Svend Hoyer A/S

Over Hadstenvej 42, DK-8370 Hadsten

Annual Report for 1 January - 31 December 2021

CVR No 17 63 06 95

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 16/5 2022

Henrik Petersen
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Svend Hoyer A/S for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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

Hadsten, 16 May 2022

Executive Board

Henrik Thomassen Ulrich Sørensen CEO	Henrik Petersen CFO

Board of Directors

Søren Østergaard Sørensen Chairman	Henrik Thomassen Ulrich Sørensen	Hans Mønster

Independent Auditor's Report

To the Shareholder of Svend Hoyer A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Svend Hoyer A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

ment, whether due to fraud or error.

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

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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 disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor's Report

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.

Aarhus, 16 May 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Kragh State Authorised Public Accountant mne26783	Claus Lyngsø Sørensen State Authorised Public Accountant mne34539

Company Information

The Company	Svend Hoyer A/S Over Hadstenvej 42 DK-8370 Hadsten CVR No: 17 63 06 95 Financial period: 1 January - 31 December Municipality of reg. office: Favrskov
Board of Directors	Søren Østergaard Sørensen, Chairman Henrik Thomassen Ulrich Sørensen Hans Mønster
Executive Board	Henrik Thomassen Ulrich Sørensen Henrik Petersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

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

	2021	2020	2019	2018	2017
	kDKK	kDKK	kDKK	kDKK	kDKK
Key figures					
Profit/loss					
Revenue	435,733	393,955	627,631	457,242	380,217
Operating profit/loss	-6,599	8,554	64,082	28,053	9,949
Net financials	7,948	4,508	357	-4,055	-4,433
Profit/loss from discontinuing activities	0	65,013	0	0	0
Net profit/loss for the year	2,339	77,238	45,897	16,196	4,647
Balance sheet					
Balance sheet total	476,736	360,204	315,089	290,497	254,971
Equity	195,893	188,735	112,543	66,395	56,265
Investment in property, plant and equipment	-1,374	-5,562	-2,437	-4,318	-2,283
Number of employees	100	105	115	96	84
Ratios					
Solvency ratio	41.1%	52.4%	35.7%	22.9%	22.1%
Return on equity	1.2%	51.3%	51.3%	26.4%	7.2%

The Hoyer Transmission business unit was divested in 2020. Comparable figures for 2017-2019 have not been adjusted for the discontinuing activites, hence 2020 and 2021 lacks comparability with 2017-2019.

Management's Review

Key activities

The Company is a leading supplier of customised electric motors to the marine, HVAC, energy, and industrial sectors, primarily in Europe and Asia. Hoyer sells own-branded as well as customer specific products and offers key value-added services to its customers, such as logistics, technical customization, quality assurance and technical documentation.

Development in the year

The income statement of the Company for 2021 shows a profit of kDKK 2,339, and at 31 December 2021 the balance sheet of the Company shows equity of kDKK 195,893.

The past year and follow-up on development expectations from last year

Overall, 2021 saw very strong development in order intake with growth versus 2020 of more than 50%. The growth has been driven by the more focused commercial approach and the effective supply chain management securing delivery availability, despite the very challenging situation with stock shortages experienced across many industries.

Revenue has also shown growth, but is lagging the order intake, meaning the Company has substantial order backlog going into next year.

During the year the gross margin has been under pressure due to the significant increases in material- and freight costs. Consequently, price increases have been implemented in the second half of the year and the gross margin has since been moving back toward its pre-covid-19 level.

During 2021 management decided to keep a higher overhead and staff cost level in order to strengthen our market position and ability to scale the business as well as supporting development and deployment of a new ERP-system.

The year 2021 saw the establishment of permanent representation in two of the Company's key markets, USA, and Poland, through the establishment of subsidiaries with offices in Houston, USA and Tarnów, Poland.

During the end of 2021 a new facility in Ningbo, China was established. The new site will during 2022 replace the existing facility. The new facility includes a new test center and will allow hosting in-house customer events to strengthen the Company's local presence. It will further enable increased operational efficiency through optimized workflow and offer improved and safer work environment as well as reduced consumption.

The growth in order intake and revenue was strong, as expected, but the gross margin was below expectation due to the exceptional cost increases for material and freight as described above.

Management's Review

Operating risks

Hoyer's main business risk relates to the general global economic development and the specific development of the customers and industries served. During the last years Hoyer has diversified the customer base and targeted and grown the presence in for instance the HVAC, industrial pumps, and energy segments, thereby reducing the dependency on the marine segment.

Hoyer is also exposed to variations in freight and material prices (copper, aluminium, cast iron, and silicon steel). During the year Hoyer has improved internal processes and procedures to be able to better address and manage this risk.

Financial risks

As a result of its operations, investments and financing, the Comapny is exposed to changes in currency exchange rates, credit risks and liquidity risks.

Foreign exchange risks

The Company is affected by changes in currency exchange rates, as goods purchased and the main part of the turnover is invoiced in a foreign currency, while the main part of the costs, including wages and salaries, are mainly paid in Danish Kroner.

The Company hedges the foreign exchange risk by means of the finance policy approved by the Board of Directors.

Interest rate risks

The Company hedges the interest rate risk by means of the interest policy approved by the Board of Directors.

Credit risks

The Company's policy for assuming credit risks means that all customers and other business partners are credit rated on an ongoing basis. The historic credit losses have been on a very low level.

Liquidity risks

The Company has credit facilities available exceeding the expected requirements of the Company.

Management's Review

Targets and expectations for the year ahead

The Company's outlook for 2022 is a strong start to the year based on a large order book and expectations that all segments will continue their growth trajectories from the last half of 2021.

The current events in Ukraine introduce new uncertainty on material- and freight prices, however, management expects that the gross margin with continue its return towards its normal level as the Company has implemented governance models and processes to navigate and mitigate effects of cost increases on the gross margin. Please refer to the Subsequent Events note for further information.

Statement of corporate social responsibility

No separate statement has been made for Svend Hoyer A/S. Please refer to the statement for Hoyer Group A/S.

In accordance with the Danish Financial Statements Act, section 99 a and 99 b Hoyer Group A/S publishes its report on Corporate Social Responsibility on the company website. Please refer to our statutory report here:
https://hoyermotors.com/wp-content/uploads/2022/04/Hoyer-ESG-2021.pdf

Svend Hoyer A/S is committed to handling data responsibly. However the Company does not currently have any data which is not already included in the handling of the GDPR regulation, hence the Company does not believe that a formalised policy for data ethics is needed currently.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2021 of the Company and the results of the activities of the Company for the financial year for 2021 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	2021	2020
		kDKK	kDKK
Revenue	1	**435,733**	**393,955**
Change in inventories of finished goods, work in progress and goods for resale		58,160	-54,844
Expenses for raw materials and consumables		-411,700	-249,497
Other external expenses		-34,011	-30,570
Gross profit/loss		**48,182**	**59,044**
Staff expenses	2	-51,567	-47,891
Depreciation and impairment of property, plant and equipment		-3,214	-2,599
Other operating expenses		0	-10
Profit/loss before financial income and expenses		**-6,599**	**8,544**
Income from investments in subsidiaries		6,503	9,969
Financial income	3	5,065	1,221
Financial expenses	4	-3,620	-6,682
Profit/loss before tax		**1,349**	**13,052**
Tax on profit/loss for the year	5	990	-827
Profit/loss from continuing activities		**2,339**	**12,225**
Profit/loss from discontinuing activities	6	0	65,013
Net profit/loss for the year		**2,339**	**77,238**

Balance Sheet 31 December

Assets

	Note	2021	2020
		kDKK	kDKK
Completed development projects		1,366	0
Development projects in progress		9,714	0
Intangible assets	7	**11,080**	**0**
Other fixtures and fittings, tools and equipment		8,213	9,951
Property, plant and equipment	8	**8,213**	**9,951**
Investments in subsidiaries	9	51,387	40,156
Receivables from group enterprises	10	1,584	1,611
Deposits	10	60	60
Fixed asset investments		**53,031**	**41,827**
Fixed assets		**72,324**	**51,778**
Finished goods and goods for resale		152,089	93,929
Inventories		**152,089**	**93,929**
Trade receivables		68,859	45,711
Receivables from group enterprises		24,711	16,369
Other receivables	16	913	912
Receivable from shareholders and Management		153,309	150,657
Deferred tax asset	11	612	282
Corporation tax receivable from group enterprises		2,960	0
Prepayments	12	699	555
Receivables		**252,063**	**214,486**
Cash at bank and in hand		**260**	**11**
Currents assets		**404,412**	**308,426**
Assets		**476,736**	**360,204**

Balance Sheet 31 December

Liabilities and equity

	Note	2021	2020
		kDKK	kDKK
Share capital		1,000	1,000
Reserve for net revaluation under the equity method		47,780	36,549
Reserve for development costs		8,642	0
Reserve for loans and security		153,309	150,657
Reserve for hedging transactions		83	-8
Retained earnings		-14,921	537
Equity		**195,893**	**188,735**
Other provisions	14	1,100	1,850
Provisions		**1,100**	**1,850**
Other payables		5,828	3,040
Long-term debt	15	**5,828**	**3,040**
Credit institutions		161,314	64,495
Trade payables		45,332	25,340
Payables to group enterprises		47,193	43,257
Corporation tax		6,700	5,764
Payables to group enterprises relating to corporation tax		0	17,282
Other payables	15,16	13,376	10,441
Short-term debt		**273,915**	**166,579**
Debt		**279,743**	**169,619**
Liabilities and equity		**476,736**	**360,204**
Subsequent events	19		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	17		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Reserve for loans and security	Reserve for hedging transactions	Retained earnings	Total
	kDKK	kDKK	kDKK	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	1,000	36,549	0	150,657	-8	537	188,735
Exchange adjustments	0	4,728	0	0	0	0	4,728
Fair value adjustment of hedging instruments	0	0	0	0	117	0	117
Tax on adjustment of hedging instruments for the year	0	0	0	0	-26	0	-26
Development costs for the year	0	0	8,722	0	0	-8,722	0
Depreciation, amortisation and impairment for the year	0	0	-80	0	0	80	0
Additions on reserve for loan	0	0	0	2,652	0	-2,652	0
Net profit/loss for the year	0	6,503	0	0	0	-4,164	2,339
Equity at 31 December	**1,000**	**47,780**	**8,642**	**153,309**	**83**	**-14,921**	**195,893**

Notes to the Financial Statements

		2021	2020
		kDKK	kDKK

1 Revenue

Geographical segments

	2021 kDKK	2020 kDKK
Europe	211,829	269,114
Asia	205,834	108,626
Other	18,070	16,215
	435,733	**393,955**

Business segments

The Company has not disclosed its business segments as all products sold are categorised as "Motors"

2 Staff expenses

	2021 kDKK	2020 kDKK
Wages and salaries	47,319	43,798
Pensions	3,591	3,434
Other social security expenses	657	659
	51,567	**47,891**
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	1,817	1,965
Board of Directors	225	284
	2,042	**2,249**
Average number of employees	**100**	**105**

3 Financial income

	2021 kDKK	2020 kDKK
Interest received from group enterprises	491	261
Other financial income	2,941	960
Exchange adjustments	1,633	0
	5,065	**1,221**

Notes to the Financial Statements

		2021	2020
		kDKK	kDKK
4	**Financial expenses**		
	Interest paid to group enterprises	1,359	1,031
	Other financial expenses	2,261	1,102
	Exchange loss	0	4,549
		3,620	**6,682**
5	**Tax on profit/loss for the year**		
	Current tax for the year	-634	807
	Deferred tax for the year	-330	32
		-964	**839**
	which breaks down as follows:		
	Tax on profit/loss for the year	-990	827
	Tax on changes in equity	26	12
		-964	**839**
6	**Discontinuing activities**		
	Revenue	0	23,594
	Other operating income	0	78,489
	Expenses for raw materials and consumables	0	-15,192
	Other external expenses	0	-710
	Gross profit/loss	**0**	**86,181**
	Staff expenses	0	-2,821
	Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	0	-10
	Profit/loss before tax	**0**	**83,350**
	Tax on profit/loss for the year	0	-18,337
	Profit/loss from discontinuing activities	**0**	**65,013**

Discontinuing activities includes the divestment of the Hoyer Transmission business unit in 2020.

Notes to the Financial Statements

7 Intangible assets

	Completed development projects	Development projects in progress
	kDKK	kDKK
Cost at 1 January	0	0
Additions for the year	0	11,182
Transfers for the year	1,468	-1,468
Cost at 31 December	1,468	9,714
Impairment losses and amortisation at 1 January	0	0
Amortisation for the year	102	0
Impairment losses and amortisation at 31 December	102	0
Carrying amount at 31 December	**1,366**	**9,714**

Development projects comprise of expenses relating the Company's ERP-software and add-ons. The project is expected to be completed in 2022.

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	kDKK
Cost at 1 January	26,948
Additions for the year	1,374
Disposals for the year	-157
Cost at 31 December	28,165
Impairment losses and depreciation at 1 January	16,997
Depreciation for the year	3,112
Reversal of impairment and depreciation of sold assets	-157
Impairment losses and depreciation at 31 December	19,952
Carrying amount at 31 December	**8,213**
Including assets under finance leases amounting to	2,165

Notes to the Financial Statements

9 Investments in subsidiaries

	2021	2020
	kDKK	kDKK
Cost at 1 January	3,607	3,607
Cost at 31 December	3,607	3,607
Value adjustments at 1 January	36,549	27,669
Exchange adjustment	4,728	-1,089
Net profit/loss for the year	6,503	9,969
Value adjustments at 31 December	47,780	36,549
Carrying amount at 31 December	**51,387**	**40,156**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Svend Hoyer Power Transmission (Ningbo) Co., Ltd (sub-group)	Ningbo, China	100%

10 Other fixed asset investments

	Receivables from group enterprises	Deposits
	kDKK	kDKK
Cost at 1 January	1,611	60
Additions for the year	264	0
Disposals for the year	-291	0
Carrying amount at 31 December	**1,584**	**60**

11 Deferred tax asset

	2021	2020
	kDKK	kDKK
Deferred tax asset at 1 January	282	314
Amounts recognised in the income statement for the year	330	-32
Deferred tax asset at 31 December	**612**	**282**

Notes to the Financial Statements

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

13 Distribution of profit

	2021	2020
	kDKK	kDKK
Reserve for net revaluation under the equity method	6,503	9,969
Retained earnings	-4,164	67,269
	2,339	**77,238**

14 Other provisions

The Company provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions have been recognised for expected warranty claims.

Other provisions	1,100	1,850
	1,100	**1,850**

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:

Other payables

Between 1 and 5 years	5,828	3,040
Long-term part	5,828	3,040
Other short-term payables	13,376	10,441
	19,204	**13,481**

Notes to the Financial Statements

16 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	2021	2020
	kDKK	kDKK
Other receivables	108	0
Other payables	0	9

Forward exchange contracts have been concluded to hedge future purchase of goods in CNY. At the balance sheet date, the fair value of the forward exchange contracts amounts to kDKK 108. The forward exchange contracts have a term of 1-6 months for an amount of kCNY 8,000.

17 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:		
Within 1 year	8,327	7,656
Between 1 and 5 years	27,741	26,796
After 5 years	13,427	21,339
	49,495	**55,791**
Including to group enterprises:		
Rental and lease obligations	45,099	53,555

Other contingent liabilities

Sydbank has pledged security in receivables from shareholders for all engagement with Svend Hoyer A/S and Svend Hoyer GmbH. The receivables amounts DKK 153.3 million at 31 December 2021.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Hoyer Group A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

18 Related parties

	Basis
Controlling interest	
Xilos Co-Investment No. 1 Separate Limited Partnership Jersey, United Kingdom	Ultimate shareholder of Hoyer Group A/S
Hoyer Group A/S Hadsten, Denmark	Majority shareholder of Svend Hoyer A/S

Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries:

	2021 kDKK	2020 kDKK
Revenue	88,798	88,465
Goods purchased	-124,285	-108,541
Rent, buildings	-6,325	-6,748
Administration fee	-1,337	-1,465
Management fee, paid	-3,797	-4,678
Management fee, received	2,631	2,906
Interest income	455	261
Interest expenses	-1,359	-1,032

Consolidated Financial Statements

The company is included in the Group Annual Report of

Name	Place of registered office
Hoyer Group A/S	Hadsten

Notes to the Financial Statements

19 Subsequent events

The invasion by Russia of Ukraine and the developments in the imposition of sanctions on Russia will have impact on the development in 2022. Hoyer have a smaller exposure to the Russian and Ukrainian markets and expects that a small number of orders will be cancelled. This means that the direct impact only will be minor. It is however likely that secondary effects of increasing metal prices and freight costs will put pressure on gross margins unless mitigating actions are taken, and Hoyer is monitoring this development closely.

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Svend Hoyer A/S for 2016 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 2021 are presented in kDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Hoyer Group A/S, the Company has not prepared consolidated financial statements.

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 Hoyer Group A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

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

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits 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.

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

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

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Revenue

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

Income Statement

Revenue

Revenue from the sale of goods 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.

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Expenses for raw materials and consumables

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

Other external expenses

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

Discontinuing activities

Profit/loss from discontinuing activities includes the net result from the discontinuing activities and the profit from the sale of the discontinuing acitivities.

Recognition of revenues and expenses for the discontinuing activities are in accordance with the accounting policy.

Staff expenses

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

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

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.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs less tax is allocated to the equity item "Reserve for development costs". The reserve is reduced by amortisation of and impairment losses on the development projects less tax on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 7 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

Notes to the Financial Statements

20 Accounting Policies (continued)

expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-10	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits and other investments.

Inventories

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

The net realisable 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 realisable

Notes to the Financial Statements

20 Accounting Policies (continued)

value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

Receivables

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

Prepayments

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period. Provisions are measured and recognised based on experience with guarantee work.

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 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 or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

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