>
15 Working Capital		
Change in inventories	(15.712.103)	(910.320)
Change in contract work in progress	(12.707.730)	(74.452.312)
Change in receivables	30.547.183	(43.149.983)
Change in prepayments	(23.304.640)	(39.196.162)
Change in prepayments received from customers	0	150.000.000
Change in trade and other payables	<u>14.497.248</u>	<u>131.487.232</u>
	<u>(6.680.042)</u>	<u>123.778.455</u>

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Storstroem Bridge Joint Venture I/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2019 are presented in DKK.

16.1 Changes in accounting policies

With effect for the financial year 2019, Storstroem Bridge Joint Venture I/S has chosen to apply the options of the Danish Financial Statements Act of applying IFRS 15, Revenue from contracts with customers, and IFRS 16, Leases, within the framework. Thus, Storstroem Bridge Joint Venture I/S has changed its accounting policies, cf. below.

Storstroem Bridge Joint Venture I/S's accounting policies have been changed as it is Management's assessment that the changed accounting policies give a more true and fair view of the financial position and the results of the Company. Moreover, the change means that the Company now applies the same accounting policies as the rest of the Itinera Group, to which the Company belongs.

IFRS 15, Revenue from contracts with customers

Storstroem Bridge Joint Venture I/S has changed its accounting policy for the recognition of revenue from contracts with customers. This means that the Company applies IFRS 15 for recognition and measurement of revenue.

The change of accounting policy is based on the transitional rules of IFRS 15:

- comparative figures have not been restated; thus, the effect of the change of accounting policy has been recognised as an opening adjustment of retained earnings at 1 January 2019;
- contracts completed before 1 January 2019 according to the previous accounting policy are not reassessed.

IFRS 15 are applied to transactions carried out on or after 1 January 2019 or transactions that were in progress at the beginning of the financial year. Comparative figures have not been restated under the new accounting policy.

The change of accounting policy has had no effect on revenue, net profit, total assets and equity.

Going forward, Storstroem Bridge Joint Venture I/S's work in progress will be treated as contract assets. Contract assets will also comprise certain other items. At the same time, any prepayment will be recognised as a contract liability.

IFRS 16, Leases

Storstroem Bridge Joint Venture I/S has also changed its accounting policy for leases, and now applies IFRS 16 for lease transactions. Thus, leased assets are recognised with a calculated value and are depreciated over their expected useful lives, whereas the lease liability is recognised in the balance sheet.

The change of accounting policy is based on the transitional rules of IFRS 16:

- comparative figures have not been restated; thus, the effect of the change of accounting policy has been recognised as an opening adjustment of retained earnings at 1 January 2019;
- in respect of leases previously classified as operating leases, a lease liability is recognised and measured corresponding to the present value of the remaining lease payments, discounted using the Company's

Notes to the Financial Statements

16 Accounting Policies (continued)

incremental borrowing rate at 1 January 2019 - lease assets are recognised at the same amount adjusted for prepaid or accrued lease payments;

- in respect of portfolios of leases with similar characteristics, one single discount rate is applied;
- in respect of leases classified to date as operating leases for which onerous lease provisions have been recognised, the lease asset has been adjusted by the amount of the onerous lease provisions at 1 January 2019;
- leases for which the term ends within 12 months from 1 January 2019 are not included in the balance sheet;
- in respect of leases previously classified as finance leases, the amounts at 1 January 2019 have been maintained.

The accounting policy change has had the following effect on net profit, total assets and equity:

	2019
	DKK
Reduction in net profit	(92.811)
Increase in lease assets	24.592.279
Increase in lease liabilities	24.685.090
Increase in total assets	24.592.279
Reduction of equity	(92.811)

16.2 Recognition and measurement

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

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

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

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

16.3 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 recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

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 recognized in financial income and expenses in the income statement.

Notes to the Financial Statements

16 Accounting Policies (continued)

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

16.4 Leases

Leases are recognised in the balance sheet at the calculated amount of the lease liability in accordance with IFRS 16. The lease liability is calculated at the present value of the lease payments calculated by applying the interest rate implicit in the lease or Storstroem Bridge Joint Venture I/S's incremental borrowing rate as discount rate if the interest rate implicit in the lease is not available. Lease assets are depreciated and written down for impairment under the same policy as for Storstroem Bridge Joint Venture I/S's other fixed assets.

The Company has chosen to apply the exemptions concerning short-term and low-value leases. Therefore, such lease assets are not recognised as assets and liabilities in the balance sheet. The costs are recognised in the income statement on a straight-line basis over the lease term.

The lease liability is recognised in the balance sheet under debt and is adjusted for prepaid lease payments on a current basis. At the same time, interest is added on the liability. Interest expenses are charged to the income statement on a current basis.

16.5 Income Statement

Revenue

Revenue from contracts with customers is recognised on the basis of transfer of control, which according to IFRS 15 takes place at the time when control of the service delivered passes to the customer.

Control is considered passed to the customer when:

- a binding sales agreement has been made;
- delivery has been made before year end;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue in respect of which Storstroem Bridge Joint Venture I/S delivers is recognised over time ("construction contracts"). This revenue is calculated on the basis of the selling price of work performed for the year (percentage of completion method). This method is applied when total revenues and expenses in respect of the contract 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 Storstroem Bridge Joint Venture I/S.

The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for subcontractors, technical assistance and expenses for premises, sales and distribution as well as office expenses, etc.

Notes to the Financial Statements

16 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as other payroll related expenses including seconded staff.

Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses comprise amortization, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

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

Tax on profit/loss for the year

The Company is not an independent tax subject, consequently no tax has been included in the annual report.

16.6 Balance Sheet

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

Other fixtures and fittings,	
tools and equipment	3-5 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 amortization 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 realizable value.

The net realizable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realizable value is determined allowing for marketability, obsolescence and development in expected selling price.

Notes to the Financial Statements

16 Accounting Policies (continued)

The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to nominal value less provisions for bad debts.

Contract assets and liabilities

Contract work in progress

Contract work in progress regarding service 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 recognized 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 realizable 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.

Prepayments

Prepayments comprise prepaid expenses concerning subcontractors, technical assistance, rent, insurance premiums, subscriptions and interest.

Equity

Dividends

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Financial debts

Debts are measured at amortized cost, substantially corresponding to nominal value.

Notes to the Financial Statements

16 Accounting Policies (continued)

16.7 Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortization and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

16 Accounting Policies (continued)

16.8 Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$