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BDO Statsautoriseret revisionsaktieselskab
Dokken 8
DK-6700 Esbjerg
CVR no. 20 22 26 70

VESTAS AIRCOIL A/S

SMED HANSENS VEJ 13, 6940 LEM ST

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2023

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 20 June 2024

____
Mette Grunnet

CVR NO. 18 38 85 45

CONTENTS

COMPANY DETAILS

Company	Vestas Aircoil A/S Smed Hansens Vej 13 6940 Lem St	
	Telephone:	+45 97 34 18 00
	Telefax:	+45 97 34 14 14
	Website:	www.vestas-aircoil.com
	E-mail:	info@vestas-aircoil.com
	CVR No.:	18 38 85 45
	Established:	3 February 1995
	Municipality:	Ringkøbing-Skjern
	Financial Year:	1 January - 31 December
Board of Directors	Ib Sand Nykjær, chairman Mette Grunnet Allan Larsen	
Executive Board	Michael Døj	
Auditor	BDO Statsautoriseret revisionsaktieselskab Dokken 8 6700 Esbjerg	
Bank	Sydbank Kongensgade 62 6700 Esbjerg	
Law Firm	Elmann Advokatpartnerskab Stokholmgade 41 2100 Copenhagen	

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Vestas Aircoil A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Lem St., 28 May 2024

Executive Board

Michael Døj

Board of Directors

Ib Sand Nykjær Chairman	Mette Grunnet	Allan Larsen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Vestas Aircoil A/S

Opinion

We have audited the Financial Statements of Vestas Aircoil A/S for the financial year 1 January - 31 December 2023, which comprise income statement, Balance Sheet, statement of changes in equity, notes *and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.*

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

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 (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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.*

INDEPENDENT AUDITOR'S REPORT

- *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.

Statement on Management Commentary
Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, 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 Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management Commentary 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 of Management Commentary.

Esbjerg, 28 May 2024

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Lasse L. Wolff
State Authorised Public Accountant
MNE no. mne35802

MANAGEMENT COMMENTARY

Principal activities

The Company's activities have been focused on development and sales of heat exchangers.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2023 DKK	2022 DKK
GROSS PROFIT		**21,460,564**	**26,384,294**
Staff costs	1	-18,245,034	-15,944,471
Depreciation, amortisation and impairment losses for tangible and intangible assets	2	-4,112,250	-5,170,616
Other operating expenses		-3,161,929	150,569
OPERATING LOSS		**-4,058,649**	**5,419,776**
Income from investments in subsidiaries		49,572,022	49,626,357
Other financial income	3	2,779,793	2,001,583
Other financial expenses	4	-3,534,909	-1,833,889
PROFIT BEFORE TAX		**44,758,257**	**55,213,827**
Tax on profit/loss for the year	5	-515,787	-2,342,162
Other taxes		-2,356,673	-2,666,352
PROFIT FOR THE YEAR		**41,885,797**	**50,205,313**

PROPOSED DISTRIBUTION OF PROFIT

Proposed dividend for the year		25,000,000	21,500,000
Allocation to reserve for net revaluation under the equity method		49,572,022	0
Retained earnings		-32,686,225	28,705,313
TOTAL		**41,885,797**	**50,205,313**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2023 DKK	2022 DKK
Development projects completed, including patents and similar rights originating from development projects		3,587,006	5,051,762
Acquired concessions, patents, licences, trademarks and similar rights		12,651	34,844
Development projects in progress and prepayments for intangible assets		0	1,019,561
Intangible assets	6	**3,599,657**	**6,106,167**
Land and buildings		17,995,291	17,638,935
Production plant and machinery		3,610,307	8,588,722
Other plant, fixtures and equipment		468,640	291,807
Property, plant and equipment	7	**22,074,238**	**26,519,464**
Investments in subsidiaries		92,543,041	84,672,199
Other investments		100,000	100,000
Receivables from Group companies		26,669,794	25,018,938
Financial non-current assets	8	**119,312,835**	**109,791,137**
NON-CURRENT ASSETS		**144,986,730**	**142,416,768**
Trade receivables		507,512	138,796
Receivables from group enterprises		46,767,774	38,638,679
Deferred tax assets	9	5,638,000	4,526,000
Other receivables		1,180,101	715,893
Prepayments		354,268	832,650
Receivables		**54,447,655**	**44,852,018**
Cash and cash equivalents		**1,377,699**	**3,140,831**
CURRENT ASSETS		**55,825,354**	**47,992,849**
ASSETS		**200,812,084**	**190,409,617**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2023 DKK	2022 DKK
Share Capital	10	3,000,000	3,000,000
Reserve for net revaluation under the equity method		51,935,411	55,596,855
Reserve for development costs		2,797,864	4,735,631
Retained earnings		49,861,395	31,444,478
Proposed dividend		25,000,000	21,500,000
EQUITY		**132,594,670**	**116,276,964**
Debt to mortgage credit institution		9,935,598	13,672,497
Lease liabilities		0	117,530
Other non-current liabilities		4,562,108	4,704,780
Non-current liabilities	11	**14,497,706**	**18,494,807**
Debt to mortgage credit institution		4,004,894	4,157,038
Bank debt		40,555,249	42,263,433
Lease liabilities		117,454	1,090,950
Trade payables		1,463,502	752,160
Debt to Group companies		3,281,316	2,953,763
Corporation tax payable		1,134,371	1,430,815
Other liabilities		3,162,922	2,989,687
Current liabilities		**53,719,708**	**55,637,846**
LIABILITIES		**68,217,414**	**74,132,653**
EQUITY AND LIABILITIES		**200,812,084**	**190,409,617**
Contingencies etc.	12		
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EQUITY

DKK	Share Capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Proposed dividend	Total
Equity at 1 January 2023	3,000,000	55,596,855	4,735,631	31,444,478	21,500,000	116,276,964
Proposed profit allocation		49,572,022		-32,686,225	25,000,000	41,885,797
Transactions with owners						
Dividend paid					-21,500,000	-21,500,000
Other legal bindings						
Capitalized development costs			-1,937,767	1,937,767		0
Foreign exchange adjustments		-4,068,091				-4,068,091
Other adjustments to equity value		-338,845		338,845		0
Transfers						
Receiv./decl. dividend		-48,826,530		48,826,530		0
Equity at 31 December 2023	**3,000,000**	**51,935,411**	**2,797,864**	**49,861,395**	**25,000,000**	**132,594,670**

NOTES

	2023 DKK	2022 DKK	Note
Staff costs			1
Average number of full time employees	21	17	
Wages and salaries	16,678,546	14,593,902	
Pensions	1,239,464	1,030,070	
Social security costs	327,024	320,499	
	18,245,034	**15,944,471**	
Remuneration of Management and Board of Directors	4,278,012	1,432,243	
	4,278,012	**1,432,243**	

Depreciation, amortisation and impairment losses for tangible and intangible assets			2
Depreciation and Impairment losses on intangible assets	2,506,510	2,434,453	
Depreciation on property, plant and equipment	1,605,740	2,736,163	
	4,112,250	**5,170,616**	

Other financial income			3
Interest income from group enterprises	2,779,618	1,093,019	
Other interest income	175	908,564	
	2,779,793	**2,001,583**	

Other financial expenses			4
Interest expenses to group enterprises	63,423	18,240	
Other interest expenses	3,471,486	1,815,649	
	3,534,909	**1,833,889**	

Tax on profit/loss for the year			5
Calculated tax on taxable income of the year	2,079,680	2,623,162	
Adjustment of tax in previous years	-451,893	0	
Adjustment of deferred tax	-1,112,000	-281,000	
	515,787	**2,342,162**	

NOTES

Note

Intangible assets 6

DKK	Development projects completed, including patents and similar rights originating from development projects	Acquired concessions, patents, licences, trademarks and similar rights	Development projects in progress and prepayments for intangible assets
Cost at 1 January 2023	10,289,570	7,710,069	1,019,561
Disposals	-270,808	0	-1,019,561
Cost at 31 December 2023	**10,018,762**	**7,710,069**	**0**
Amortisation at 1 January 2023	5,237,808	7,675,225	0
Reversal of amortisation of assets disposed of	-1,290,369	0	0
Impairment losses	1,231,972	0	0
Amortisation for the year	1,252,345	22,193	0
Amortisation at 31 December 2023	**6,431,756**	**7,697,418**	**0**
Carrying amount at 31 December 2023	**3,587,006**	**12,651**	**0**

Development projects in progress
Development projects in progress comprise of development and test of air coolers to OEM customers. Prototypes are continually finalised and tested by our OEM customers. No sales has yet been carried through for the projects.

Completed development projects
Completed development projects comprise of development and test of air coolers to OEM customers. Each product has an 8 year depreciation period starting from the date of serial production. Sales has been carried through for the projects.

Property, plant and equipment 7

DKK	Land and buildings	Production plant and machinery	Other plant, fixtures and equipment
Cost at 1 January 2023	50,850,961	51,323,146	2,399,741
Additions	568,120	0	282,450
Disposals	-85,144	-26,074,567	-784,168
Cost at 31 December 2023	**51,333,937**	**25,248,579**	**1,898,023**
Depreciation and impairment losses at 1 January 2023	33,212,026	42,734,424	2,107,934
Reversal of depreciation of assets disposed of	-85,144	-22,384,511	-784,168
Depreciation for the year	211,764	1,288,359	105,617
Depreciation and impairment losses at 31 December 2023	**33,338,646**	**21,638,272**	**1,429,383**
Carrying amount at 31 December 2023	**17,995,291**	**3,610,307**	**468,640**
Finance lease assets		479,231	

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Note

Financial non-current assets 8

DKK	Investments in subsidiaries	Other investments	Receivables from Group companies
Cost at 1 January 2023	29,075,344	100,000	25,018,938
Additions	11,532,286	0	1,650,856
Cost at 31 December 2023	**40,607,630**	**100,000**	**26,669,794**
Revaluation at 1 January 2023	55,596,855	0	0
Exchange adjustment	-4,044,149	0	0
Transferred	-362,787	0	0
Dividend	-48,826,530	0	0
Profit/loss for the year	47,786,398	0	0
Other adjustments	1,967,249	0	0
Revaluation at 31 December 2023	**52,117,036**	**0**	**0**
Amortisation of goodwill	181,625	0	0
Impairment losses and amortisation of goodwill at 31 December 2023	**181,625**	**0**	**0**
Carrying amount at 31 December 2023	**92,543,041**	**100,000**	**26,669,794**

Goodwill
Vestas Aircoil A/S has bought 100% of the shares in Xchanger Services Ltd. in 2023. The cost of the shares amounts to DKK 7,725 k. the goodwill amounts to DKK 2,905 k.

Investments in subsidiaries

Name and domicil	Ownership
Vestas Aircoil Cooling Technology (Suzhou) Co., Ltd., Suzhou, China	100 %
Suzhou VP Industries Machining Co., Ltd., Suzhou, China	100 %
Vestas Aircoil Romania S.R.L., Brasov, Romania	100 %
Vestas Aircoil UK Ltd., Sutton Coldfield, England	100 %
Vestas Industrial Cooling ApS, Lem St, Denmark	100 %
Vestas Aircoil Holdings U.S., LLC, Delaware, USA	100 %
Applied Cooling Technology, LLC, Florida, USA	100 %
Vestas Aircoil US LLC, Delaware, USA	100 %
Xchanger Services Ltd., Leicestershire, England,	100 %

Deferred tax assets 9

The provision for deferred tax is related to differences between the carrying amount and tax value of receivables, intangible and tangible fixed assets, including recognised finance lease contracts and tax losses carried forward.

NOTES

Note

The amount breaks down as follows:

DKK	Carrying Value	Tax Value	Tax depre. or amort. above carrying value
Intangible assets	3,599,656	16,144,404	-12,544,748
Property, plant and equipment	21,956,786	34,990,585	-13,033,799
Liabilities other than provisions	0	49,094	-49,094
Tax losses carried forward	0	16,231,525	-16,231,525
Write-down	0	-16,231,525	16,231,525
Rounding	0	0	368
	25,556,442	**51,184,083**	**-25,627,273**
Deferred tax asset			**5,638,000**

	2023 DKK	2022 DKK
Deferred tax assets, beginning of year	4,526,000	4,245,000
Deferred tax of the year, income statement	1,112,000	281,000
Deferred tax assets 31 December 2023	**5,638,000**	**4,526,000**

Deferred tax assets is expected to be utilised within the next 3 to 5 years. The company has a deferred tax asset of DKK 3,571 k which has not been recognised as a deferred tax asset in the balance sheet, as it is uncertain whether or when the tax asset can be utilized.

Share Capital 10

Allocation of share capital:

Ordinary shares, 3,000 unit in the denomination of 1,000 DKK.	3,000,000	3,000,000
	3,000,000	**3,000,000**

Long-term liabilities 11

DKK	31/12 2023 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2022 total liabilities
Debt to mortgage credit institution	13,940,492	4,004,894	3,185,397	17,829,535
Lease liabilities	117,454	117,454	0	1,208,480
Other non-current liabilities	4,656,531	94,423	3,159,317	4,704,780
	18,714,477	**4,216,771**	**6,344,714**	**23,742,795**

NOTES

Note

Contingencies etc. 12

	2023 DKK	2022 DKK
Lease liabilities (operating leases), the payment is due:		
Next year	186,641	157,455
Between 1 and 5 year	255,828	363,149
	442,469	**520,604**
Guarantee for subsidiaries	49,951	0

Guarantee of payment for subsidiaries credit is given to the bank. The balance 31st of December 2023 amounts to the above.

The company is faced with tax law points of view, which may have a significant financial impact on the company's financial position. The Danish Tax authorities have suggested to make an increase of the taxable income of DKK 96 mio. for the income years 2018-2022 giving a possible tax payment of DKK 22 mio. before interests.
The company has involved legal advice which assesses that there are significant views that speak against the views of tax law points of view, with arguments against the suggested change of the taxable income.
If changes changes will be made, un-regocnised tax losses carried forward and depreciations will reduce the actual payment.

Joint liabilities
The Company is jointly and severally liable together with the Parent Company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of M. Grunnet Holding A/S, which serves as management Company for the joint taxation.

Charges and securities 13
Mortgage debt is secured by way of mortgage on properties.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 7,450 k nominal.
The carrying amount of mortgaged properties is DKK 17,995 k.

Certain items of plant and machinery as well as other fixtures etc have been financed by means of finance leases.

The carrying amount of assets held under finance leases is DKK 479 k.

Collateral provided for group enterprises
The Entity has issued a "letter of support" up to and including 31st of December 2024, respectively, to Vestas Industrial Cooling ApS.

NOTES

Note

Related parties 14

The direct parent, Genua A/S, Copenhagen holds all of the shares and has controlling interest. The ultimate parent, M. Grunnet Holding A/S, Copenhagen holds all of the shares of Genua A/S and has controlling interest.

Controlling interest

Mette Grunnet, Copenhagen is the ultimate owner, and holds all of the shares of M. Grunnet Holding A/S.

Transactions with related parties

The Company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

Consolidated Financial Statements 15

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
M. Grunnet Holding A/S, Copenhagen

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
M. Grunnet Holding A/S, Copenhagen

ACCOUNTING POLICIES

The Annual Report of Vestas Aircoil A/S for 2023 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year.

Consolidated Financial Statements
Consolidated Financial Statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The Company is included in the consolidated Financial Statements of M. Grunnet Holding A/S, Højbro Plads 6, CVR No.:35046062

INCOME STATEMENT

Net revenue
Net revenue from the sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received.

Rental income is accrued to cover the period up to the end of the financial year.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Cost of sales
Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other operating income
Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible assets, grants, and salary refunds. Compensations are recognised when the income is estimated to be realisable.

Other external expenses
Other external expenses include other production, sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts, operating lease expenses, etc

Payments related to operating lease expenses and other lease agreements are recognised in the Income Statement over the contract period. The Company's total liability concerning operating and other lease agreements are stated under contingencies, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees.

Other operating expenses
Other operating expenses include items of a secondary nature in relation to the Group's and the Company's activities. Losses from sale of intangible and tangible fixed assets are also included.

Income from investments in subsidiaries
The Income Statement of the Parent Company recognises the proportional share of the results of subsidiaries determined according to the Parent Company's accounting policies and after full elimination of intercompany profits/losses and deduction of amortisation of goodwill. resulting from purchase price allocation at the date of acquisition, is recognised in the Parent Company's Income Statement.

Profits from sale are recognized, if the economic rights related to the sold subsidiaries are transferred. However, not before the profit is realised or regarded as realisable. Moreover, realised losses besides impairments are recognised when they are demonstrated.

ACCOUNTING POLICIES

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from debt and transactions in foreign currencies, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

Other tax includes tax amounts calculated on a basis other than income for the year, which are not refunded to the Entity.

BALANCE SHEET

Intangible fixed assets
Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 8 years. The period of amortisation is determined based on an assessment of the acquired Company's position in the market and earnings profile, and the industry-specific conditions.

Patents and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period and licences are amortised over the period of the agreement, however, no more than 5 years.

Development projects comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the Company's development activities and which fulfil the criteria for recognition in the Balance Sheet.

The accounting item is measured at the lower of the capitalised costs less accumulated amortisation and recoverable amount.
Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 8 years.

Intangible fixed assets are generally written down to the recoverable amount if this is lower than the carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

ACCOUNTING POLICIES

Tangible fixed assets

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life
Buildings	*20-25 years*
Production plant and machinery	*8 years*
Other plant, fixtures and equipment	*5 years*

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

Lease contracts

Lease contracts relating to tangible fixed assets
for which the Company bears all material risks and benefits attached to the ownership (finance lease, see IAS 17) are recognised as assets in the Balance Sheet. The assets are at the initial recognition measured at the lower of cost stated at fair value and the and present value of the future lease payments. The internal interest rate of the lease contract, or alternatively the Company's loan interest, is used as discounting factor when calculating the present value. Finance lease assets are hereafter treated as the Group's and the Company's other similar tangible fixed assets.

The capitalised residual lease liability is recognised in the Balance Sheet as a liability and the interest portion of the lease payment is recognised in the Income Statement over the contract period.

All other lease contracts are considered to be operating leases. Payments related to operating leases and other rental agreements are recognised in the Income Statement over the contract period. The Company's total liability relating to operating leases and rental agreements is disclosed as contingencies etc.

ACCOUNTING POLICIES

Financial non-current assets
Investments in subsidiaries are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

Investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying Equity value, calculated in accordance with the Parent Company's accounting policies with deduction or addition of unrealised intercompany profits or losses, and with addition of remaining additional values and goodwill calculated according to the acquisition method.

The combination method is applied when acquiring enterprises within the Group, where the combination is regarded as completed at the date of acquisition, and by using the carrying amounts of the assets and liabilities acquired.

Acquired enterprises are subject to the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date, which is the time for obtaining control. The purchase consideration consists of the fair value of the agreed consideration in the form of transferred assets and liabilities. If a part of the purchase consideration is contingent on future events or compliance with agreed terms, this part of the purchase consideration is recognised at fair value at the date of acquisition. Subsequent regulations of the contingent purchase consideration are recognised in the Income Statement.

The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation models. A discounted cash flow model is used to calculate the fair value of investment properties based on a discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, based on an overall assessment of the production equipment. The acquisition date is the date on which the Company gains actual control over the acquired entity.

Ascertained excess values in relation to the underlying company's equity value are recognised and measured in accordance with the accounting policies for the assets and liabilities, to which they attributable.

Consolidated goodwill is amortised over the expected useful life, which is determined on the basis of Management's experience within the individual lines of business. Consolidated goodwill is amortised on a straightline basis over the amortisation period, which is 8 years. The amortisation period is determined on the basis of an assessment of the acquired entity's market position and earnings profile, and the industryspecific condition.

Received dividend is deducted in the carrying amount of the equity investment.

Net revaluation of investments in subsidiaries is transferred under equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Profit and loss at disposal of investments in subsidiaries are determined as the difference between the net selling price and the carrying amount of the disposed investment at the time of sale, including non-depreciated excess values and goodwill. Profit and loss are recognised in the Income Statement under income from investments.

Investments in subsidiaries with negative equity value are measured at DKK 0. Any receivables with these companies are written off, to the extent that the receivable is uncollectible from a specifically assessed indication of impairment. To the extent that the Parent Company has a legal or actual obligation to cover a negative balance which exceeds the receivable, the remainder is recognised under provisions for liabilities.

Fixed asset investments also include public quoted shares, that are not expected to be disposed of. These shares are measured at quoted price on the Balance Sheet date.

ACCOUNTING POLICIES

Other receivables are measured at amortised cost which usually corresponds to the nominal amount. The amount is written down to meet expected losses.

Impairment of fixed assets
The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value,, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Write-off is performed to provide for losses when an objective indication has been assessed to have incurred that a receivable or a portfolio of receivables are impaired. If there is an objective indication that an individual receivable is impaired, the write-off is performed at individual level.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Cash and cash equivalents
Cash and cash equivalents include cash at bank.

Equity
Reserve for net revaluation under the equity method
At recognition and measurement of subsidiaries according to the equity method, the ordinary dividend suggested in subsidiaries is presented, which is expected to be received from subsidiaries, so that it flows from the net revaluation reserve according to the equity value and is transferred to the free reserves.

Reserve for development costs
The reserve includes recognised post-tax development costs, which are capitalised as intangible assets. The reserve is reduced concurrently with depreciation of the intangible asset and is dissolved if the asset is discontinued from the operation of the company. Reduction of the reserve takes place via transferring directly to the distributable reserves of the equity.

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish Group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff 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 under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.

The capitalised remaining lease liability on finance lease contracts is also recognised as financial liabilities.

Foreign currency translation
Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the Income Statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the Balance Sheet date are translated at the exchange rate on the Balance Sheet date. The difference between the exchange rate on the Balance Sheet date and the exchange rate at the date when the receivables or payables come into existence recognised in the Income Statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

The Income Statements of foreign subsidiaries and associates fulfilling the concitions for being independent entities are translated at an average exchange rate for the month and the Balance Sheet items are translated at the rate of exchange on the Balance Sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the Balance Sheet date and from translation of Income Statements from average rate to the rates of the Balance Sheet date are recognised directly in the equity.

Exchange rate differences recognised in Equity are accumulated in a fair value reserve for currency translation of foreign entities and are transferred to the Income Statement when object of the currency translation is realised or ends. An exception is exchange rate differences arising from translation of Equity interests, which are recognised at Equity value, where the whole value adjustment, including exchange rate differences, are included in the reserve for net valuation according to the Equity value method.