Alimak Group Denmark A/S

Adidasvej 2, DK-8653 Them

Annual Report for 1 January - 31 December 2022

CVR No 29 21 51 46

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17/7 2023

Thomas Hendel
Chairman of the General Meeting

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Alimak Group Denmark A/S for the financial year 1 January - 31 December 2022.

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 2022 of the Company and of the results of the Company operations for 2022.

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, 17 July 2023

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 2022, which comprise 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 financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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.

Independence

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 eco-

nomic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events 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

Independent Auditor's Report

misstated.

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

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

Frederiksberg, 17 July 2023
EY Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Karsten Bøgel
State-Authorised Public Accountant
mne27849

Morten Østerkjærhus
State-Authorised Public Accountant
mne45930

Company Information

The Company	Alimak Group Denmark A/S Adidasvej 2 DK-8653 Them Telephone: + 45 48249024 E-mail: info@avanti-online.com Website: 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:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	51.812	51.723	46.751	52.661	123.025
Operating profit/loss	13.836	12.160	9.634	21.402	57.150
Net financials	6.976	12.022	38.036	-8.565	59.910
Net profit/loss for the year	15.944	19.651	43.506	3.807	100.247
Balance sheet					
Balance sheet total	198.431	208.987	215.815	272.208	285.127
Equity	183.762	187.818	198.168	254.661	250.854
Investment in property, plant and equipment	88	860	-680	465	495
Number of employees	45	49	48	43	53
Ratios					
Return on assets	7,0%	5,8%	4,5%	7,9%	20,0%
Solvency ratio	92,6%	89,9%	91,8%	93,6%	88,0%
Return on equity	8,6%	10,2%	19,2%	1,5%	50,1%

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.

Development in the year

The income statement of the Company for 2022 shows a profit of DKK 15,943,820, and at 31 December 2022 the balance sheet of the Company shows equity of DKK 183,762,133.

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 2021 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

For the coming year we expect our profit before tax between 44 – 47 million DKK. The profit before tax for 2023 is a result of expected increased activity in the Danish division as well as an increased activity and profit from investments in subsidiaries.

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.

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	2022	2021
		DKK	DKK
Gross profit/loss		**51.812.319**	**51.722.799**
Distribution expenses		-1.118.604	-971.959
Development expenditure		-424.609	-133.093
Administrative expenses	2	-36.433.426	-38.457.728
Operating profit/loss		**13.835.680**	**12.160.019**
Profit/loss before financial income and expenses		**13.835.680**	**12.160.019**
Income from investments in subsidiaries	3	7.437.700	12.143.385
Financial income	4	561.629	734.301
Financial expenses	5	-1.023.454	-856.023
Profit/loss before tax		**20.811.555**	**24.181.682**
Tax on profit/loss for the year	6	-4.867.735	-4.530.905
Net profit/loss for the year		**15.943.820**	**19.650.777**

Balance Sheet 31 December

Assets

	Note	2022	2021
		DKK	DKK
Goodwill		73.370.211	81.951.369
Development projects in progress		0	0
Intangible assets	7	**73.370.211**	**81.951.369**
Land and buildings		10.323.545	10.661.461
Other fixtures and fittings, tools and equipment		1.096.221	1.497.460
Property, plant and equipment	8	**11.419.766**	**12.158.921**
Investments in subsidiaries	9	34.704.180	34.704.180
Other investments	10	65.279	65.279
Deposits	10	201.843	181.143
Fixed asset investments		**34.971.302**	**34.950.602**
Fixed assets		**119.761.279**	**129.060.892**
Inventories	11	**19.292.475**	**20.669.240**
Trade receivables		38.545.262	29.862.192
Receivables from group enterprises	12	8.529.630	19.546.712
Other receivables		8.174.580	8.491.625
Corporation tax		0	939.374
Prepayments	13	374.160	357.693
Receivables		**55.623.632**	**59.197.596**
Cash at bank and in hand		**3.753.290**	**59.119**
Currents assets		**78.669.397**	**79.925.955**
Assets		**198.430.676**	**208.986.847**

Balance Sheet 31 December

Liabilities and equity

	Note	2022	2021
		DKK	DKK
Share capital	14	500.000	500.000
Retained earnings		163.262.133	167.318.313
Proposed dividend for the year		20.000.000	20.000.000
Equity		**183.762.133**	**187.818.313**
Provision for deferred tax	16	1.484.631	1.489.374
Provisions		**1.484.631**	**1.489.374**
Prepayments received from customers		117.264	117.264
Trade payables		4.994.067	13.707.197
Payables to group enterprises		6.368.231	3.616.322
Corporation tax		544.726	0
Other payables		1.159.624	2.238.377
Short-term debt		**13.183.912**	**19.679.160**
Debt		**13.183.912**	**19.679.160**
Liabilities and equity		**198.430.676**	**208.986.847**
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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	167.318.313	20.000.000	187.818.313
Ordinary dividend paid	0	0	-20.000.000	-20.000.000
Net profit/loss for the year	0	-4.056.180	20.000.000	15.943.820
Equity at 31 December	**500.000**	**163.262.133**	**20.000.000**	**183.762.133**

Notes to the Financial Statements

1 Subsequent events

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

2 Staff

	2022	2021
	DKK	DKK
Wages and Salaries	21.753.952	23.445.580
Pensions	2.415.688	2.347.187
Other social security expenses	386.949	360.231
Other staff expenses	856.364	764.302
	25.412.953	**26.917.300**
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	5.046.084	6.010.381
Administrative expenses	20.366.869	20.906.919
	25.412.953	**26.917.300**
Average number of employees	**45**	**49**

Remuneration to the Management as well as fee for the Company's Board of directors amounts to kDKK 1,329 in 2022 (2021: kDKK 1,301).

3 Income from investments in subsidiaries

	2022	2021
Dividend	7.437.700	12.143.385
	7.437.700	**12.143.385**

4 Financial income

	2022	2021
Other financial income	6.166	0
Exchange gains	555.463	734.301
	561.629	**734.301**

Notes to the Financial Statements

		2022	2021
		DKK	DKK
5	**Financial expenses**		
	Interest paid to group enterprises	1.157	908
	Other financial expenses	21.932	12.329
	Exchange loss	1.000.365	842.786
		1.023.454	**856.023**
6	**Tax on profit/loss for the year**		
	Current tax for the year	4.852.150	4.520.626
	Deferred tax for the year	-4.743	10.279
	Adjustment of tax concerning previous years	20.328	0
		4.867.735	**4.530.905**

7 Intangible assets

	Goodwill	Development projects in progress
	DKK	DKK
Cost at 1 January	205.815.749	2.999.926
Cost at 31 December	205.815.749	2.999.926
Impairment losses and amortisation at 1 January	123.864.359	2.999.926
Amortisation for the year	8.581.179	0
Impairment losses and amortisation at 31 December	132.445.538	2.999.926
Carrying amount at 31 December	**73.370.211**	**0**
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.

Notes to the Financial Statements

7 Intangible assets (continued)

	2022	2021
	DKK	DKK
Amortisation and impairment of intangible assets are recognised in the following items:		
Administrative expenses	8.581.158	8.632.410
	8.581.158	**8.632.410**

8 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment
	DKK	DKK
Cost at 1 January	15.715.092	9.514.968
Additions for the year	0	88.134
Cost at 31 December	15.715.092	9.603.102
Impairment losses and depreciation at 1 January	5.067.015	8.004.139
Depreciation for the year	324.532	502.742
Impairment losses and depreciation at 31 December	5.391.547	8.506.881
Carrying amount at 31 December	**10.323.545**	**1.096.221**

Notes to the Financial Statements

	2022	2021
	DKK	DKK

9 Investments in subsidiaries

	2022 DKK	2021 DKK
Cost at 1 January	56.793.247	56.793.247
Cost at 31 December	56.793.247	56.793.247
Value adjustments at 1 January	-22.089.067	-22.089.067
Value adjustments at 31 December	-22.089.067	-22.089.067
Carrying amount at 31 December	**34.704.180**	**34.704.180**

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.	Shanghai, China	100%	78.345.851	-6.027.741
Avanti Wind Systems S.L.	Zaragoza, Spain	100%	44.773.078	12.489.903
Avanti Wind Systems Technology S.L.	Zaragoza, Spain	100%	1.353.056	503.078
Avanti Wind Systems Instalaciones Servicios SL	Zaragoza, Spain	100%	2.217.851	314.662
Avanti Brasil Sistemas Eólogices LTDA.	Eusébio, Brazil	100%	10.671.053	5.910.377

The most recently published annual reports are for the period 1 January - 31 December 2021.

10 Other fixed asset investments

	Other investments	Deposits
	DKK	DKK
Cost at 1 January	65.279	201.843
Cost at 31 December	65.279	201.843
Carrying amount at 31 December	**65.279**	**201.843**

Notes to the Financial Statements

11 Inventories

	2022 DKK	2021 DKK
Raw materials and consumables	16.272.731	18.063.863
Consignment stock	0	1.204.788
Finished goods and goods for resale	3.019.744	1.400.589
	19.292.475	**20.669.240**

12 Receivables from group enterprises

Receivables regarding cash-pool	6.647.314	18.455.624
Other receivables	1.882.316	1.091.088
	8.529.630	**19.546.712**

The cash pool held with BNP Paribas is a zero-balancing cash pool, owned by Alimak Group Management AB (= master account holder). The sub accounts are held by the subsidiaries (in this case Alimak Group Denmark AS) and the balance is swept between master accounts and sub accounts in order for the sub accounts to close each day at zero balance.

Sub account holder receives interest for any amount lent to master account holder and pay interest if they are borrowing money through the cash pool. The cash balance for sub account holder at closing is zero and the intercompany borrowing/lending is valued to group closing rates.

13 Prepayments

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

14 Equity

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

Notes to the Financial Statements

15 Distribution of profit

	2022 DKK	2021 DKK
Proposed dividend for the year	20.000.000	20.000.000
Retained earnings	-4.056.180	-349.223
	15.943.820	**19.650.777**

16 Provision for deferred tax

	2022 DKK	2021 DKK
Provision for deferred tax at 1 January	1.489.374	1.479.095
Amounts recognised in the income statement for the year	-4.743	10.279
Provision for deferred tax at 31 December	**1.484.631**	**1.489.374**

17 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2022 DKK	2021 DKK
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	562.647	555.734
Between 1 and 5 years	73.452	338.245
	636.099	**893.979**
Rental obligations, non-cancellable period	1.099.270	256.910

Other contingent liabilities

The company's banks have provided payment guarantees on behalf of the company for a total of 1.082 kDKK at 31 December 2022.

18 Related parties

	Basis
Controlling interest	
Alimak Group Management AB, Blekholmstorget 30, SE-111 64 Stockholm, Sweden	Parent Company

Notes to the Financial Statements

18 Related parties (continued)

Transactions

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

Sale of goods to associates, kDKK 15.431.

Purchase of goods from associates, kDKK 39.086.

Sale of services to associates, kDKK 7.794.

Purchase of services from associates, kDKK 8.796.

Receivables regarding cash pool, kDKK 6.647.

Accounts receivables, kDKK 1.882.

Accounts payables, kDKK 6.368.

Interest income kDKK 14.

Interest expenses, kDKK 15

Consolidated Financial Statements

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

Name	Place of registered office
Alimak Group AB (largest group)	Blekholmstorget 30, SE-111 64 Stockholm, Sweden
Alimak Group Management AB (smallest group)	Blekholmstorget 30, SE-111 64 Stockholm, Sweden

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

19 Accounting Policies

The Annual Report of Alimak Group Denmark A/S for 2022 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 2022 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

19 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 and services is recognised when the risks and rewards relating to the goods and 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 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.

Development expenditure

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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 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 statement as costs in the year of acquisition.

Notes to the Financial Statements

19 Accounting Policies (continued)

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 amount of intangible assets, property, plant and equipment and equity investments in group entities and equity interests is tested annually for indication of impairment other than the decrease in value reflected by amortisation/depreciation made.

Impairment tests are conducted on individual assets or cash-generating units when there is indication of impairment. Write-down is made to the lower of the recoverable amount and carrying amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Investments in subsidiaries

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs and other costs directly related to the purchase.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production overheads. Production overheads comprise costs of material and labour as well as maintenance of and depreciation on production machinery, buildings and equipment as well as costs relating to plant administration and management. Borrowing costs are not recognised in the cost.

The net realisable value of inventories is determined as the selling price less any discounts, costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Notes to the Financial Statements

19 Accounting Policies (continued)

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the credit risk management policy of the Parent Company and the Group. The objective evidence applied to portfolios is determined based on historical loss experience. Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate of the individual receivable or portfolio is used as discount rate.

Prepayments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a remaining term of three months or less that are subject to only minor risks of changes in value.

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 group enterprises.

Equity

Dividend

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on taxable income in previous years and tax paid on account. Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to non-deductible goodwill and on office premises and other items where temporary differences – apart from acquisitions – arise at the acquisition date without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

Fair value

Fair value is determined based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability.

All assets and liabilities that are measured at fair value or whose fair value is disclosed are classified based on the fair value hierarchy, see below:

Level 1: Value based on the fair value of similar assets/liabilities in an active market.
Level 2: Value based on generally accepted valuation methods on the basis of observable market information.
Level 3: Value based on generally accepted valuation methods and reasonable estimates based on non-observable market information.

If a reliable fair value cannot be stated according to the above levels, the asset or liability is measured at cost.

Financial Highlights

Explanation of financial ratios

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