
LM Group Holding A/S

Jupitervej 6, DK-6000 Kolding

Annual Report for 1 January - 31 December 2018

CVR No 25 71 17 77

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
2 /7 2019

Peder Toft Nielsen
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Notes to the Financial Statements	13

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of LM Group Holding A/S for the financial year 1 January - 31 December 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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, 2 July 2019

Executive Board

Duncan Gee Berry
CEO

Board of Directors

Ernst Frederik Kraaij
Chairman

Duncan Gee Berry

Helen Lykke Bager

Thomas Engelstoft Lindharth
Staff Representative

Niels Bjarne Hansen
Staff Representative

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 2018 - 31 December 2018 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 2018 and of the results of the Company's operations for the financial year 1 January 2018 - 31 December 2018 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.

Independent Auditor's Report

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 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.

Independent Auditor's Report

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 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, 2 July 2019

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

CVR No: 25 71 17 77
Financial period: 1 January - 31 December
Incorporated: 13 November 2000
Municipality of reg. office: Kolding

Board of Directors

Ernst Frederik Kraaij, Chairman
Duncan Gee Berry
Helen Lykke Bager
Thomas Engelstoft Lindharth
Niels Bjarne Hansen

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:

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Key figures					
Profit/loss					
Gross profit/loss	90.416	80.568	-30.748	-36.288	11.453
Operating profit/loss	12.155	9.101	-77.325	-77.005	-23.467
Net financials	-12.457	-70.706	1.681.624	122.077	554.536
Net profit/loss for the year	-25.058	-66.590	1.614.365	29.836	394.393
Balance sheet					
Balance sheet total	6.090.499	8.873.661	7.010.577	6.741.913	5.699.527
Equity	5.510.954	6.426.783	5.492.666	3.878.639	3.853.166
Number of employees	78	77	54	49	44
Ratios					
Return on assets	0,2%	0,1%	-1,1%	-1,1%	-0,4%
Solvency ratio	90,5%	72,4%	78,3%	57,5%	67,6%
Return on equity	-0,4%	-1,1%	34,5%	0,8%	10,8%

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.

In 2018 LM Group Holding A/S merged with LM Wind Power Holding A/S, LM WP Holdings A/S and Friction Holding A/S. Figures for 2018 has been updated accordingly to reflect the book-value method applied in measuring the inter-group merger. Comparative figures for 2014 - 2017 remain unchanged.

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 2018 shows a loss of TDKK 25,058, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 5,510,954.

As at 1 January 2018, the Company merged with the affiliated companies LM Wind Power Holding A/S, LM WP Holdings A/S and Friction Holding A/S. As these companies were all either upstream or downstream holding entities without any other activities, the merger does not impact the result of LM Group Holding A/S according to the book-value method. The comparative figures for 2017 has not been adjusted. The net impact of the merger on the accounting figures has been booked against Equity 1 January 2018.

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

The company has not met last year expectations for the 2018 result mainly due to exchange rate adjustments and adjustment of prior year taxes.

The group expanded the activities in 2018, and further expansion is expected in 2019 and the following years due to high demand for wind turbine blades.

Special risks - operating risks and financial risks

Operating risks

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

Targets and expectations for the year ahead

For 2019, Management expects a profit in the range from TDKK 1.000 to TDKK 10.000 originating from administration activities.

Research and development

The company has no research and development activities.

Management's Review

External environment

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

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.

Uncertainty relating to recognition and measurement

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

Unusual events

Apart from the merger, the financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 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

	<u>Note</u>	<u>2018</u> TDKK	<u>2017</u> TDKK
Gross profit		90.416	80.568
Staff expenses	1	-78.261	-71.446
Depreciation and impairment of property, plant and equipment		<u>0</u>	<u>-21</u>
Profit/loss before financial income and expenses		12.155	9.101
Income from investments in subsidiaries		0	15.029
Financial income	2	137	124.961
Financial expenses	3	<u>-12.594</u>	<u>-210.696</u>
Loss before tax		-302	-61.605
Tax on loss for the year	4	<u>-24.756</u>	<u>-4.985</u>
Net loss for the year		<u>-25.058</u>	<u>-66.590</u>

Balance Sheet 31 December

Assets

	Note	2018 TDKK	2017 TDKK
Investments in subsidiaries	5	4.877.360	4.648.304
Financial fixed asset		4.877.360	4.648.304
Fixed assets		4.877.360	4.648.304
Trade receivables		3	0
Receivables from group enterprises		1.171.824	4.102.071
Other receivables		1.136	1.985
Deferred tax asset	6	2.168	2.222
Corporation tax	7	28.774	11.859
Receivables		1.203.905	4.118.137
Cash at bank and in hand		9.234	107.220
Currents assets		1.213.139	4.225.357
Assets		6.090.499	8.873.661

Balance Sheet 31 December

Liabilities and equity

	Note	2018 TDKK	2017 TDKK
Share capital		70.065	70.065
Retained earnings		5.440.889	6.356.718
Equity		5.510.954	6.426.783
Provisions relating to investments in group enterprises	8	0	2.275.607
Provisions	8	13.870	13.870
Provisions		13.870	2.289.477
Trade payables		9.075	2.855
Payables to group enterprises		535.051	132.579
Corporation tax		1.881	0
Other payables		19.668	21.967
Short-term debt		565.675	157.401
Debt		565.675	157.401
Liabilities and equity		6.090.499	8.873.661
Distribution of loss	9		
Contingent liabilities and other financial obligations	10		
Related parties	11		
Accounting Policies	12		

Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 January	70.065	6.356.718	6.426.783
Net effect from merger and acquisition under the book value method	0	-890.771	-890.771
Adjusted equity at 1 January	70.065	5.465.947	5.536.012
Net loss for the year	0	-25.058	-25.058
Equity at 31 December	70.065	5.440.889	5.510.954

Notes to the Financial Statements

	2018 <u>TDKK</u>	2017 <u>TDKK</u>
1 Staff expenses		
Wages and salaries	72.748	66.563
Pensions	4.349	3.697
Other social security expenses	1.164	1.186
	<u>78.261</u>	<u>71.446</u>
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	2.085	1.254
Supervisory Board	95	55
	<u>2.180</u>	<u>1.309</u>
Average number of employees	<u>78</u>	<u>77</u>
2 Financial income		
Interest received from group enterprises	100	103.037
Other financial income	37	21.924
	<u>137</u>	<u>124.961</u>
3 Financial expenses		
Interest paid to group enterprises	47	15.759
Other financial expenses	12.547	194.937
	<u>12.594</u>	<u>210.696</u>
4 Tax on loss for the year		
Current tax for the year	5.391	-8.946
Deferred tax for the year	54	3.289
Adjustment of tax concerning previous years	19.311	10.642
	<u>24.756</u>	<u>4.985</u>

Notes to the Financial Statements

	2018 <u>TDKK</u>	2017 <u>TDKK</u>
5 Investments in subsidiaries		
Cost at 1 January	6.829.334	4.320.425
Net effect from merger and acquisition	-2.181.030	0
Additions for the year	<u>229.056</u>	<u>2.508.909</u>
Cost at 31 December	<u>4.877.360</u>	<u>6.829.334</u>
Value adjustments at 1 January	-2.181.030	-2.181.030
Net effect from merger and acquisition	2.181.030	0
Revaluations for the year, net	<u>0</u>	<u>-2.275.607</u>
Value adjustments at 31 December	<u>0</u>	<u>-4.456.637</u>
Equity investments with negative net asset value transferred to provisions	<u>0</u>	<u>2.275.607</u>
Carrying amount at 31 December	<u>4.877.360</u>	<u>4.648.304</u>

Notes to the Financial Statements

5 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
LM Wind Power Spain, S.A. (2016)	Spain	100%	-1.503.492	-137.826
LM Wind Power A/S (*) (2018)	Denmark	100%	1.270.768	-611.012
LM WP Patent Holding A/S (*) (2018)	Denmark	100%	739.922	-52.257
LM Wind Power International Technology II ApS (*) (2018)	Denmark	100%	159.462	-15.722
LM Wind Power Blades (Qinhuangdao) Co., Ltd. (*) (2017)	China	100%	504.745	75.015
LM Wind Power Blades (Tianjin) Co., Ltd. (*) (2017)	China	100%	196.686	12.252
LM Wind Power Blades Technology (Tianjin) Co., Ltd. (*) (2017)	China	100%	-28.619	-28.241
LM (China) Holding Company Ltd. (*) (2017)	China	100%	-30.328	-29.928
LM Wind Power Blades (Jiangsu) Co., Ltd. (*) (2017)	China	100%	43.628	28.058
LM Wind Power Services (Deutschland) GmbH (*) (2016)	Germany	100%	35.239	-2.373
LM Wind Power Blades (India) Private Ltd. (*) (2018)	India	100%	379.451	22.287
LM Wind Power R&D (Holland) B.V. (*) (**)	Netherlands	100%	0	0
LM Wind Power (Schiphol) B.V. (2017)	Netherlands	100%	16.897	3.655
LM Wind Power Blades (France) S.A (*) (2017)	France	100%	-480	-173
LM Wind Power do Brasil S.A. (*) (2016)	Brazil	100%	-248.926	81.286
LM Wind Power Blades (Poland) Sp. z o.o. (*) (2017)	Poland	100%	443.329	6.047
LM Wind Power Blades (Canada) Inc. (*) (**)	Canada	100%	0	0
4305825 Canada Inc. (*) (**)	Canada	100%	0	0
LM Wind Power Blades Turkey Sanayi ve Ticaret Anonim Sirketi (*) (**)	Turkey	100%	0	0
LM Wind Power Blades (Fujian) Co., Ltd. (*) (**)	China	100%	0	0

All foreign subsidiaries are recognised and measured as separate entities.

Year figures in brackets indicate the year for the most recent annual report.

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

For subsidiaries marked with ** there are no published annual reports.

Notes to the Financial Statements

	2018 <u>TDKK</u>	2017 <u>TDKK</u>
6 Deferred tax asset		
Deferred tax asset at 1 January	2.222	5.511
Amounts recognised in the income statement for the year	<u>-54</u>	<u>-3.289</u>
Deferred tax asset at 31 December	<u>2.168</u>	<u>2.222</u>

The recognised deferred tax asset relates to timing differences on other payables expected to be settled within the next year.

7 Corporation tax

Corporation tax receivable TDKK 28.774 relates to tax payments made on an ongoing tax case, where management expects the ruling to be in favor of the Company. In addition, management estimate the settlement to be within one year.

8 Provisions

Other provisions

Balance at beginning of year	13.870	0
Changes in provision	<u>0</u>	<u>13.870</u>
	<u>13.870</u>	<u>13.870</u>

Provisions relating to investments in group enterprises

Balance at beginning of year	2.275.607	0
Changes in provisions	<u>-2.275.607</u>	<u>2.275.607</u>
	<u>0</u>	<u>2.275.607</u>

Other provisions relate to ongoing tax inquiries. Management has made an assessment of the outcome and provided for this.

Changes in provisions relating to investments in group enterprises is related to the merger of the companies.

Notes to the Financial Statements

	<u>2018</u> TDKK	<u>2017</u> TDKK
9 Distribution of loss		
Retained earnings	<u>-25.058</u>	<u>-66.590</u>
	<u>-25.058</u>	<u>-66.590</u>
10 Contingent liabilities and other financial obligations		

Contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. AcceptFinans ApS / GE Global Holdings Denmark 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 unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

As at 31 December 2018, the Company had issued guarantees against credit institutions in subsidiaries for a total of DKK 0,7 million. In addition, the Company issued guarantees for LM Brazil for a total of DKK 33 million jointly with LM Wind Power A/S and other LM entities.

Notes to the Financial Statements

11 Related parties

Basis

Controlling interest

GE Global Holdings Denmark ApS, Park Allé 295, 2605 Brøndby, Denmark Holds 100% of the capital

Transactions

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

Administration fee invoiced to group enterprises amounts to TDKK 295.669.

Administration fee invoiced from group enterprises amounts to TDKK 177.755.

Please refer to note 1 for reference to remuneration to Management, and note 2 and 3 for reference to disclosure of financial income and financial expenses to group entities.

For reference to balances with group entities, please refer to the balance sheet.

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.

Notes to the Financial Statements

12 Accounting Policies

The Annual Report of LM Group Holding A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in TDKK.

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.

Business combinations

Intragroup mergers

Intragroup mergers are accounted for under the book value method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. The book value method is applied at the date of acquisition, and comparative figures are not restated.

Notes to the Financial Statements

12 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.

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and other external expenses.

Notes to the Financial Statements

12 Accounting Policies (continued)

Revenue

Revenue from the sale of services is recognised when the risks and rewards relating to the services 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 comprise intercompany management services.

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 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 comprise interest, realised and unrealised exchange adjustments, price adjustment of securities as well as extra payments and repayment under the onaccount taxation scheme.

Tax on 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

12 Accounting Policies (continued)

Balance Sheet

Investments in subsidiaries

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

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.

Deferred tax assets

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.

Provisions

In measuring provisions, the expenses required to settle the liability are discounted to net present value, if this has a significant effect on the measurement of the liability. 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.

Financial debts

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

Notes to the Financial Statements

12 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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