

ANNUAL REPORT 2021/22



Welcon A/S
Vejlevej 270
7323 Give
Denmark
CVR No. 31 49 14 01

The Annual Report was presented and approved at the Annual General Meeting of the Company on 15 September 2022
Chairman: Kenneth Nielsen Leth

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FOR MORE THAN 55 YEARS, OUR STEEL SOLUTIONS HAVE HELPED PIONEER THE DEVELOPMENT OF THE RENEWABLE ENERGY BUSINESS

We produce towers and floating foundations for wind turbines in the renewable energy sector. From our factory in Give, we have delivered a significant part of towers for offshore wind turbines to the European market. Offshore wind will grow rapidly in the years to come as the demand for green electricity is exploding.

Last year we successfully completed the manufacture of the first prototype of the Tetra Spar floating foundation for Stiesdal Offshore Technologies. This year we have started planning the production of the next Tetra Sub prototype. The production will commence early 2023. There is a tremendous potential globally for offshore wind on large water depths based on floating solutions.

WE HAVE THE WILL, THE SKILLS AND THE OPPORTUNITIES

With more than 55 years of experience we are a strong and innovative player in the renewable energy sector. On a continuous basis we expand and develop our state-of-the-art factory to meet market demands for even larger wind turbines and floating foundations. Through application of robotic technologies, we achieve market leading productivity.

We provide certainty in uncertain times and are a global player in a market in which the mission is to provide solutions for a green world without fossil fuels.

RENEWABLE ENERGY

Our goal is to be an important part of the green transformation to save our planet, and you can be sure that we keep our promises – no compromises. You can also be certain that we continually challenge status quo in the way we do business.

Having the will, the skills and the opportunities implies certain obligations. The renewable energy transition cannot happen fast enough and for that reason, we believe in action. Those who dare to act are going to change the world.

BUSINESS REVIEW

The company's purpose is development activities, trading activities and production activities in connection with e.g. towers for wind turbines, directly or indirectly through subsidiaries or associates as well as all activities related thereto at the discretion of the Board of Directors.

STATUTORY CORPORATE SOCIAL RESPONSIBILITY REPORT

Disclosure of corporate social responsibility and gender representation is included in the consolidated financial statements of the parent company CJ Holding ApS.



**+55
YEARS**

*of experience within
steel construction*

**DKK 709
MILLION**

*annual turnover
2021/2022*

**DKK 460
MILLION**

*total
balance sheet*

+550

employees



SATISFACTORY RESULTS DESPITE A CHALLENGING YEAR

IMPROVED PERFORMANCE

Covid-19 continued to impact our business negatively followed by supply shortages and the Russian invasion of Ukraine. Due to our dedicated employees, a strong supplier base as well as flexible customers, we have managed to improve the financial results compared to last year. The increased demand for green energy led to a historical high order intake for towers and floating foundations. Our order book is record high and the order horizon is until the end of 2029.

The last quarter of the financial year was especially challenging because of the war in Ukraine. The market conditions shifted over night with massive price increases, longer lead-times, and delays on many of the raw materials and semi-finished parts going into a tower. The volatile business climate has continued after the closure of the financial year, and we must adapt to a new more unpredictable tomorrow.

FINANCIAL REVIEW

The company's income statement for the year ended 31 May 2022 shows a profit of DKK'000 27,757, and the balance sheet at 31 May 2022 shows equity of DKK'000 82,504 which is in line with expectations.

Throughout the years we have invested heavily in new technologies and optimized our facilities to make us one of the most competitive tower manufacturers in the world. This is due to the continuous tough competition amongst the suppliers in the wind market.

LARGEST INVESTMENT IN HISTORY

In early 2022 we decided to initiate the largest investment in the history of Welcon. The investment exceeds more than DKK 750 million and will double our capacity. It will make it possible for us to produce towers and floating foundations of up to more than 10 meters in diameter enabling us to meet the increasing customer demands.

THANKS TO ALL EMPLOYEES AND PARTNERS

2021/22 has been another challenging year for all our employees. We appreciate the tremendous effort from our employees throughout a very turbulent and unpredictable year in which we have been able to maintain a strong customer focus.

I would also like to take the opportunity to thank all business partners for the good co-operation in the past year.

Jens Risvig Pedersen
CEO



EXPECTATIONS FOR 2022/23

We have a business strategy to grow with the market and our customer's needs. This strategy demands continuous investment in expanding our capacity and capabilities in our production facilities. The world needs green solutions now to solve the problem with global warming and dependency on fossil fuels. The growth in the offshore wind market is a key element in the green transformation and specific plans are being made in the entire world from the "Inflation Reduction Act" in the US to European plans to heavily invest in the build out of offshore wind in both the Baltic Sea and the North Sea.

GLOBAL FOOTPRINT

The joint venture between Marmen and Welcon has continued the establishment of the first US towers and foundations factory for offshore wind turbines at the Port of Albany. The first towers from the factory will be delivered from 2025 for the two Equinor offshore wind farms, Empire Wind and Beacon Wind, located in the State of New York.

Besides the US joint venture, we continue the technology transfer co-operation with Century Huaxin Wind Energy in Taiwan, which is building a towers and foundations factory for offshore wind turbines at the harbor of Taichung.

The two partnerships are important elements in our strategy to support and accelerate the green transformation.

EXPECTED DEVELOPMENT OF THE COMPANY, INCLUDING SPECIFIC PREREQUISITES AND UNCERTAINTIES

The management expects the financial statements for 2022/2023 to show a turnover at the level of DKK 1 billion and slightly improved results compared to this year.

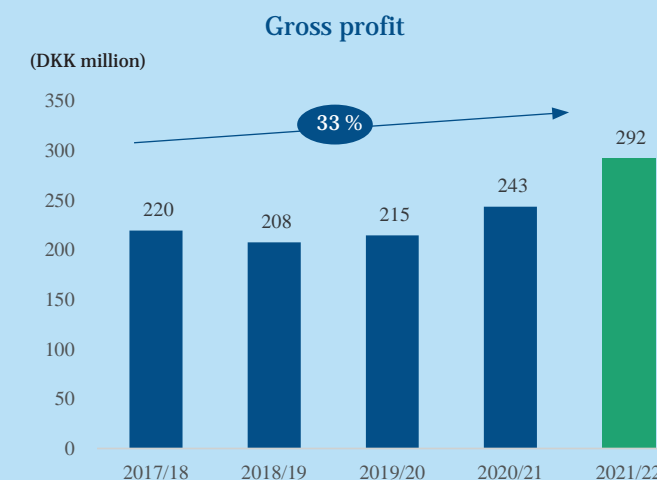
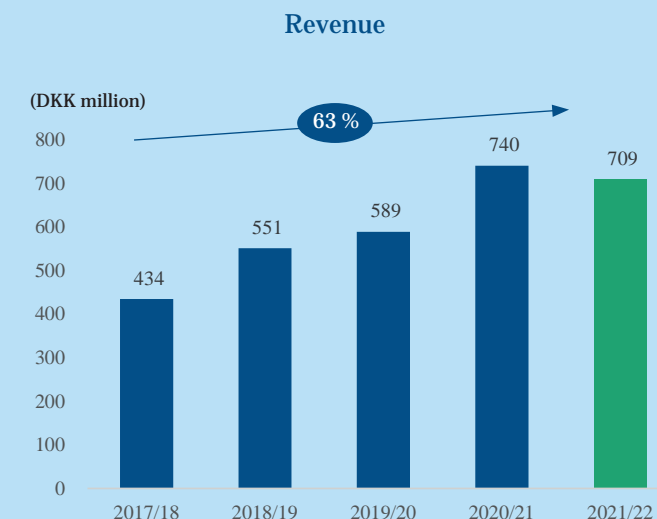


5 YEARS' DEVELOPMENT AT WELCON A/S

Seen over a 5-year period, the development of the company may be described by means of the following financial highlights:

	2017/18	2018/19	2019/20	2020/21	2021/22
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	434,412	550,879	588,724	740,108	708,872
Gross profit	219,541	207,565	214,506	243,416	292,365
Profit/loss before net financials	52,373	9,882	2,657	5,169	37,750
Net financials	(167)	(341)	568	(2,335)	(2,107)
Profit/loss for the year	40,760	7,432	2,363	2,133	27,757
Balance sheet					
Balance sheet total	174,215	282,632	299,864	337,820	459,706
Investment in property, plant and equipment	(571)	(1,095)	(1,192)	(1,544)	(1,354)
Equity	82,820	80,251	82,614	54,747	82,504
Cash flows from:					
- operating activities	10,272	482	104,637	(30,277)	764
- investing activities	(571)	(835)	(3,171)	(23,241)	(1,309)
- financing activities	(30,000)	(10,000)	0	(30,000)	0
Number of employees	302	348	361	416	434
Financial ratios					
Return on assets	27.5%	4.3%	0.9%	1.6%	9.5%
Solvency ratio	47.5%	28.4%	27.6%	16.2%	17.9%
Return on equity	52.6%	9.1%	2.9%	3.1%	40.4%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies.



AN INCLUSIVE AND DIVERSE WORKFORCE

TEAMWORK AND COMMITMENT

We employ more than 15 different nationalities at Welcon. It gives the possibility to gain from the benefits of having a multi-cultural workforce. Teamwork and partnership are very important to Welcon. We value people who appreciate teamwork, have the knowledge and are not afraid to challenge the status quo and express their opinions.

As an employee you will not only help us think about our future but also support us to shape and create it. We transform ideas into towers and floating foundations through an open and inclusive management style.

We have a working environment in which our employees enjoy getting new tasks and opportunities. We create a foundation for our employees to develop professionally and personally.

OUR FOUNDATION

Our company is based on strong co-operation between our employees. We foresee and act according to our values. We are constantly monitoring the market and make business decisions in accordance with our values.

We want to be our current and new customers' first choice. To succeed, we have set ambitious and challenging business objectives. The objectives ensure the fulfilling of our customers' needs and criteria. We continuously invest in human capital ensuring that we have the knowledge and skills to exceed both our own and our customers' expectations.

At Welcon we have a feedback culture throughout the entire value chain. We appreciate feedback from our employees, suppliers, and customers, as it helps us in our journey towards world class performance.



WE ARE PROUD TO HAVE CELEBRATED 16 EMPLOYEES WHO HAVE HAD A 10 YEAR ANNIVERSARY DURING THE PAST YEAR





WE REDOUBLE OUR CAPACITY

We have started the largest ever build-out of the factory in the history of Welcon.

The expansion is 30,000 m² of buildings in total and 45,000 m² of new hard brick surface storage area, increasing the factory to a total of 100,000 m² under roof and 180,000 m² of hard brick surface storage area.

The build-out consists of four new, large plate preparation and welding shops, a very large new surface treatment facility and some additional storage, office, and welfare facilities, enabling Welcon to produce the largest offshore towers and the innovative Stiesdal floating foundations.

We will end up having a total of 15 fit-up and welding lines and a capacity of producing 200,000 tons steel for towers and 40,000 tons steel for Stiesdal floating foundations per year.

The new build-out has been designed for Lean Production with the most modern and advanced robot technology in both the welding departments and the surface treatment facility.

We were already the largest manufacturer in Europe of offshore towers. We have today delivered around 50% of all European offshore towers and will now by far be the largest European offshore tower factory.

Mass production and efficient production setup are key factors in keeping prices for wind energy low. With this new factory expansion Welcon will be able to increase capacity and capability significantly, producing both the current and future sizes of towers and floating foundations in an efficient way.

The first part of the build-out will be ready for production in February 2023 and the last part in September same year.

OUR VALUES ARE OUR FOUNDATION FOR CREATING A SUSTAINABLE BUSINESS MODEL

PREDICTABLE



Deliver as agreed on time. We take time to understand the scope of a given project, define our offers and deliver exactly that at the right time.

CURIOUS



We always look ahead and explore new ground, because new and better solutions never appear out of nothing. Knowledge is and has always been the key.

OPPERTUNISTIC



While the world is talking, wondering and pondering, we use experience and knowledge to create new opportunities and business instead.

ACCESSIBLE



Collaboration works when we understand each other, share knowledge, data and progress in a way that is easy to understand, so that's what we aim to be – accessible.

INNOVATIVE TECHNOLOGIES

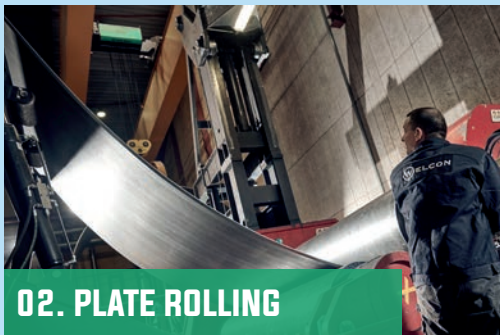
Our production facilities are one-of-a-kind in the world. Automation, safety, quality and efficiency are key in the way we think and work.



01. PLATE PREPARATION

To manufacture the best products in the business, the starting point must be perfect. We cut, bevel and quality check a large number of steel plates.

For this we have a very modern and large facility, enabling in-house plate preparation of all steel plates.



02. PLATE ROLLING

Try to roll a small sheet of metal into a perfect circle. It isn't that easy to get it just right. Now, imagine rolling a massive sheet of steel into a perfect circle of up to nine meters in diameter, where millimeter precision is essential. Quite a task, right.

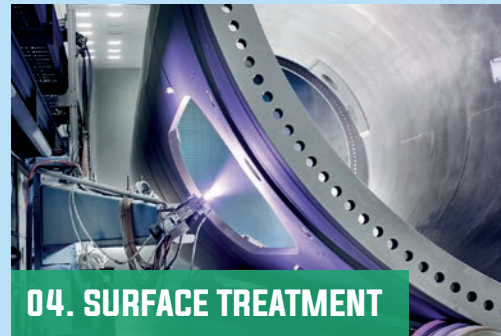
We do this every day and can roll steel plates with a thickness of up to 140 mm.



03. WELDING

The art of welding is the craft and science of deep material understanding, precision and innovation.

We've developed and optimized this craft through more than half a century, and our process, efficiency and quality is renowned throughout the industry.



04. SURFACE TREATMENT

Perfect perception and ultimate protection is essential, when you manufacture quality constructions able to withstand the forces of nature and the test of time.

Our surface treatment facility does exactly that, on a very large scale.



05. ASSEMBLY

Every product is different from the others in one way or the other.

Regardless of specific use and assembly needs, our skilled and experienced engineers and assembly teams get the job done – in close sparring and collaboration with our customers. Everybody has special needs – we have special skills.



06. LOADING & TRANSPORT

We manufacture very large and heavy products, and we have the equipment to handle it.

Every new and shiny tower or floating foundation leaving our factory is venturing on a special voyage to be part of a cleaner and even better future. It's magical.

OUR GOALS

WASTE MANAGEMENT

Waste will be kept to a minimum, and only waste contractors licensed to dispose specific waste will be used and all selected contractors will be checked to ensure they comply with the relevant legislation.

RECYCLING

Whenever possible, we will through our waste management try to select waste contractors who supply our waste materials to recycling.

NOISE/DUST

Noise and dust will be suppressed, where practical, to ensure that no nuisance is caused to neighboring establishments or the general public.

MONITORING CUSTOMER SPECIFICATIONS

Welcon is seeking to select and use less hazardous chemicals/materials that are more environmentally friendly wherever reasonably practicable.

CONSERVATION OF ENERGY

Welcon pursues economic use of heating and electricity.

STAFF TRAINING AND RECRUITMENT

Welcon emphasizes staff training and recruitment to meet the environmental objectives.

LEGISLATIVE COMPLIANCE

At Welcon, compliance with the law and best available technology in environmental protection is key. All employees are to consider themselves equally responsible for complying with the environmental policy and are encouraged to suggest improvements.

WE TAKE HEALTH & SAFETY SERIOUSLY

OUR COMMITMENT

We will ensure that all necessary measures are in place to protect the Health and Safety of our employees, suppliers, customers, and others that may be affected by our operations.

The overall responsibility for Health and Safety rests with the Managing Director. Furthermore, an internal Safety Organization has been established according to the legal requirements in Denmark. The internal Safety Organization consists of representatives from the general management, shop floor management and employees, including the general employee representative. The Health and Safety Policy is implemented and maintained in co-operation between the Safety Organization and the management of Welcon.

Health and Safety assessments are done using predefined check lists and improvement suggestions are listed. The outcome of the assessments is evaluated by the Safety Organization, and action plans with improvements are established and implemented.

The existence and function of the Safety Organization gives all employees a possibility to influence the Health and Safety matters at Welcon, and therefore all employees have important responsibilities and must support, participate, and be fully committed to continuous improvement.

At Welcon, Health and Safety is prioritized equal to business objectives. We will annually review this Health and Safety Policy and objectives, and verify its effectiveness, compliance with Health and Safety laws and regulations, and that it reflects changing needs and circumstances.

Welcon is certified according to ISO 45001.



WORLD LEADER IN OFF-SHORE TOWERS

Welcon is the world leader within offshore wind. Since 2012 we have supplied 1,548 offshore towers with a total capacity of almost 10 GW. This capacity equals the electricity consumption of 6 million households.



FINANCIAL STATEMENTS 2021/22

INCOME STATEMENT

1 JUNE 2021 – 31 MAY 2022



	Note	2021/22	2020/21
		DKK'000	DKK'000
Revenue	1	708,872	740,107
Other operating income		1,195	1,572
Raw materials and consumables		(308,088)	(395,010)
Other external expenses		(109,614)	(103,254)
Gross profit		292,365	243,415
Staff costs	2	(253,349)	(236,810)
Profit/loss before amortisation/depreciation and impairment losses		39,016	6,605
Depreciation, amortisation and impairment of machinery and equipment		(1,266)	(1,437)
Profit/loss before net financials		37,750	5,168
Financial income	3	402	376
Financial costs	4	(2,509)	(2,710)
Profit/loss before tax		35,643	2,834
Tax on profit/loss for the year	5	(7,886)	(701)
Profit/loss for the year		27,757	2,133
Distribution of profit	6		

BALANCE SHEET AT 31 MAY 2022

ASSETS



	Note	2022 DKK'000	2021 DKK'000
Assets			
Plant and machinery		3,489	2,793
Other fixtures and fittings, tools and equipment		6,127	6,735
Tangible assets	7	9,616	9,528
Deposits	8	23,052	23,022
Fixed asset investments		23,052	23,022
Total non-current assets		32,668	32,550
Raw materials and consumables		7,679	3,382
Work in progress		146,328	66,254
Stocks		154,007	69,636
Trade receivables		123,878	207,531
Receivables from group entities		142,110	21,743
Other receivables		907	30
Deferred tax asset		0	2,113
Joint taxation contributions receivable		1,889	2,537
Prepayments	9	3,967	883
Receivables		272,751	234,837
Cash at bank and in hand		280	797
Total current assets		427,038	305,270
Total assets		459,706	337,820

BALANCE SHEET AT 31 MAY 2022

EQUITY AND LIABILITIES



	Note	2022 DKK'000	2021 DKK'000
Equity and liabilities			
Share capital		10,000	10,000
Retained earnings		72,504	44,747
Equity	10	82,504	54,747
Provision for deferred tax	11	7,662	0
Other provisions	12	2,000	2,000
Total provisions		9,662	2,000
Joint taxation contributions payable		0	7,226
Other payables		19,742	19,650
Total non-current liabilities		19,742	26,876
Banks		60	32
Prepayments received from customers		0	1,925
Trade payables		235,489	142,161
Joint taxation contributions payable		7,226	0
Other payables		80,996	97,605
Deferred income	13	24,027	12,474
Total current liabilities		347,798	254,197
Total liabilities		367,540	281,073
Total equity and liabilities		459,706	337,820
Contingent liabilities	14		
Mortgages and collateral	15		
Related parties and ownership structure	16		

STATEMENT OF CHANGES IN EQUITY

DKK'000	Share capital	Retained earnings	Total
Equity at 1 June 2021	10,000	44,747	54,747
Net profit/loss for the year	0	27,757	27,757
Equity at 31 May 2022	10,000	72,504	82,504



CASH FLOW STATEMENT

1 JUNE 2021 – 31 MAY 2022



	Note	2021/22 DKK'000	2020/21 DKK'000
Net profit/loss for the year		27,757	2,133
Adjustments	17	11,184	4,472
Change in working capital	18	(38,607)	(34,548)
Cash flows from operating activities before financial income and expenses		334	(27,943)
Interest income and similar income		402	376
Interest expenses and similar charges		(2,509)	(2,710)
Cash flows from ordinary activities		(1,773)	(30,277)
Corporation tax paid		2,537	0
Cash flows from operating activities		764	(30,277)
Purchase of property, plant and equipment		(1,354)	(1,544)
Sale of property, plant and equipment		75	157
Change in deposits		(30)	(21,854)
Cash flows from investing activities		(1,309)	(23,241)
Dividend paid		0	(30,000)
Cash flows from financing activities		0	(30,000)
Change in cash and cash equivalents		(545)	(83,518)
Cash at bank and in hand		797	84,283
Overdraft facility		(32)	0
Cash and cash equivalents		765	84,283
Cash and cash equivalents		220	765
Analysis of cash and cash equivalents:			
Cash at bank and in hand		280	797
Overdraft facility		(60)	(32)
Cash and cash equivalents		220	765

NOTES TO THE ANNUAL REPORT



1 Information on segments

Activities – primary segment

The company only operates within one business segment and in one market, production and sale of wind turbine towers etc. to the European wind turbine market.

2 Staff costs

Wages and salaries
Pensions
Other social security costs
Other staff costs

	2021/22	2020/21
	DKK'000	DKK'000
Wages and salaries	226,079	212,080
Pensions	16,278	15,781
Other social security costs	3,121	2,962
Other staff costs	7,871	5,987
	253,349	236,810
Average number of employees	434	416

Average number of employees

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive board and Board of Directors has not been disclosed.

3 Financial income

Interest received from group entities
Other financial income

Interest received from group entities	347	341
Other financial income	55	34
	402	375

4 Financial costs

Interest expenses to group entities
Other financial expenses

Interest expenses to group entities	244	208
Other financial expenses	2,265	2,502
	2,509	2,710

NOTES TO THE ANNUAL REPORT



5 Tax on profit/loss for the year

Current tax for the year	(1,889)	7,226
Deferred tax for the year	9,775	(6,803)
Adjustment of tax concerning previous years	0	278

2021/22	2020/21
DKK'000	DKK'000
(1,889)	7,226
9,775	(6,803)
0	278
7,886	701

6 Distribution of profit

Extraordinary dividend for the year	0	30,000
Retained earnings	27,757	(27,867)

0	30,000
27,757	(27,867)
27,757	2,133

7 Tangible assets

Cost at 1 June 2021	17,983	15,218
Additions for the year	1,354	0
Disposals for the year	(269)	0
Cost at 31 May 2022	19,068	15,218
Impairment losses and depreciation at 1 June 2021	15,190	8,483
Depreciation for the year	658	608
Reversal of impairment and depreciation of sold assets	(269)	0
Impairment losses and depreciation at 31 May 2022	15,579	9,091

Plant and machinery	Other fixtures and fittings, tools and equipment
17,983	15,218
1,354	0
(269)	0
19,068	15,218
15,190	8,483
658	608
(269)	0
15,579	9,091
3,489	6,127

Carrying amount at 31 May 2022

NOTES TO THE ANNUAL REPORT



8 Fixed asset investments

	<u>Deposits</u>
Cost at 1 June 2021	23,022
Additions for the year	30
Cost at 31 May 2022	<u>23,052</u>
Carrying amount at 31 May 2022	<u>23,052</u>

9 Prepayments

Prepayments comprise prepaid expenses regarding insurance premiums, subscriptions and prepaid suppliers.

10 Equity

The share capital consists of 10,000,000 shares of a nominal value of DKK 1. No shares carry any special rights.

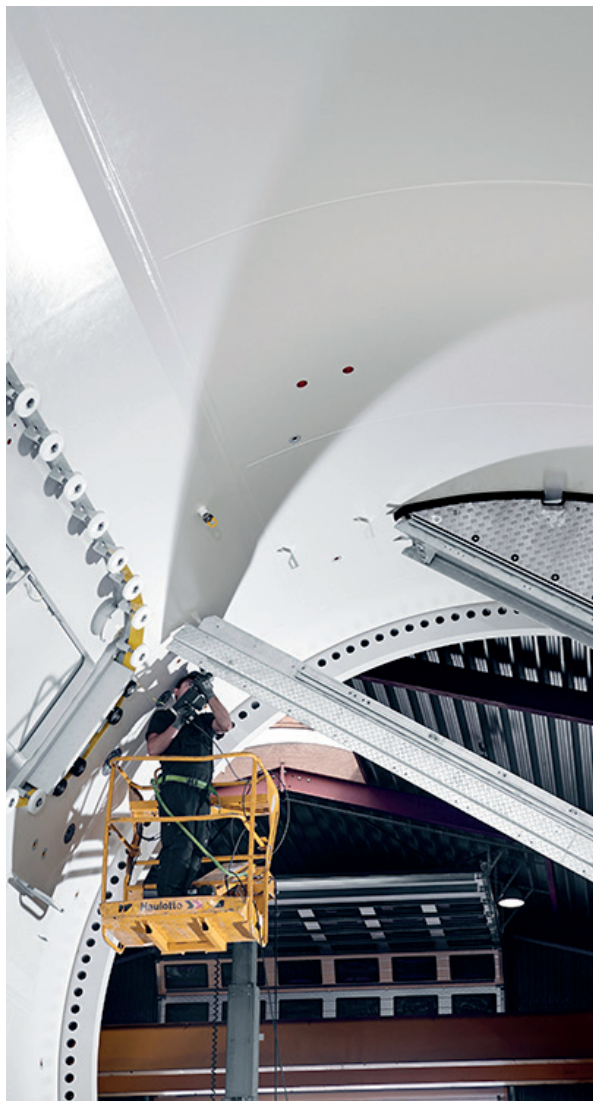
There have been no changes in the share capital during the last 5 years.

11 Provision for deferred tax

	<u>2022</u>	<u>2021</u>
	DKK'000	DKK'000
Provision for deferred tax at 1 June 2021	(2,113)	4,690
Deferred tax recognised in income statement	9,775	(6,803)
Transferred to deferred tax asset	0	2,113
Provision for deferred tax at 31 May 2022	<u>7,662</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	0	2,113
Carrying amount	<u>0</u>	<u>2,113</u>

Provision for deferred tax consists of property, plant and equipment, inventories, prepayments, deferred income and provisions.

NOTES TO THE ANNUAL REPORT



12 Other provisions

Balance at beginning of year at 1 June 2021

Balance at 31 May 2022

The expected due dates of other provisions are:

Between 1 and 5 years

	2022	2021
	DKK'000	DKK'000
	2,000	2,000
	2,000	2,000
	2,000	2,000
	2,000	2,000

Other provisions relate to warranty costs on goods sold. Provisions are assessed annually and based on historical data.

13 Deferred income

Deferred income consists of payments received in respect of income in subsequent financial years.

14 Contingent liabilities

The company is part of the CJ Holding cash pool arrangement. All participant in the cash pool arrangement are jointly and severally liable. As of 31 May 2022 the net balance in the cash pool arrangement amounts to DKK 24,672 thousand.

The company is part of disputes, which are not expected to incur additional obligations for the company than what has been recognized as of 31 May 2022.

Other liabilities

The company has entered into operating leases with term to maturity from 2022-2046. The total commitment relating to these leases amounts to DKK 101,919 thousand as of 31 May 2022. Hereof DKK 75,510 thousand relates to group companies. DKK 17,732 thousand is due within 1 year, hereof DKK 11,956 thousand to group companies.

The company has entered into lease obligation of land and buildings for the years 2022 – 2031 for production, inventory and administration. The total commitment relating to these leases amounts to DKK 207,000 thousand as of 31 May 2022 which relates to group companies. DKK 23,000 thousand is due within 1 year.

NOTES TO THE ANNUAL REPORT



14 Contingent liabilities (continued)

Contingent liabilities related to group enterprises

The company is jointly taxed with its parent company, CJ Holding ApS (management company), and jointly and severally liable with other jointly taxed entities for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

The company is part of a joint VAT registration with Conwel A/S, EsEstate A/S, Esinvest A/S, Superwood Holding A/S, CJ Holding ApS, Brande Investerings- og Finansieringsselskab A/S, Nordvest A/S, Welconsult ApS and Genvest Capital Invest A/S and is jointly and severally liable with the other companies for the payment of VAT.

15 Mortgages and collateral

The company has issued a surety to the bank as a security for the bank debt for the group companies CJ Holding ApS, Conwel A/S and Brande Investerings- og Finansieringsselskab A/S.

As a security for bank debt, the company has provided company charges of DKK 35,000 thousand. The company charge includes claims, inventories, operating equipment and intangible rights. The booked value of these assets amounts to DKK 287,501 thousand as of 31 May 2022.

Furthermore, the company charge has been provided as security for the bank debt for the group companies Conwel A/S and Brande Investerings- og Finansieringsselskab A/S.

16 Related parties and ownership structure

Controlling interest

CJ Holding ApS, Vejlevej 270, 7323 Give, Denmark

CJ Holding ApS holds the majority of the share capital in the company.

Transactions

The company has chosen only to disclose transactions which have not been conducted on an arm's length basis in accordance with section 98c(7) of the Danish Financial Act.

Consolidated financial statements

The company is part of the group reporting for the parent company CJ Holding ApS, Give, Denmark, CVR No. 17 08 80 76, which is the smallest and largest group in which the company is included as a subsidiary.

NOTES TO THE ANNUAL REPORT



17 Cash flow statement – adjustments

Financial income	(402)	(375)
Financial costs	2,509	2,710
Depreciation, amortisation and impairment losses	1,266	1,437
Gain from disposal of machinery and equipment	(75)	0
Tax on profit/loss for the year	7,886	701

	2021/22	2020/21
	DKK'000	DKK'000
	(402)	(375)
	2,509	2,710
	1,266	1,437
	(75)	0
	7,886	701
	11,184	4,473

18 Cash flow statement – change in working capital

Change in inventories	(84,371)	29,280
Change in receivables	(40,675)	(127,093)
Change in trade payables etc.	86,439	63,265

	(84,371)	29,280
	(40,675)	(127,093)
	86,439	63,265
	(38,607)	(34,548)

ACCOUNTING POLICIES

The annual report of Welcon A/S for 2021/22 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large class C entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2021/22 is presented in DKK thousand.

Pursuant to section 96(3) of the Danish Financial Statements Act, the company has chosen not to disclose auditors' remuneration.

BASIS OF RECOGNITION AND MEASUREMENT

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amor-

tised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

INCOME STATEMENT

SEGMENT INFORMATION

According to section 96(1) of the Danish Financial Statements Act, information on business segments or geographical markets has not been disclosed. The company only operates within one business segment and in one market.

REVENUE

Income from the sale of goods is recognised in the income statement, provided that the transfer of risk has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

RAW MATERIALS AND CONSUMABLES

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

OTHER OPERATING INCOME

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of items of plant and equipment.

OTHER EXTERNAL EXPENSES

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

STAFF COSTS

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of plant and equipment.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, realised and unrealised exchange gains and losses on foreign currency transactions and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

ACCOUNTING POLICIES

TAX ON PROFIT/LOSS FOR THE YEAR

The company is subject to the Danish rules on compulsory joint taxation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

BALANCE SHEET

TANGIBLE ASSETS

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item have different useful lives, and the individual component is a significant part of

the total cost, the cost is divided into separate components, which are depreciated separately.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Plant and machinery	2-5 years
Other fixtures and fittings, tools and equipment	2-5 years

The useful life and residual value are re-assessed annually. A change is accounted for as an accounting estimate, and the impact on amortisation/depreciation is recognised going forward.

Gains or losses from the disposal of plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

OTHER SECURITIES AND INVESTMENTS, FIXED ASSETS

Deposits are measured at cost.

IMPAIRMENT OF FIXED ASSETS

The carrying amount of items of plant and equipment is tested annually for impairment, other than what is reflected through normal amortisation and depreciation.

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets. Write-down is made to the lower of the recoverable amount and the carrying amount.

The recoverable amount is the higher of the net present value and the value in use less expected costs to sell. The net present value is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

STOCKS

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

Production overheads include the indirect cost of materials, wages and salaries as well as maintenance and depreciation of production machinery and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost.

ACCOUNTING POLICIES

RECEIVABLES

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

PREPAYMENTS

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and deposits at banks.

PROVISIONS

Provisions comprise expected expenses relating to service and warranty commitments to repairs within the warranty period. The warranty period on wind turbine towers and foundations is 5 years. The provisions are measured and recognised on the basis of experience with warranty work.

INCOME TAX AND DEFERRED TAX

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

The company and all its Danish group entities are taxed on a joint basis. The current income tax charge is allocated between the jointly taxed entities relative to their taxable in-

come. Tax losses are allocated based on the full absorption method. The jointly taxed entities are eligible for the Danish Tax Prepayment Scheme.

Joint taxation contributions payable and receivable are recognised in the balance sheet as 'Joint taxation contributions receivable' or 'Joint taxation contributions payable'.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

LIABILITIES

Liabilities, which include trade payables, prepayments from customers and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

DEFERRED INCOME

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.

FOREIGN CURRENCY TRANSLATION

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

ACCOUNTING POLICIES

CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and at the end of the year.

The cash flow effect of additions and disposals of entities is shown separately under cash flows from investing activities. The cash flow statement includes cash flows from acquired entities from the time of acquisition, and cash flows from sold entities are included until the date of sale.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities are stated as the company's profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities as well as intangible assets, property, plant and equipment and investments.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities comprise changes in the size or composition of the company's share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and overdraft facilities.

FINANCIAL HIGHLIGHTS

Definitions of financial ratios.

Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Profit/loss from ordinary operations after tax} \times 100}{\text{Average equity}}$

COMPANY DETAILS

THE COMPANY

Welcon A/S
Vejlevej 270
7323 Give

CVR No. 31 49 14 01
Reporting period: 1 June 2021 – 31 May 2022
Domicile: Vejle

BOARD OF DIRECTORS

Carsten Risvig Pedersen, chairman
Jens Risvig Pedersen
Morten Breum-Leer

EXECUTIVE BOARD

Jens Risvig Pedersen, CEO

AUDITORS

Roesgaard
Godkendt Revisionspartnerselskab
Sønderbrogade 16
8700 Horsens

BANKERS

Danske Bank



STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The board of direction and executive board have today discussed and approved the annual report of Welcon A/S for the financial year 1 June 2021 – 31 May 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 company's financial position at 31 May 2022 and of the results of the company's operations and cash flows for the financial year 1 June 2021 – 31 May 2022.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report be approved by the company at the general meeting.

Given, 15 September 2022

EXECUTIVE BOARD

Jens Risvig Pedersen, CEO

BOARD OF DIRECTORS

Carsten Risvig Pedersen
Chairman

Jens Risvig Pedersen

Morten Breum-Leer



INDEPENDENT AUDITOR'S REPORT

To the shareholder of Welcon A/S

OPINION

We have audited the financial statements of Welcon A/S for the financial year 1 June 2021 – 31 May 2022, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 May 2022 and of the results of the company's operations and cash flows for the financial year 1 June 2021 - 31 May 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. 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 and 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 the 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 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.

INDEPENDENT AUDITOR'S REPORT

- 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 required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requi-

rements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Horsens, 15 September 2022

Roesgaard

Godkendt Revisionspartnerselskab
CVR No. 37 54 31 28

Søren Roesgaard

State Authorised Public Accountant
MNE No. mne33225

Michael Mortensen

State Authorised Public Accountant
MNE No. mne34108



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