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# ***LM Group Holding A/S***

Jupitervej 6, DK-6000 Kolding

## **Annual Report for 1 January - 31 December 2017**

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CVR No 25 71 17 77

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
6 /7 2018

Peder Toft Nielsen  
Chairman



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of LM Group Holding A/S for the financial year 1 January - 31 December 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Kolding, 6 July 2018

## Executive Board

Duncan Gee Berry  
CEO

## Board of Directors

Ernst Frederik Kraaij  
Chairman

Duncan Gee Berry

Helen Lykke Bager

# Independent Auditor's Report

To the Shareholder of LM Group Holding A/S

## Opinion

We have audited the financial statements of LM Group Holding A/S for the financial year 1 January 2017 - 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations flows for the financial year 1 January 2017 - 31 December 2017 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' 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in

# Independent Auditor's Report

Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company 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.

## **Statement on the Management's review**

Management is responsible for the Management's review.

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

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

# Independent Auditor's Report

misstated.

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

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

Aarhus, 6 July 2018

**KPMG**

Statsautoriseret Revisionspartnerselskab

*CVR No 25 57 81 98*

Henrik O. Larsen  
State Authorised Public Accountant  
mne15839

Michael Stenskrog  
State Authorised Public Accountant  
mne26819

## Company Information

### **The Company**

LM Group Holding A/S  
Jupitervej 6  
DK-6000 Kolding  
Website: [www.lmwindpower.com](http://www.lmwindpower.com)

CVR No: 25 71 17 77

Financial period: 1 January - 31 December

Municipality of reg. office: Kolding

### **Board of Directors**

Ernst Frederik Kraaij, Chairman  
Duncan Gee Berry  
Helen Lykke Bager

### **Executive Board**

Duncan Gee Berry

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Bredskifte Allé 13  
DK-8210 Aarhus V

## Financial Highlights

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

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	268.690	160.259	167.897	170.201	212.062
Gross profit/loss	80.568	-30.748	-36.288	11.453	9.483
Operating profit/loss	9.101	-77.325	-77.005	-23.467	-11.952
Profit/loss before financial income and expenses	9.101	-77.325	-77.005	-23.467	-11.952
Net financials	-70.706	1.681.624	122.077	554.536	-382.506
Net profit/loss for the year	-66.590	1.614.365	29.836	394.393	-516.791
<b>Balance sheet</b>					
Balance sheet total	8.873.661	7.010.577	6.741.913	5.699.527	5.462.992
Equity	6.426.783	5.492.666	3.878.639	3.853.166	3.457.271
Investment in property, plant and equipment	0	0	0	0	3.407
Number of employees	77	54	49	44	43
<b>Ratios</b>					
Gross margin	30,0%	-19,2%	-21,6%	6,7%	4,5%
Profit margin	3,4%	-48,3%	-45,9%	-13,8%	-5,6%
Return on assets	0,1%	-1,1%	-1,1%	-0,4%	-0,2%
Solvency ratio	72,4%	78,3%	57,5%	67,6%	63,3%
Return on equity	-1,1%	34,5%	0,8%	10,8%	-13,9%

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

In 2017, preparation of financial statements has changed from being prepared according to IFRS to being prepared according to the Danish Financial Statements Act. The change from IFRS to the Danish Financial Statements Act has no effect on the financial highlights.



# Management's Review

## Key activities

The Company's main activity is to own shares in subsidiaries and to provide management services to the subsidiaries.

## Development in the year

The income statement of the Company for 2017 shows a loss of TDKK 66,590, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 6,426,783.

The group has expanded the activities in 2017 resulting in a significant increase in revenue. As part of the increased activity, the group expanded with a new factory in France for production of offshore blades.

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

The company has exceeded last year expectations for the 2017 result.

As mentioned above, the group expanded the activities in 2017, and further expansion is expected in 2018 and the following years due to high demand for wind turbine blades.

## Special risks - operating risks and financial risks

### *Operating risks*

The group are subject to operating risks in form of risk of warranty claims. The risk is addressed constantly through the company's quality system and inspections of goods prior to delivery.

### *Foreign exchange risks*

The group are to some degree exposed towards foreign exchange risks, which are addressed through hedging if deemed necessary.

## Targets and expectations for the year ahead

For 2018, Management expect a profit in the range from TDKK 5.000 to TDKK 10.000 originating from administration activities.

## Research and development

The company has no research and development activities.

## External environment

Management finds that the company activities does not materially impact the external environment.

# Management's Review

## Intellectual capital resources

As part of the Company activities are to provide management services to the subsidiaries in the LM Wind Power Group, it is essential that the company can recruit and retain highly qualified personnel, particularly within relevant management disciplines.

## Statement of corporate social responsibility

The statutory statement of corporate social responsibility is available at:

<https://www.lmwindpower.com/-/media/files/reporting/lm-wind-power-nonfinancial-sustainability-report-2017.pdf>

## Statement on gender composition

The statutory statement on gender composition is available at: <https://www.lmwindpower.com/-/media/files/reporting/lm-wind-power-nonfinancial-sustainability-report-2017.pdf>

## 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 2017 of the Company and the results of the activities of the Company for the financial year for 2017 are affected by a reversal of impairment of a receivable with a subsidiary from previous years amounting to TDKK 2.290.636 (income) and by a new provision for negative net asset value in the same subsidiary amounting to TDKK 2.275.607 (loss) due to obligation to cover all losses in the subsidiary. Apart from this, the financial position and result of activities have not been affected by any unusual events.

## Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
<b>Revenue</b>	1	<b>268.690</b>	<b>160.259</b>
Other external expenses		-188.122	-191.007
<b>Gross profit/loss</b>		<b>80.568</b>	<b>-30.748</b>
Staff expenses	2	-71.446	-46.555
Depreciation and impairment of property, plant and equipment	3	-21	-22
<b>Profit/loss before financial income and expenses</b>		<b>9.101</b>	<b>-77.325</b>
Income from investments in subsidiaries		15.029	1.649.888
Financial income	4	124.961	273.199
Financial expenses	5	-210.696	-241.463
<b>Profit/loss before tax</b>		<b>-61.605</b>	<b>1.604.299</b>
Tax on profit/loss for the year	6	-4.985	10.066
<b>Net profit/loss for the year</b>		<b>-66.590</b>	<b>1.614.365</b>

## Balance Sheet 31 December

### Assets

	Note	2017 TDKK	2016 TDKK
Other fixtures and fittings, tools and equipment		0	21
<b>Property, plant and equipment</b>	7	<b>0</b>	<b>21</b>
Investments in subsidiaries	8	4.648.304	2.139.395
Receivables from group enterprises		0	3.303.448
<b>Financial fixed asset</b>		<b>4.648.304</b>	<b>5.442.843</b>
<b>Fixed assets</b>		<b>4.648.304</b>	<b>5.442.864</b>
Receivables from group enterprises		4.102.071	1.548.960
Other receivables		1.985	2.813
Deferred tax asset	9	2.222	5.511
Corporation tax		11.859	4.944
<b>Receivables</b>		<b>4.118.137</b>	<b>1.562.228</b>
<b>Investments</b>		<b>0</b>	<b>2.232</b>
<b>Cash at bank and in hand</b>		<b>107.220</b>	<b>3.253</b>
<b>Currents assets</b>		<b>4.225.357</b>	<b>1.567.713</b>
<b>Assets</b>		<b>8.873.661</b>	<b>7.010.577</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		70.065	69.965
Retained earnings		6.356.718	5.422.701
<b>Equity</b>	10	<b>6.426.783</b>	<b>5.492.666</b>
Provisions relating to investments in group enterprises		2.275.607	0
Other provisions	11	13.870	0
<b>Provisions</b>		<b>2.289.477</b>	<b>0</b>
Other debt relating to the issue of bonds		0	1.311.014
<b>Long-term debt</b>	12	<b>0</b>	<b>1.311.014</b>
Trade payables		2.855	4.317
Payables to group enterprises		132.579	110.312
Other payables		21.967	92.268
<b>Short-term debt</b>		<b>157.401</b>	<b>206.897</b>
<b>Debt</b>		<b>157.401</b>	<b>1.517.911</b>
<b>Liabilities and equity</b>		<b>8.873.661</b>	<b>7.010.577</b>
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## Statement of Changes in Equity

	<u>Share capital</u> TDKK	<u>Retained earnings</u> TDKK	<u>Total</u> TDKK
Equity at 1 January	69.965	5.422.701	5.492.666
Capital increase	100	998.491	998.591
Fair value adjustment of hedging instruments	0	2.116	2.116
Net profit/loss for the year	0	-66.590	-66.590
<b>Equity at 31 December</b>	<b><u>70.065</u></b>	<b><u>6.356.718</u></b>	<b><u>6.426.783</u></b>

# Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
<b>1 Revenue</b>		
LM Group Holding A/S does not have any external revenue but only group internal revenue such as management fee and royalties.		
<b>Geographical segments</b>		
Revenue, Denmark	268.690	160.259
	<b>268.690</b>	<b>160.259</b>
<b>2 Staff expenses</b>		
Wages and salaries	66.905	45.820
Pensions	3.697	34
Other social security expenses	844	701
	<b>71.446</b>	<b>46.555</b>
<b>Average number of employees</b>	<b>77</b>	<b>54</b>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
<b>3 Depreciation and impairment of property, plant and equipment</b>		
Depreciation of property, plant and equipment	21	22
	<b>21</b>	<b>22</b>
<b>4 Financial income</b>		
Interest received from group enterprises	103.037	265.486
Other financial income	21.924	7.713
	<b>124.961</b>	<b>273.199</b>

## Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	15.759	81.810
Other financial expenses	<u>194.937</u>	<u>159.653</u>
	<b><u>210.696</u></b>	<b><u>241.463</u></b>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	-8.946	-1.855
Deferred tax for the year	3.289	-4.530
Adjustment of tax concerning previous years	<u>10.642</u>	<u>-3.681</u>
	<b><u>4.985</u></b>	<b><u>-10.066</u></b>
<b>7 Property, plant and equipment</b>		Other fixtures and fittings, tools and equipment <u>TDKK</u>
Cost at 1 January		<u>4.120</u>
Cost at 31 December		<u>4.120</u>
Impairment losses and depreciation at 1 January		4.099
Depreciation for the year		<u>21</u>
Impairment losses and depreciation at 31 December		<u>4.120</u>
<b>Carrying amount at 31 December</b>		<b><u>0</u></b>



## Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
<b>8 Investments in subsidiaries</b>		
Cost at 1 January	4.320.425	4.320.425
Additions for the year	<u>2.508.909</u>	<u>0</u>
Cost at 31 December	<u>6.829.334</u>	<u>4.320.425</u>
Value adjustments at 1 January	-2.181.030	-4.085.951
Revaluations for the year, net	-2.275.607	0
Reversals for the year of revaluations in previous years	<u>0</u>	<u>1.904.921</u>
Value adjustments at 31 December	<u>-4.456.637</u>	<u>-2.181.030</u>
Equity investments with negative net asset value transferred to provisions	<u>2.275.607</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>4.648.304</u></b>	<b><u>2.139.395</u></b>

## Notes to the Financial Statements

### 8 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
LM Wind Power Spain, S.A.	Spain	100%
LM Wind Power A/S*	Denmark	100%
LM WP Patent Holding A/S*	Denmark	100%
LM Wind Power International Technology I ApS*	Denmark	100%
LM Wind Power International Technology II ApS*	Denmark	100%
Friction Holding A/S	Denmark	100%
LM Wind Power Blades (Qinhuangdao) Co., Ltd.*	China	100%
LM Wind Power Blades (Tianjin) Co., Ltd.*	China	100%
LM Wind Power Blades Technology (Tianjin) Co., Ltd.*	China	100%
LM (China) Holding Company Ltd.*	China	100%
LM Wind Power Blades (Jiangsu) Co., Ltd.*	China	100%
LM Wind Power Services (Deutschland) GmbH*	Germany	100%
LM Wind Power Blades (India) Private Ltd.*	India	100%
LM Wind Power Technologies (India) Private Ltd.*	India	100%
LM Wind Power R&D (Holland) B.V.*	Netherlands	100%
LM Wind Power (Schiphol) B.V.	Netherlands	100%
LM Wind Power Blades (France) S.A*	France	100%
LM Wind Power do Brasil S.A.*	Brazil	100%
LM Wind Power Blades (Poland) Sp. z o.o.*	Poland	100%
LM Wind Power Services (Poland) Sp. z o.o.*	Poland	100%
LM Wind Power Blades Poland Sp. z o.o.*	Poland	100%
LM Wind Power Blades (Canada) Inc.*	Canada	100%
4305825 Canada Inc.*	Canada	100%
LM Wind Power Blades Turkey Sanayi ve Ticaret Anonim Sirketi*	Turkey	100%

Subsidiaries marked with a \* are indirectly owned by LM Group Holding A/S.

## Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
<b>9 Deferred tax asset</b>		
Deferred tax asset at 1 January	5.511	4.034
Amounts recognised in the income statement for the year	-3.289	4.530
Amounts recognised in equity for the year	<u>0</u>	<u>-3.053</u>
<b>Deferred tax asset at 31 December</b>	<b><u>2.222</u></b>	<b><u>5.511</u></b>

The deferred tax asset relates to a timing variance that will be realized in 2018.

## 10 Equity

The share capital has developed as follows:

	2017 <u>TDKK</u>	2016 <u>TDKK</u>	2015 <u>TDKK</u>	2014 <u>TDKK</u>	2013 <u>TDKK</u>
Share capital at 1 January	69.965	69.965	69.965	69.965	69.965
Capital increase	<u>100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Share capital at 31 December</b>	<b><u>70.065</u></b>	<b><u>69.965</u></b>	<b><u>69.965</u></b>	<b><u>69.965</u></b>	<b><u>69.965</u></b>

No shares have special rights.

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
<b>11 Other provisions</b>		
Other provisions relate to ongoing tax inquiries. Management has made an assessment of the outcome and provided for this.		
Other provisions	<u>13.870</u>	<u>0</u>
	<b><u>13.870</u></b>	<b><u>0</u></b>

# Notes to the Financial Statements

## 12 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 debt relating to the issue of bonds

Between 1 and 5 years	0	1.311.014
Long-term part	<u>0</u>	<u>1.311.014</u>
Within 1 year	<u>0</u>	<u>0</u>
	<u><b>0</b></u>	<u><b>1.311.014</b></u>

## 13 Distribution of profit

Retained earnings	<u>-66.590</u>	<u>1.614.365</u>
	<u><b>-66.590</b></u>	<u><b>1.614.365</b></u>

# Notes to the Financial Statements

## 14 Contingent liabilities and other financial obligations

### Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. AcceptFinans ApS is the management company of the joint taxation. 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 un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

As at 31 December 2017, the Company had issued guarantees against customers in subsidiaries for a total of DKK 50 million. In addition, the Company issued guarantees for LM Brazil for a total of DKK 61 million jointly with LM Wind Power and other LM entities.

## 15 Related parties

### Basis

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#### Controlling interest

LM WP Holdings A/S, Jupitervej 6, 6000 Kolding	Holds 99% of the capital
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#### Transactions

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

### Consolidated Financial Statements

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

Name	Place of registered office
General Electric Company	Boston, MA 02210, USA

The Group Annual Report of General Electric Company may be obtained at the following address:  
General Electric Company, 41 Farnsworth Street, Boston, Massachusetts, 02210, USA.

General Electric Company prepares consolidated financial statements for the smallest and biggest Group, in which LM Group Holding A/S is a subsidiary.

The annual accounts of the parent company are available at [www.ge.com](http://www.ge.com).

# Notes to the Financial Statements

## 16 Fee to auditors appointed at the general meeting

With reference to section 96 par 3 of the Danish Financial Statements Act, the Company has not presented the fee to auditors appointed at the general meeting.

# Notes to the Financial Statements

## 17 Accounting Policies

The Annual Report of LM Group Holding A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Financial Statements for 2017 are presented in TDKK.

### Changes in accounting policies

The Annual Report is prepared in accordance with the provisions of the Danish Financial Statements Act against formerly in accordance with the provisions of IFRS. The change is due to the delisting of the entity bonds in 2017. In addition, the entity no longer prepares consolidated statements.

As regards the impact on the recognition and measurement, the only change is that the hedging reserve TDKK -4.701 as at 31 December 2016 has been moved to Retained earnings.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of General Electric Company, 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 General Electric Company, 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.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### 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.

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.

### Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

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.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

## 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.



# Notes to the Financial Statements

## 17 Accounting Policies (continued)

Revenue comprise intercompany management services and royalty fees.

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

### **Other external expenses**

Other external expenses comprises of expenses for premises as well as office expenses, etc.

### **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.

### **Income from investments in subsidiaries**

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

### **Financial income and expenses**

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

### **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.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### 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 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      0-10    years

Depreciation period and residual value are reassessed annually.

#### Impairment of fixed assets

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

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

#### Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

The Danish Financial Statements Act section 97a, par. 4 has been applied for the list of investments in subsidiaries.

#### Other financial fixed asset

Other financial fixed asset consist of receivables from group enterprises.

#### 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.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### **Current asset investments**

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

### **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.

### **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.

### **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. Additional payments and repayment in form of interests and discounts under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### **Financial debts**

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

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$