
Alimak Group Denmark A/S

Adidasvej 2, DK-8653 Them

Annual Report for 1 January - 31 December 2020

CVR No 29 21 51 46

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
18/6 2021

Charlotte Brogren Karlberg
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 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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, 18 June 2021

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 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, 18 June 2021

EY Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Ole Hedemann
State-Authorised Public Accountant
mne14949

Karsten Bøgel
State-Authorised Public Accountant
mne27849

Company Information

The Company

Alimak Group Denmark A/S
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DK-8653 Them

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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:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Gross profit/loss	39.408	52.661	123.025	99.465	63.310
Operating profit/loss	9.634	21.402	57.150	30.960	41.466
Net financials	38.036	-8.565	59.910	-10.176	22.004
Net profit/loss for the year	43.506	3.807	100.247	14.081	54.688
Balance sheet					
Balance sheet total	215.815	272.208	285.127	353.358	299.919
Equity	198.168	254.661	250.854	149.626	139.663
Investment in property, plant and equipment	680	465	495	15.381	121
Number of employees	48	43	53	61	11
Ratios					
Return on assets	4,5%	7,9%	20,0%	8,8%	0,0%
Solvency ratio	91,8%	93,6%	88,0%	42,3%	46,6%
Return on equity	19,2%	1,5%	50,1%	9,7%	42,4%

In connection with a merger and change in accounting policies, comparative figures have been adjusted for 2017 but not the years before that. Reference is made to this in the section on accounting policies.

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.

This year, the company has started sales within 2 new business areas (Construction and Industry), which mainly consist of lifts for equipment and crew. This is an area the company expects a lot from in the future.

Development in the year

The income statement of the Company for 2020 shows a profit of DKK 43,506,464, and at 31 December 2020 the balance sheet of the Company shows equity of DKK 198,167,536.

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 below 2019 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

Subsequent events

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

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 2021, so total sales are expected to remain unaffected.

Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Gross profit/loss		39.407.912	52.660.733
Distribution expenses		-1.392.591	-3.203.022
Development expenditure		-148.671	-220.547
Administrative expenses	1	-28.232.284	-27.835.414
Operating profit/loss		9.634.366	21.401.750
 Profit/loss before financial income and expenses		 9.634.366	 21.401.750
Income from investments in subsidiaries	2	38.063.032	-10.129.495
Financial income	3	1.002.317	3.147.740
Financial expenses	4	-1.029.096	-1.583.070
Profit/loss before tax		47.670.619	12.836.925
Tax on profit/loss for the year	5	-4.164.155	-9.029.489
Net profit/loss for the year		43.506.464	3.807.436

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Goodwill		90.583.780	99.241.806
Intangible assets	6	90.583.780	99.241.806
Land and buildings		10.315.718	10.625.761
Other fixtures and fittings, tools and equipment		1.959.381	1.915.295
Property, plant and equipment	7	12.275.099	12.541.056
Investments in subsidiaries	8	34.704.180	36.773.647
Other investments	9	65.279	0
Deposits	9	153.110	130.010
Fixed asset investments		34.922.569	36.903.657
Fixed assets		137.781.448	148.686.519
Inventories	10	17.500.969	19.872.692
Trade receivables		19.297.682	24.677.940
Receivables from group enterprises		34.997.217	73.392.493
Other receivables		5.542.365	3.410.884
Corporation tax		198.032	1.872.924
Prepayments	11	391.068	265.581
Receivables		60.426.364	103.619.822
Cash at bank and in hand		105.917	29.069
Currents assets		78.033.250	123.521.583
Assets		215.814.698	272.208.102

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital	12	500.000	500.000
Retained earnings		167.667.536	154.161.072
Proposed dividend for the year		30.000.000	100.000.000
Equity		198.167.536	254.661.072
Provision for deferred tax	14	1.479.095	1.398.226
Provisions		1.479.095	1.398.226
Other payables		1.619.083	698.312
Long-term debt	15	1.619.083	698.312
Prepayments received from customers		65.412	65.412
Trade payables		3.998.323	4.111.313
Payables to group enterprises		6.210.189	6.774.182
Other payables	15	4.275.060	4.499.585
Short-term debt		14.548.984	15.450.492
Debt		16.168.067	16.148.804
Liabilities and equity		215.814.698	272.208.102
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	16		
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Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Proposed dividend for the year</u> DKK	<u>Total</u> DKK
Equity at 1 January	500.000	154.161.072	100.000.000	254.661.072
Ordinary dividend paid	0	0	-100.000.000	-100.000.000
Net profit/loss for the year	0	13.506.464	30.000.000	43.506.464
Equity at 31 December	<u>500.000</u>	<u>167.667.536</u>	<u>30.000.000</u>	<u>198.167.536</u>

Notes to the Financial Statements

	2020	2019
	DKK	DKK
1 Staff		
Wages and Salaries	15.553.699	13.184.707
Pensions	2.126.898	2.015.859
Other social security expenses	352.315	403.519
Other staff expenses	682.633	1.158.464
	18.715.545	16.762.549
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	5.067.245	4.636.964
Administrative expenses	13.648.300	12.125.585
	18.715.545	16.762.549
Average number of employees	48	43
2 Income from investments in subsidiaries		
Loss on investments in subsidiaries	0	-12.974.495
Dividend	38.063.032	2.845.000
	38.063.032	-10.129.495
3 Financial income		
Interest received from group enterprises	568	0
Other financial income	2.611	307.076
Exchange gains	999.138	2.840.664
	1.002.317	3.147.740
4 Financial expenses		
Interest paid to group enterprises	0	66.252
Other financial expenses	1.151	373.016
Exchange loss	1.027.945	1.143.802
	1.029.096	1.583.070

Notes to the Financial Statements

	2020 DKK	2019 DKK
5 Tax on profit/loss for the year		
Current tax for the year	4.041.372	9.206.170
Deferred tax for the year	80.869	-176.681
Adjustment of tax concerning previous years	41.914	0
	4.164.155	9.029.489

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	106.573.943
Amortisation for the year	8.658.026
Impairment losses and amortisation at 31 December	115.231.969
Carrying amount at 31 December	90.583.780
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.

	2020 DKK	2019 DKK
Amortisation and impairment of intangible assets are recognised in the following items:		
Administrative expenses	8.658.026	9.002.797
	8.658.026	9.002.797

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK
Cost at 1 January	15.793.032	8.626.563
Additions for the year	<u>0</u>	<u>680.288</u>
Cost at 31 December	<u>15.793.032</u>	<u>9.306.851</u>
Impairment losses and depreciation at 1 January	5.167.271	6.711.258
Depreciation for the year	<u>310.043</u>	<u>636.212</u>
Impairment losses and depreciation at 31 December	<u>5.477.314</u>	<u>7.347.470</u>
Carrying amount at 31 December	<u>10.315.718</u>	<u>1.959.381</u>

8 Investments in subsidiaries

	2020 DKK	2019 DKK
Cost at 1 January	58.862.714	52.347.436
Additions for the year	0	19.364.773
Disposals for the year	-2.004.188	-12.849.495
Transfers for the year	<u>-65.279</u>	<u>0</u>
Cost at 31 December	<u>56.793.247</u>	<u>58.862.714</u>
Value adjustments at 1 January	-22.089.067	0
Other adjustments	<u>0</u>	<u>-22.089.067</u>
Value adjustments at 31 December	<u>-22.089.067</u>	<u>-22.089.067</u>
Carrying amount at 31 December	<u>34.704.180</u>	<u>36.773.647</u>

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%	71.807.953	1.905.612
Avanti Wind Systems S.L.	Spain	100%	48.698.461	12.396.531
Avanti Wind Systems Technology S.L.	Spain	100%	11.669.340	832.982
Avanti Wind Systems Instalaciones Servicios SL	Spain	100%	7.361.551	1.459.307
Avanti Brasil Sistemas Ecológicos LTDA.	Brazil	100%	10.467.000	-1.223.689

Notes to the Financial Statements

The most recently published annual reports are for the period 1 January - 31 December 2019.

9 Other fixed asset investments

	Other investments DKK	Deposits DKK
Cost at 1 January	0	130.010
Additions for the year	0	23.100
Transfers for the year	65.279	0
Cost at 31 December	<u>65.279</u>	<u>153.110</u>
Carrying amount at 31 December	<u>65.279</u>	<u>153.110</u>

10 Inventories

	2020 DKK	2019 DKK
Raw materials and consumables	16.168.491	18.830.037
Finished goods and goods for resale	1.332.478	1.042.655
	<u>17.500.969</u>	<u>19.872.692</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

	2020 DKK	2019 DKK
Proposed dividend for the year	30.000.000	100.000.000
Retained earnings	13.506.464	-96.192.564
	<u>43.506.464</u>	<u>3.807.436</u>

Notes to the Financial Statements

	2020 DKK	2019 DKK
14 Provision for deferred tax		
Provision for deferred tax at 1 January	1.398.226	1.574.907
Amounts recognised in the income statement for the year	80.869	-176.681
Provision for deferred tax at 31 December	1.479.095	1.398.226

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:

	2020 DKK	2019 DKK
Other payables		
Between 1 and 5 years	1.619.083	698.312
Long-term part	1.619.083	698.312
Other short-term payables	4.275.060	4.499.585
	5.894.143	5.197.897

16 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	636.634	706.559
Between 1 and 5 years	637.099	512.186
After 5 years	31.965	0
	1.305.698	1.218.745
Rental obligations, non-cancellable period	256.910	130.910

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 2020

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 13.013.

Purchase of goods from associates, kDKK 53.897.

Sale of services to associates, kDKK 11.251.

Purchase of services from associates, kDKK 7.548.

Receivables regarding cash pool, kDKK 29.778.

Accounts receivables, kDKK 1.867.

Accounts payables, kDKK 6.210

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.

With effect from the financial year 2020, the company has implemented Amendment Act no. 1716 of 27 December 2018 to the Annual Accounts Act. The implementation of the amending law has not affected the company's accounting policies for the recognition and measurement of assets and liabilities.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 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.

Notes to the Financial Statements

18 Accounting Policies (continued)

Translation policies

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

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

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

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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 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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

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