
Alimak Group Denmark A/S

Adidasvej 2, DK-8653 Them

Annual Report for 1 January - 31 December 2023

CVR No 29 21 51 46

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/6 2024

Sylvain Grange
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	8
Balance Sheet 31 December	9
Statement of Changes in Equity	11
Notes to the Financial Statements	12

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 2023.

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 2023 of the Company and of the results of the Company operations for 2023.

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, 25 June 2024

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 2023, 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 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

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.

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-

Independent Auditor's Report

nommic 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.

Aarhus, 25 June 2024

EY Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

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
Værkmestergade 25
DK-8000 Aarhus C

Financial Highlights

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

	2023 TDKK	2022 TDKK	2021 TDKK	2020 TDKK	2019 TDKK
Key figures					
Profit/loss					
Gross profit/loss	53.009	51.812	51.723	46.751	52.661
Operating profit/loss	13.424	13.836	12.160	9.634	21.402
Net financials	46.935	6.976	12.022	38.036	-8.565
Net profit/loss for the year	55.298	15.944	19.651	43.506	3.807
Balance sheet					
Balance sheet total	238.885	198.431	208.987	215.815	272.208
Equity	219.060	183.762	187.818	198.168	254.661
Investment in property, plant and equipment	1.077	88	860	-680	465
Number of employees	44	45	49	48	43
Ratios					
Return on assets	5,6%	7,0%	5,8%	4,5%	7,9%
Solvency ratio	91,7%	92,6%	89,9%	91,8%	93,6%
Return on equity	27,5%	8,6%	10,2%	19,2%	1,5%

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 2023 shows a profit of DKK 55,298,313, and at 31 December 2023 the balance sheet of the Company shows equity of DKK 219,060,446.

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 2022 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.

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	2023	2022
		DKK	DKK
Gross profit/loss		53.008.911	51.812.319
Distribution expenses		-1.125.038	-1.118.604
Development expenditure		-213.460	-424.609
Administrative expenses	2	-38.246.763	-36.433.426
Operating profit/loss		13.423.650	13.835.680
Profit/loss before financial income and expenses		13.423.650	13.835.680
Income from investments in subsidiaries	3	45.977.882	7.437.700
Financial income	4	1.573.990	561.629
Financial expenses	5	-617.103	-1.023.454
Profit/loss before tax		60.358.419	20.811.555
Tax on profit/loss for the year	6	-5.060.106	-4.867.735
Net profit/loss for the year		55.298.313	15.943.820

Balance Sheet 31 December

Assets

	Note	2023 DKK	2022 DKK
Goodwill		64.789.035	73.370.211
Intangible assets	7	64.789.035	73.370.211
Land and buildings		10.485.010	10.323.545
Other fixtures and fittings, tools and equipment		1.263.905	1.096.221
Property, plant and equipment	8	11.748.915	11.419.766
Investments in subsidiaries	9	34.704.180	34.704.180
Other investments	10	65.279	65.279
Deposits	10	173.810	201.843
Fixed asset investments		34.943.269	34.971.302
Fixed assets		111.481.219	119.761.279
Inventories	11	15.922.147	19.292.475
Trade receivables		24.621.687	38.545.262
Receivables from group enterprises	12	5.832.135	8.529.630
Other receivables		5.706.553	8.174.580
Prepayments	13	384.459	374.160
Receivables		36.544.834	55.623.632
Cash at bank and in hand		74.936.888	3.753.290
Currents assets		127.403.869	78.669.397
Assets		238.885.088	198.430.676

Balance Sheet 31 December

Liabilities and equity

	Note	2023 DKK	2022 DKK
Share capital	14	500.000	500.000
Retained earnings		148.560.446	163.262.133
Proposed dividend for the year		70.000.000	20.000.000
Equity		219.060.446	183.762.133
Provision for deferred tax	15	1.514.987	1.484.631
Provisions		1.514.987	1.484.631
Prepayments received from customers		1.432.152	117.264
Trade payables		8.098.763	4.994.067
Payables to group enterprises		4.170.541	6.368.231
Corporation tax		2.401.750	544.726
Other payables		2.206.449	1.159.624
Short-term debt		18.309.655	13.183.912
Debt		18.309.655	13.183.912
Liabilities and equity		238.885.088	198.430.676
Subsequent events	1		
Distribution of profit	16		
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Accounting Policies	19		

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	163.262.133	20.000.000	183.762.133
Ordinary dividend paid	0	0	-20.000.000	-20.000.000
Net profit/loss for the year	0	-14.701.687	70.000.000	55.298.313
Equity at 31 December	500.000	148.560.446	70.000.000	219.060.446

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.

	2023 DKK	2022 DKK
2 Staff		
Wages and Salaries	22.097.099	21.753.952
Pensions	3.218.164	2.415.688
Other social security expenses	333.819	386.949
Other staff expenses	1.130.652	856.364
	26.779.734	25.412.953

Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:

Cost of sales	5.935.633	5.046.084
Administrative expenses	20.844.101	20.366.869
	26.779.734	25.412.953

Average number of employees	44	45
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Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Income from investments in subsidiaries

Dividend	45.977.882	7.437.700
	45.977.882	7.437.700

4 Financial income

Interest received from group enterprises	1.412.200	0
Other financial income	15.541	6.166
Exchange gains	146.249	555.463
	1.573.990	561.629

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
5 Financial expenses		
Interest paid to group enterprises	209.967	1.157
Other financial expenses	26.686	21.932
Exchange loss	380.450	1.000.365
	<u>617.103</u>	<u>1.023.454</u>
6 Tax on profit/loss for the year		
Current tax for the year	5.029.750	4.852.150
Deferred tax for the year	30.356	-4.743
Adjustment of tax concerning previous years	0	20.328
	<u>5.060.106</u>	<u>4.867.735</u>
7 Intangible assets		
		<u>Goodwill</u>
		DKK
Cost at 1 January		<u>205.815.749</u>
Cost at 31 December		<u>205.815.749</u>
Impairment losses and amortisation at 1 January		132.445.538
Amortisation for the year		<u>8.581.176</u>
Impairment losses and amortisation at 31 December		<u>141.026.714</u>
Carrying amount at 31 December		<u>64.789.035</u>
Amortised over		<u>10-20 years</u>

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)

	<u>2023</u> DKK	<u>2022</u> DKK
Amortisation and impairment of intangible assets are recognised in the following items:		
Administrative expenses	<u>8.581.176</u>	<u>8.581.158</u>
	<u>8.581.176</u>	<u>8.581.158</u>

8 Property, plant and equipment

	<u>Land and buildings</u> DKK	<u>Other fixtures and fittings, tools and equipment</u> DKK
Cost at 1 January	15.715.092	9.603.102
Additions for the year	<u>489.775</u>	<u>587.700</u>
Cost at 31 December	<u>16.204.867</u>	<u>10.190.802</u>
Impairment losses and depreciation at 1 January	5.391.547	8.506.881
Depreciation for the year	<u>328.310</u>	<u>420.016</u>
Impairment losses and depreciation at 31 December	<u>5.719.857</u>	<u>8.926.897</u>
Carrying amount at 31 December	<u>10.485.010</u>	<u>1.263.905</u>

Notes to the Financial Statements

	2023 DKK	2022 DKK
9 Investments in subsidiaries		
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%	73.890.563	1.447.316
Avanti Wind Systems S.L.	Zaragoza, Spain	100%	48.718.705	11.293.513
Avanti Wind Systems Technology S.L.	Zaragoza, Spain	100%	2.160.469	804.146
Avanti Wind Systems Instalaciones Servicios SL	Zaragoza, Spain	100%	2.547.461	324.253
Avanti Brasil Sistemas Ecológicos LTDA.	Eusébio, Brazil	100%	-1.748.204	6.061.214

The most recently published annual reports are for the period 1 January - 31 December 2022.

10 Other fixed asset investments

	Other investments DKK	Deposits DKK
Cost at 1 January	65.279	201.843
Disposals for the year	0	-28.033
Cost at 31 December	65.279	173.810
Carrying amount at 31 December	65.279	173.810

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
11 Inventories		
Raw materials and consumables	13.089.651	16.272.731
Finished goods and goods for resale	<u>2.832.496</u>	<u>3.019.744</u>
	<u>15.922.147</u>	<u>19.292.475</u>

12 Receivables from group enterprises

Receivables regarding cash-pool	4.557.947	6.647.314
Other receivables	<u>1.274.188</u>	<u>1.882.316</u>
	<u>5.832.135</u>	<u>8.529.630</u>

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 Share capital

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

	2023	2022
	DKK	DKK
15 Provision for deferred tax		
Provision for deferred tax at 1 January	1.484.631	1.489.374
Amounts recognised in the income statement for the year	30.356	-4.743
Provision for deferred tax at 31 December	1.514.987	1.484.631
16 Distribution of profit		
Proposed dividend for the year	70.000.000	20.000.000
Retained earnings	-14.701.687	-4.056.180
	55.298.313	15.943.820
17 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	458.528	562.647
Between 1 and 5 years	422.360	73.452
	880.888	636.099
Rental obligations, non-cancellable period	670.878	1.099.270
Other contingent liabilities		
The company's banks have provided payment guarantees on behalf of the company for a total of 468 kDKK at 31 December 2023 (2022: kDKK 1.082).		

Notes to the Financial Statements

18 Related parties

Basis

Controlling interest

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

Transactions

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

Sale of goods to associates, kDKK 15.496 (2022: kDKK 15.431).

Purchase of goods from associates, kDKK 20.923 (2022: kDKK 39.086)

Sale of services to associates, kDKK 4.270 (2022: kDKK 7.794)

Purchase of services from associates, kDKK 11.254 (2022: kDKK 8.796)

Receivables regarding cash pool, kDKK 4.558 (2022: kDKK 6.647)

Accounts receivables, kDKK 1.274 (2022: kDKK 1.882)

Accounts payables, kDKK 4.171 (2022: kDKK 6.368)

Interest income kDKK 1.412 (2022: kDKK 14)

Interest expenses, kDKK 209 (2022: kDKK 15)

Consolidated Financial Statements

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

Name

Alimak Group AB (largest group)

Place of registered office

Blekholmstorget 30,
SE-111 64 Stockholm, Sweden

Notes to the Financial Statements

18 Related parties (continued)

Alimak Group Management AB (smallest group)	Bleholmstorget 30, SE-111 64 Stockholm, Sweden
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The Group Annual Report of Alimak Group AB (largest group) may be obtained 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 2023 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 2023 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

The Company has chosen IAS 11 / IAS 18 as interpretation for revenue recognition.

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 market 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.

Financial Highlights

Explanation of financial ratios

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Notes to the Financial Statements

19 Accounting Policies (continued)

Return on equity

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