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# ***Alimak Group Denmark A/S***

Adidasvej 2, DK-8653 Them

## **Annual Report for 1 January - 31 December 2021**

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CVR No 29 21 51 46

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
19/5 2022

Thomas Hendel  
Chairman of the General  
Meeting

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# **Management's Statement**

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

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Them, 19 May 2022

## **Executive Board**

Jan Aaboe Jørgensen  
CEO

## **Board of Directors**

Jose Maria Murillo Nevot  
Chairman

Juan Jose Picapeo Campillo

Ingrid Sara Petersson Punkki

# Independent Auditor's Report

To the Shareholder of Alimak Group Denmark A/S

## Opinion

We have audited the Financial Statements of Alimak Group Denmark A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are 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 of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

## Basis for Opinion

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

## 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 judgement and maintain professional scepticism throughout the

# Independent Auditor's Report

audit. We also:

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

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

## **Statement on Management's Review**

Management is responsible for Management's Review.

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

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

Moreover, it is our responsibility to consider whether Management's Review provides the information re-

# **Independent Auditor's Report**

quired under the Danish Financials Statements Act.

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

Frederiksberg, 19 May 2022

**EY Godkendt Revisionspartnerselskab**

*CVR No 30 70 02 28*

Karsten Bøgel  
State-Authorised Public Accountant  
mne27849

## **Company Information**

### **The Company**

Alimak Group Denmark A/S  
Adidasvej 2  
DK-8653 Them

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E-mail: [info@avanti-online.com](mailto:info@avanti-online.com)  
Website: [www.alimakgroup.com](http://www.alimakgroup.com)

CVR No: 29 21 51 46  
Financial period: 1 January - 31 December  
Incorporated: 22 December 2005  
Municipality of reg. office: Silkeborg

### **Board of Directors**

Jose Maria Murillo Nevot, Chairman  
Juan Jose Picapeo Campillo  
Ingrid Sara Petersson Punkki

### **Executive Board**

Jan Aaboe Jørgensen

### **Auditors**

EY Godkendt Revisionspartnerselskab  
Dirch Passers Allé 36  
DK-2000 Frederiksberg

## Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	51.723	46.751	52.661	123.025	99.465
Operating profit/loss	12.160	9.634	21.402	57.150	30.960
Net financials	12.022	38.036	-8.565	59.910	-10.176
Net profit/loss for the year	19.651	43.506	3.807	100.247	14.081
<b>Balance sheet</b>					
Balance sheet total	208.987	215.815	272.208	285.127	353.358
Equity	187.818	198.168	254.661	250.854	149.626
Investment in property, plant and equipment	860	680	465	495	15.381
Number of employees	49	48	43	53	61
<b>Ratios</b>					
Return on assets	5,8%	4,5%	7,9%	20,0%	8,8%
Solvency ratio	89,9%	91,8%	93,6%	88,0%	42,3%
Return on equity	10,2%	19,2%	1,5%	50,1%	9,7%

The key figures are prepared in accordance with the definitions in the section on accounting policies.



# **Management's Review**

## **Key activities**

The company's and subsidiaries' key activities are the sale of internals for wind turbine towers, including service lifts, ascent aids, resting platforms and ladders with integrated fall protection systems.

In 2020 two new business areas were added to the company and these have contributed positively to both revenue and result in the current year.

## **Development in the year**

The income statement of the Company for 2021 shows a profit of DKK 19,650,777, and at 31 December 2021 the balance sheet of the Company shows equity of DKK 187,818,313.

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

The result for the year is affected by financial income from subsidiaries, but normalized for this, the result is above 2020 and expectations from last year. The result is considered satisfactory by the management.

## ***Operating risks***

The company is not exposed to special business or financial risks, in addition to common risks within the industry.

## **Targets and expectations for the year ahead**

In the coming year, the company expects a result from ordinary operations at the same level as the current financial year.

## **Research and development**

The company has no research or development activity.

## **Intellectual capital resources**

The company is not dependent on special intellectual capital resources.

## **Statement of corporate social responsibility**

The statutory statement is included in the reporting for the ultimate parent company.

## **Statement on gender composition**

The statutory statement is included in the reporting for the ultimate parent company.

## **Management's Review**

### **Unusual events**

The company is not directly affected by the Corona pandemic's entry into Europe. Sales and daily operations (including production) remain at the same level as before the pandemic, however, the service department is affected, but these orders have been moved to a later date in 2022, so total sales are expected to remain unaffected.

### **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	2021 DKK	2020 DKK
<b>Gross profit/loss</b>		<b>51.722.799</b>	<b>46.750.857</b>
Distribution expenses		-971.959	-1.392.591
Development expenditure		-133.093	-148.671
Administrative expenses	1	-38.457.728	-35.575.229
<b>Operating profit/loss</b>		<b>12.160.019</b>	<b>9.634.366</b>
<b>Profit/loss before financial income and expenses</b>		<b>12.160.019</b>	<b>9.634.366</b>
Income from investments in subsidiaries	2	12.143.385	38.063.032
Financial income	3	734.301	1.002.317
Financial expenses	4	-856.023	-1.029.096
<b>Profit/loss before tax</b>		<b>24.181.682</b>	<b>47.670.619</b>
Tax on profit/loss for the year	5	-4.530.905	-4.164.155
<b>Net profit/loss for the year</b>		<b>19.650.777</b>	<b>43.506.464</b>

# Balance Sheet 31 December

## Assets

	Note	2021 DKK	2020 DKK
Goodwill		81.951.369	90.583.780
<b>Intangible assets</b>	6	<b>81.951.369</b>	<b>90.583.780</b>
Land and buildings		10.661.461	10.315.718
Other fixtures and fittings, tools and equipment		1.497.460	1.959.381
<b>Property, plant and equipment</b>	7	<b>12.158.921</b>	<b>12.275.099</b>
Investments in subsidiaries	8	34.704.180	34.704.180
Other investments	9	65.279	65.279
Deposits	9	181.143	153.110
<b>Fixed asset investments</b>		<b>34.950.602</b>	<b>34.922.569</b>
<b>Fixed assets</b>		<b>129.060.892</b>	<b>137.781.448</b>
<b>Inventories</b>	10	<b>20.669.240</b>	<b>17.500.969</b>
Trade receivables		29.862.192	19.297.682
Receivables from group enterprises		19.546.712	34.997.217
Other receivables		8.491.625	5.542.365
Corporation tax		939.374	198.032
Prepayments	11	357.693	391.068
<b>Receivables</b>		<b>59.197.596</b>	<b>60.426.364</b>
<b>Cash at bank and in hand</b>		<b>59.119</b>	<b>105.917</b>
<b>Currents assets</b>		<b>79.925.955</b>	<b>78.033.250</b>
<b>Assets</b>		<b>208.986.847</b>	<b>215.814.698</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital	12	500.000	500.000
Retained earnings		167.318.313	167.667.536
Proposed dividend for the year		20.000.000	30.000.000
<b>Equity</b>		<b>187.818.313</b>	<b>198.167.536</b>
Provision for deferred tax	14	1.489.374	1.479.095
<b>Provisions</b>		<b>1.489.374</b>	<b>1.479.095</b>
Other payables		0	1.619.083
<b>Long-term debt</b>	15	<b>0</b>	<b>1.619.083</b>
Prepayments received from customers		117.264	65.412
Trade payables		13.707.197	3.998.323
Payables to group enterprises		3.616.322	6.210.189
Other payables	15	2.238.377	4.275.060
<b>Short-term debt</b>		<b>19.679.160</b>	<b>14.548.984</b>
<b>Debt</b>		<b>19.679.160</b>	<b>16.168.067</b>
<b>Liabilities and equity</b>		<b>208.986.847</b>	<b>215.814.698</b>
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## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	500.000	167.667.536	30.000.000	198.167.536
Ordinary dividend paid	0	0	-30.000.000	-30.000.000
Net profit/loss for the year	0	-349.223	20.000.000	19.650.777
<b>Equity at 31 December</b>	<b>500.000</b>	<b>167.318.313</b>	<b>20.000.000</b>	<b>187.818.313</b>

# Notes to the Financial Statements

	2021	2020
	DKK	DKK
<b>1 Staff</b>		
Wages and Salaries	23.445.580	22.896.644
Pensions	2.347.187	2.126.898
Other social security expenses	360.231	352.315
Other staff expenses	764.302	682.633
	<b>26.917.300</b>	<b>26.058.490</b>
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	6.010.381	5.067.245
Administrative expenses	20.906.919	20.991.245
	<b>26.917.300</b>	<b>26.058.490</b>
<b>Average number of employees</b>	<b>49</b>	<b>48</b>
<b>2 Income from investments in subsidiaries</b>		
Dividend	12.143.385	38.063.032
	<b>12.143.385</b>	<b>38.063.032</b>
<b>3 Financial income</b>		
Interest received from group enterprises	0	568
Other financial income	0	2.611
Exchange gains	734.301	999.138
	<b>734.301</b>	<b>1.002.317</b>
<b>4 Financial expenses</b>		
Interest paid to group enterprises	908	0
Other financial expenses	12.329	1.151
Exchange loss	842.786	1.027.945
	<b>856.023</b>	<b>1.029.096</b>

## Notes to the Financial Statements

	2021 DKK	2020 DKK
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	4.520.626	4.041.372
Deferred tax for the year	10.279	80.869
Adjustment of tax concerning previous years	0	41.914
	<b>4.530.905</b>	<b>4.164.155</b>

### 6 Intangible assets

	Goodwill DKK
Cost at 1 January	205.815.749
Cost at 31 December	205.815.749
Impairment losses and amortisation at 1 January	115.231.970
Amortisation for the year	8.632.410
Impairment losses and amortisation at 31 December	123.864.380
<b>Carrying amount at 31 December</b>	<b>81.951.369</b>
Amortised over	10-20 years

The amortization period for goodwill is determined taking into account the expected synergies and market benefits achieved through the acquisition of activities and mergers. The goodwill amount is reassessed annually, and there have been no indications of a change in the valuation, as the earnings picture has proceeded as expected.

	2021 DKK	2020 DKK
Amortisation and impairment of intangible assets are recognised in the following items:		
Administrative expenses	8.632.410	8.658.026
	<b>8.632.410</b>	<b>8.658.026</b>



## Notes to the Financial Statements

### 7 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment
	DKK	DKK
Cost at 1 January	15.793.032	9.306.851
Additions for the year	652.060	208.119
Cost at 31 December	<u>16.445.092</u>	<u>9.514.970</u>
Impairment losses and depreciation at 1 January	5.477.314	7.347.470
Depreciation for the year	306.317	670.040
Impairment losses and depreciation at 31 December	<u>5.783.631</u>	<u>8.017.510</u>
<b>Carrying amount at 31 December</b>	<b><u>10.661.461</u></b>	<b><u>1.497.460</u></b>

### 8 Investments in subsidiaries

	2021	2020
	DKK	DKK
Cost at 1 January	56.793.247	58.862.714
Disposals for the year	0	-2.004.188
Transfers for the year	0	-65.279
Cost at 31 December	<u>56.793.247</u>	<u>56.793.247</u>
Value adjustments at 1 January	<u>-22.089.067</u>	<u>-22.089.067</u>
Value adjustments at 31 December	<u>-22.089.067</u>	<u>-22.089.067</u>
<b>Carrying amount at 31 December</b>	<b><u>34.704.180</u></b>	<b><u>34.704.180</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Avanti Wind Systems Co. Ltd.	China	100%	80.837.898	10.932.009
Avanti Wind Systems S.L.	Spain	100%	38.995.921	11.872.300
Avanti Wind Systems Technology S.L.	Spain	100%	1.594.470	638.154
Avanti Wind Systems Instalaciones Servicios SL	Spain	100%	1.904.381	345.718
Avanti Brasil Sistemas Eológicas LTDA.	Brazil	100%	7.069.363	-126.549

The most recently published annual reports are for the period 1 January - 31 December 2020.

# Notes to the Financial Statements

## 9 Other fixed asset investments

	Other investments DKK	Deposits DKK
Cost at 1 January	65.279	153.110
Additions for the year	0	28.033
Cost at 31 December	<u>65.279</u>	<u>181.143</u>
<b>Carrying amount at 31 December</b>	<b><u>65.279</u></b>	<b><u>181.143</u></b>

## 10 Inventories

	2021 DKK	2020 DKK
Raw materials and consumables	18.063.863	16.168.491
Consignment stock	1.204.788	0
Finished goods and goods for resale	1.400.589	1.332.478
	<u>20.669.240</u>	<u>17.500.969</u>

## 11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a positive fair value.

## 12 Equity

The share capital consists of 10,000 shares of a nominal value of DKK 50. No shares carry any special rights.

## 13 Distribution of profit

	2021 DKK	2020 DKK
Proposed dividend for the year	20.000.000	30.000.000
Retained earnings	-349.223	13.506.464
	<u>19.650.777</u>	<u>43.506.464</u>

## Notes to the Financial Statements

	2021	2020
	DKK	DKK
<b>14 Provision for deferred tax</b>		
Provision for deferred tax at 1 January	1.479.095	1.398.226
Amounts recognised in the income statement for the year	10.279	80.869
<b>Provision for deferred tax at 31 December</b>	<b>1.489.374</b>	<b>1.479.095</b>

### 15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2021	2020
	DKK	DKK
<b>Other payables</b>		
Between 1 and 5 years	0	1.619.083
Long-term part	0	1.619.083
Other short-term payables	2.238.377	4.275.060
	<b>2.238.377</b>	<b>5.894.143</b>

### 16 Contingent assets, liabilities and other financial obligations

#### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	555.734	636.634
Between 1 and 5 years	338.245	637.099
After 5 years	0	31.965
	<b>893.979</b>	<b>1.305.698</b>
Rental obligations, non-cancellable period	256.910	256.910

#### Other contingent liabilities

The company's bank has provided payment guarantees on behalf of the company for a total of 1.082 kDKK at 31 December 2021

# Notes to the Financial Statements

## 17 Related parties

### Transactions

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

Sale of goods to associates, kDKK 12.457.

Purchase of goods from associates, kDKK 67.015.

Sale of services to associates, kDKK 10.202.

Purchase of services from associates, kDKK 7.763.

Receivables regarding cash pool, kDKK 18.511.

Accounts receivables, kDKK 1.091.

Accounts payables, kDKK 3.616.

Interest expenses, kDKK 1.

### Consolidated Financial Statements

The company is included in the consolidated report for the parent company

<u>Name</u>	<u>Place of registered office</u>
Alimak Group AB (largest group)	Stockholm, Sverige
Alimak Group Management AB (smallest group)	Stockholm, Sverige

The consolidated annual report for Alimak Group AB can be requested at the following address:

<https://www.alimakgroup.com/English/investor-relations/financials/annual-reports/default.aspx>

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of Alimak Group Denmark A/S for 2020 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 2021 are presented in DKK.

### Consolidated financial statements

With reference to section 112(1) of the Danish Financial Statements Act and to the consolidated financial statements of Alimak Group AB, 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 Alimak Group AB, the Company has not prepared a cash flow statement.

### Recognition and measurement

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

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

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

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

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

## 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.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, cost of sales, other operating income.

### Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Development expenditure

Development expenditure indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

### Other operating income and expenses

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

### Income from investments in subsidiaries

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.

## Balance Sheet

### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 - 20 years.

Useful lifetime for goodwill is determined based on evaluation of strategic marked position and synergies and market benefits achieved through the acquisition of activities and mergers.

Development costs and costs relating to rights developed by the Company are recognised in the income

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

statement as costs in the year of acquisition.

### 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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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:

Production buildings	20-50 years
Other fixtures and fittings, tools and equipment	3-10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of 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.

### Fixed asset investments

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

### Other fixed asset investments

Other fixed asset investments consist of deposits.



# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### **Inventories**

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

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

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

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

### **Receivables**

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

### **Prepayments**

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

### **Cash at bank**

Due to the nature of the company's cash pool agreement, cash pool balances are not considered cash and cash equivalents but are recognized under receivables from affiliated companies.

### **Equity**

#### ***Dividend***

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

### **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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

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. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

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

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

### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

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