



## Danhydra A/S

Lollandsvej 2  
7400 Herning  
CVR No. 33595344

## Annual report 2021

The Annual General Meeting adopted the  
annual report on 30.03.2022

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**Rasmus Færch**

Chairman of the General Meeting

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# Entity details

## Entity

Danhydra A/S

Lollandsvej 2

7400 Herning

Business Registration No.: 33595344

Registered office: Herning

Financial year: 01.01.2021 - 31.12.2021

## Board of Directors

Rasmus Færch, chairman

Annemette Færch

Ernst Viggo Frenlesen

Peter Rask Gregersen

Per Thy Sørensen, vice chairman

## Executive Board

Peter Rask Gregersen, CEO

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Papirfabrikken 26

8600 Silkeborg

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Danhydra A/S for the financial year 01.01.2021 - 31.12.2021.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Herning, 30.03.2022

## Executive Board

**Peter Rask Gregersen**

CEO

## Board of Directors

**Rasmus Færch**

chairman

**Annemette Færch**

**Ernst Viggo Frendesen**

**Peter Rask Gregersen**

**Per Thy Sørensen**

vice chairman

# Independent auditor's report

## To the shareholders of Danhydra A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Danhydra A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the management commentary**

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Silkeborg, 30.03.2022

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Peter Mølkjær**

State Authorised Public Accountant  
Identification No (MNE) mne24821

**Jannie Skovbo Madsen**

State Authorised Public Accountant  
Identification No (MNE) mne43513

# Management commentary

## Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
<b>Key figures</b>					
Gross profit/loss	43,956	33,772	18,239	24,900	19,940
Operating profit/loss	11,730	10,450	3,867	8,575	(1,779)
Result before financials	11,730	10,450	3,867	8,575	(2,712)
Net financials	(3,100)	(1,322)	33	219	(2,504)
Profit/loss for the year	6,610	7,040	2,108	10,195	(5,321)
Balance sheet total	174,518	100,606	84,547	76,166	88,979
Equity	58,439	50,426	43,171	41,088	964
Cash flows from operating activities	(20,717)	9,819	11,453	18,864	(13,168)
Cash flows from investing activities	(12,279)	(12,818)	(8,932)	(2,085)	(59,249)
Cash flows from financing activities	33,101	3,362	(357)	(17,443)	74,263
Average number of employees	100	71	51	51	48
<b>Ratios</b>					
Rate of return	6.70	10.40	4.59	11.30	(3.00)
Return on equity (%)	12.14	15.04	5.00	48.49	(148.88)
Equity ratio (%)	33.49	50.12	51.06	53.95	1.08

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Rate of return (%):

$\frac{\text{Profit/loss before financial items} * 100}{\text{Total assets}}$

### Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Balance sheet total}}$



### Primary activities

The Group's and the Company's activities are the development, manufacture and servicing of tools and equipment primarily used for the installation and servicing of wind turbines internationally.

### Development in activities and finances

Based on the strong growth, the Company has invested significantly during the year in strengthening the organization, expanding its international production capacity, improving systems to support the business, and expanding the product range.

The Group's subsidiary in USA has during 2021 moved to new facilities and tools for the North American market is now manufactured locally in Loveland, Colorado.

The engineering competencies in the company have been extended to meet the demand from the customers for the development of still more technically complex customized tools within a broader range of applications for the next generation of wind turbines. The portfolio of own standard products is constantly being developed. A new "grease manager" was launched on the market in 2021 and was well received by the customers.

The consolidated income statement for 2021 shows a profit after tax of DKK 6,610,402, and the consolidated balance sheet on 31 December 2021 shows an equity of DKK 54,438,906.

### Profit/loss for the year in relation to expected developments

The profit for 2021 has not met expectations even considering the significant investments and costs incurred to prepare for the continued growth of the company. The outbreak of Covid-19 and the derived disturbances in the global supply chains has in some cases resulted in longer delivery times from suppliers and consequently delayed deliveries of finished products to customers. It has reduced earnings.

### Outlook

A continued significant growth in the Company's activity and an increasing profit are expected for the coming year based on a strong business model, an international delivery platform, good relationships with the global wind OEMs and significant investments in wind energy around the world.

The consequences of Covid-19 with continued imbalances in the global supply chains and the geopolitical situation with the war in Ukraine poses a risk to the delivery time of certain materials and could potentially delay order fulfillment.

### Use of financial instruments

Danhydra A/S has as the owner of Danhydra Inc. in USA an exposure in USD. Danhydra A/S hedges the exchange rate risk of assets and receivables in USD by raising debt in dollars that corresponds to the assets/receivables.

### Environmental performance

Danhydra seeks to minimize the negative impact on the environment caused by our business activities by managing our environmental impact according to the ISO 14001:2015 standard.

We aim to continuously reduce emissions and avoid harming the environment through the efficient use of resources, using materials with low environmental impact, and by enforcing responsible disposal practices. Through continuous improvement we seek to further increase the efficiency of our operations and improve cost-effective utilization of energy and natural resources.

### **Events after the balance sheet date**

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

# Consolidated income statement for 2021

	Notes	2021 DKK	2020 DKK
<b>Gross profit/loss</b>		<b>43,956,297</b>	<b>33,771,535</b>
Distribution costs		(10,504,085)	(7,701,454)
Administrative expenses		(21,722,005)	(15,553,952)
Other operating expenses		0	(65,955)
<b>Operating profit/loss</b>		<b>11,730,207</b>	<b>10,450,174</b>
Other financial income	3	551,509	61,906
Other financial expenses	4	(3,651,242)	(1,383,585)
<b>Profit/loss before tax</b>		<b>8,630,474</b>	<b>9,128,495</b>
Tax on profit/loss for the year	5	(2,020,072)	(2,088,366)
<b>Profit/loss for the year</b>	6	<b>6,610,402</b>	<b>7,040,129</b>

# Consolidated balance sheet at 31.12.2021

## Assets

	Notes	2021 DKK	2020 DKK
Completed development projects	8	5,085,897	1,455,102
Acquired patents		73,358	116,150
Goodwill		20,326,338	24,510,226
Development projects in progress	8	0	526,428
<b>Intangible assets</b>	<b>7</b>	<b>25,485,593</b>	<b>26,607,906</b>
Plant and machinery		8,474,312	4,411,165
Other fixtures and fittings, tools and equipment		2,200,737	1,436,647
Leasehold improvements		613,024	64,016
<b>Property, plant and equipment</b>	<b>9</b>	<b>11,288,073</b>	<b>5,911,828</b>
Deposits		11,081,517	10,314,815
<b>Financial assets</b>	<b>10</b>	<b>11,081,517</b>	<b>10,314,815</b>
<b>Fixed assets</b>		<b>47,855,183</b>	<b>42,834,549</b>

Raw materials and consumables		22,456,640	5,444,291
Manufactured goods and goods for resale		23,085,785	10,139,714
Prepayments for goods		260,099	0
<b>Inventories</b>		<b>45,802,524</b>	<b>15,584,005</b>
<hr/>			
Trade receivables		52,207,898	32,023,055
Contract work in progress	11	16,768,845	2,609,224
Receivables from group enterprises		4,493,018	2,836,306
Deferred tax	12	2,114,498	0
Other receivables		323,650	917,917
Tax receivable		61,846	353,599
Prepayments	13	1,736,747	459,028
<b>Receivables</b>		<b>77,706,502</b>	<b>39,199,129</b>
<hr/>			
<b>Cash</b>		<b>3,153,449</b>	<b>2,987,844</b>
<hr/>			
<b>Current assets</b>		<b>126,662,475</b>	<b>57,770,978</b>
<hr/>			
<b>Assets</b>		<b>174,517,658</b>	<b>100,605,527</b>
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**Equity and liabilities**

	<b>Notes</b>	<b>2021 DKK</b>	<b>2020 DKK</b>
Contributed capital		556,000	556,000
Reserve for development costs		2,964,377	539,733
Retained earnings		54,918,529	49,330,137
<b>Equity</b>		<b>58,438,906</b>	<b>50,425,870</b>
Deferred tax	12	2,150,000	278,239
<b>Provisions</b>		<b>2,150,000</b>	<b>278,239</b>
Lease liabilities		1,968,062	385,565
Other payables		2,474,397	2,255,841
<b>Non-current liabilities other than provisions</b>	14	<b>4,442,459</b>	<b>2,641,406</b>
Bank loans		54,380,564	22,771,625
Lease liabilities		377,470	0
Trade payables		37,422,547	10,236,092
Payables to group enterprises		9,272,159	8,006,999
Tax payable		2,566,867	1,209,809
Other payables		5,466,686	5,035,487
<b>Current liabilities other than provisions</b>		<b>109,486,293</b>	<b>47,260,012</b>
<b>Liabilities other than provisions</b>		<b>113,928,752</b>	<b>49,901,418</b>
<b>Equity and liabilities</b>		<b>174,517,658</b>	<b>100,605,527</b>
Events after the balance sheet date	1		
Staff costs	2		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Group relations	19		
Subsidiaries	20		

# Consolidated statement of changes in equity for 2021

	Contributed capital DKK	Reserve for development costs DKK	Retained earnings DKK	Total DKK
Equity beginning of year	556,000	539,733	49,330,137	50,425,870
Exchange rate adjustments	0	0	1,802,997	1,802,997
Tax of entries on equity	0	0	(400,363)	(400,363)
Transfer to reserves	0	2,553,764	(2,553,764)	0
Dissolution of reserves	0	(129,120)	129,120	0
Profit/loss for the year	0	0	6,610,402	6,610,402
<b>Equity end of year</b>	<b>556,000</b>	<b>2,964,377</b>	<b>54,918,529</b>	<b>58,438,906</b>

# Consolidated cash flow statement for 2021

	Notes	2021 DKK	2020 DKK
Operating profit/loss		11,730,207	10,450,174
Amortisation, depreciation and impairment losses		8,064,777	8,182,248
Working capital changes	15	(37,858,032)	(7,322,475)
Other adjustments		(4,309)	0
<b>Cash flow from ordinary operating activities</b>		<b>(18,067,357)</b>	<b>11,309,947</b>
Financial income received		551,509	61,906
Financial expenses paid		(3,651,242)	(1,383,585)
Taxes refunded/(paid)		(527,162)	(253,684)
Other cash flows from operating activities		977,550	84,314
<b>Cash flows from operating activities</b>		<b>(20,716,702)</b>	<b>9,818,898</b>
Acquisition etc. of intangible assets		(4,154,057)	(766,048)
Acquisition etc. of property, plant and equipment		(8,125,134)	(2,204,547)
Acquisition of fixed asset investments		0	(9,847,175)
<b>Cash flows from investing activities</b>		<b>(12,279,191)</b>	<b>(12,817,770)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>(32,995,893)</b>	<b>(2,998,872)</b>
Loans raised		31,608,939	0
Repayments of loans etc.		0	(5,106,632)
Incurrence of debt to group enterprises		1,265,160	0
Repayment of debt to group enterprises		(1,656,712)	0
Incurrence of debt to participating interests		0	8,006,999
Repayment of lease liabilities		(306,018)	0
Incurrence of lease debt		2,190,000	461,550
<b>Cash flows from financing activities</b>		<b>33,101,369</b>	<b>3,361,917</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>105,476</b>	<b>363,045</b>



Cash and cash equivalents beginning of year	2,987,844	2,624,799
Currency translation adjustments of cash and cash equivalents	60,129	0
<b>Cash and cash equivalents end of year</b>	<b>3,153,449</b>	<b>2,987,844</b>

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Cash and cash equivalents at year-end are composed of:

Cash	3,153,449	2,987,844
<b>Cash and cash equivalents end of year</b>	<b>3,153,449</b>	<b>2,987,844</b>

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# Notes to consolidated financial statements

## 1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would materially influence the evaluation of this annual report.

## 2 Staff costs

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	48,676,476	34,895,516
Pension costs	4,372,569	3,112,920
Other social security costs	4,672,614	388,890
Other staff costs	1,171,136	1,115,661
	<b>58,892,795</b>	<b>39,512,987</b>
Average number of full-time employees	<b>100</b>	<b>71</b>

	<b>Remuneration of Manage- ment 2021 DKK</b>	<b>Remuneration of Manage- ment 2020 DKK</b>
Total amount for management categories	2,712,249	2,177,064
	<b>2,712,249</b>	<b>2,177,064</b>

## 3 Other financial income

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Financial income from group enterprises	143,712	0
Exchange rate adjustments	407,797	0
Other financial income	0	61,906
	<b>551,509</b>	<b>61,906</b>

**4 Other financial expenses**

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Financial expenses from group enterprises	112,568	75,379
Other interest expenses	732,970	500,818
Exchange rate adjustments	2,805,704	807,388
	<b>3,651,242</b>	<b>1,383,585</b>

**5 Tax on profit/loss for the year**

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Current tax	2,175,973	1,150,629
Change in deferred tax	(155,901)	937,737
	<b>2,020,072</b>	<b>2,088,366</b>

**6 Proposed distribution of profit/loss**

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Retained earnings	6,610,402	7,040,129
	<b>6,610,402</b>	<b>7,040,129</b>

**7 Intangible assets**

	<b>Completed development projects DKK</b>	<b>Acquired patents DKK</b>	<b>Goodwill DKK</b>	<b>Development projects in progress DKK</b>
Cost beginning of year	3,223,059	306,792	43,338,672	526,428
Transfers	3,800,485	0	0	(3,800,485)
Additions	880,000	0	0	3,274,057
<b>Cost end of year</b>	<b>7,903,544</b>	<b>306,792</b>	<b>43,338,672</b>	<b>0</b>
Amortisation and impairment losses beginning of year	(1,767,957)	(190,642)	(18,828,446)	0
Amortisation for the year	(1,049,690)	(42,792)	(4,183,888)	0
<b>Amortisation and impairment losses end of year</b>	<b>(2,817,647)</b>	<b>(233,434)</b>	<b>(23,012,334)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>5,085,897</b>	<b>73,358</b>	<b>20,326,338</b>	<b>0</b>

Consolidated goodwill relates to the activity acquired in 2017. The value of goodwill is subject to uncertainty as this depends on the future earnings and development in the Group, including the realisation and execution of planned activity expansions in the companies and the realisation of the expected earnings increases as a result thereof.

## 8 Development projects

The capitalised development costs relate to the development of products for customers in the wind power industry, including supporting IT setup. As of 31 December 2021 all projects have been finalised and commercialised. In the end of the year sales transactions have been initiated and will proceed throughout 2022.

## 9 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	10,354,480	3,265,636	585,495
Exchange rate adjustments	40,985	53,714	0
Transfers	179,508	(295,392)	0
Additions	6,222,187	1,256,862	646,085
Disposals	0	(776,562)	0
<b>Cost end of year</b>	<b>16,797,160</b>	<b>3,504,258</b>	<b>1,231,580</b>
Depreciation and impairment losses beginning of year	(5,943,315)	(1,828,989)	(521,479)
Exchange rate adjustments	(37,031)	1,077	0
Transfers	(92,793)	208,486	0
Depreciation for the year	(2,249,709)	(460,657)	(97,077)
Reversal regarding disposals	0	776,562	0
<b>Depreciation and impairment losses end of year</b>	<b>(8,322,848)</b>	<b>(1,303,521)</b>	<b>(618,556)</b>
<b>Carrying amount end of year</b>	<b>8,474,312</b>	<b>2,200,737</b>	<b>613,024</b>
Recognised assets not owned by Entity	2,505,355	0	0

## 10 Financial assets

	Deposits DKK
Cost beginning of year	10,314,815
Exchange rate adjustments	766,702
<b>Cost end of year</b>	<b>11,081,517</b>
<b>Carrying amount end of year</b>	<b>11,081,517</b>

## 11 Contract work in progress

	2021 DKK	2020 DKK
Contract work in progress	16,768,845	6,431,407
Progress billings	0	(3,822,183)
	<b>16,768,845</b>	<b>2,609,224</b>

## 12 Deferred tax

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Intangible assets	(1,075,000)	(403,000)
Property, plant and equipment	379,000	397,761
Inventories	(451,000)	(399,000)
Receivables	(1,027,000)	102,000
Tax losses carried forward	2,114,498	0
Other deductible temporary differences	24,000	24,000
<b>Deferred tax</b>	<b>(35,502)</b>	<b>(278,239)</b>

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
<b>Changes during the year</b>		
Beginning of year	(278,239)	659,498
Recognised in the income statement	155,901	(937,737)
Exchange rate adjustments in equity	86,836	0
<b>End of year</b>	<b>(35,502)</b>	<b>(278,239)</b>

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
<b>Deferred tax has been recognised in the balance sheet as follows</b>		
Deferred tax assets	2,114,498	0
Deferred tax liabilities	(2,150,000)	(278,239)
	<b>(35,502)</b>	<b>(278,239)</b>

Deferred tax asset consist of tax losses carried forward in the Group's American unit, and is expected to be utilised in the Unit's future earnings over the next 3-5 years.

The measurement of the deferred tax asset, DKK 2,114k, asset is based on business case, including expected future taxable income over the next 3-5 years, budgeted payments regarding intercompany accounts and Management's impairment assesment as per 31 December 2021.

## 13 Prepayments

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

## 14 Non-current liabilities other than provisions

	<b>Due after more than 12 months</b>	<b>Outstanding after 5 years</b>
	<b>2021</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Lease liabilities	1,968,062	184,469
Other payables	2,474,397	2,401,668
	<b>4,442,459</b>	<b>2,586,137</b>

### 15 Changes in working capital

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Increase/decrease in inventories	(30,218,519)	(2,055,318)
Increase/decrease in receivables	(35,027,916)	(10,054,746)
Increase/decrease in trade payables etc.	27,836,210	4,787,589
Other changes	(447,807)	0
	<b>(37,858,032)</b>	<b>(7,322,475)</b>

### 16 Unrecognised rental and lease commitments

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Total liabilities under rental or lease agreements until maturity	<b>83,816,279</b>	<b>84,355,389</b>

### 17 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Ejendomsselskabet Nyholmsvej, Holstebro ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

### 18 Assets charged and collateral

Bank debt has been secured on a registered floating charge of DKK 19,000k secured on goodwill and patents, fixed assets, inventories and trade receivables. The carrying amount of assets charged is DKK 89,373k (DKK 44,697k at 31.12.2020).

Per 31 December 2021 the Entity is in the process of establishing credit facilities in US and has provided security in trade receivables and inventories constituting carrying amount of DKK 21,488k.

### 19 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest and smallest group:

Ejendomsselskabet Nyholmsvej, Holstebro ApS; Struer, Denmark

The consolidated financial statements of Ejendomsselskabet Nyholmsvej, Holstebro ApS can be obtained at the following address:

Ved Fjorden 6 B, 2. th.  
7600 Struer

**20 Subsidiaries**

	<b>Registered in</b>	<b>Corporate form</b>	<b>Ownership %</b>	<b>Equity DKK</b>	<b>Profit/loss DKK</b>
Danhydra GmbH	Grimma, Germany	GmbH	100	4,141,593	386,307
Danhydra Inc.	Denver, USA	Inc	100	(3,813,247)	(4,809,689)

# Parent income statement for 2021

	Notes	2021 DKK	2020 DKK
<b>Gross profit/loss</b>		<b>39,068,441</b>	<b>26,680,256</b>
Distribution costs		(7,362,114)	(6,719,509)
Administrative expenses		(14,623,555)	(10,610,234)
Other operating expenses		0	(48,149)
<b>Operating profit/loss</b>		<b>17,082,772</b>	<b>9,302,364</b>
Income from investments in group enterprises		(4,879,886)	762,977
Other financial income	3	850,246	285,286
Other financial expenses	4	(2,898,872)	(1,278,241)
<b>Profit/loss before tax</b>		<b>10,154,260</b>	<b>9,072,386</b>
Tax on profit/loss for the year	5	(3,543,858)	(2,032,257)
<b>Profit/loss for the year</b>	6	<b>6,610,402</b>	<b>7,040,129</b>



# Parent balance sheet at 31.12.2021

## Assets

	Notes	2021 DKK	2020 DKK
Completed development projects	8	5,085,897	1,455,102
Acquired patents		73,358	116,150
Goodwill		7,637,479	9,365,439
Development projects in progress	8	0	526,428
<b>Intangible assets</b>	<b>7</b>	<b>12,796,734</b>	<b>11,463,119</b>
Plant and machinery		7,555,787	4,101,539
Other fixtures and fittings, tools and equipment		600,182	224,091
Leasehold improvements		613,024	64,016
<b>Property, plant and equipment</b>	<b>9</b>	<b>8,768,993</b>	<b>4,389,646</b>
Investments in group enterprises		16,130,985	19,766,492
Deposits		934,041	934,041
<b>Financial assets</b>	<b>10</b>	<b>17,065,026</b>	<b>20,700,533</b>
<b>Fixed assets</b>		<b>38,630,753</b>	<b>36,553,298</b>
Raw materials and consumables		22,456,640	5,444,291
Manufactured goods and goods for resale		15,373,166	4,014,425
Prepayments for goods		260,099	0
<b>Inventories</b>		<b>38,089,905</b>	<b>9,458,716</b>
Trade receivables		35,218,065	21,879,370
Contract work in progress	11	13,646,977	2,198,916
Receivables from group enterprises		48,234,785	32,741,228
Other receivables		215,304	798,688
Prepayments	12	393,984	410,026
<b>Receivables</b>		<b>97,709,115</b>	<b>58,028,228</b>
<b>Cash</b>		<b>2,244,234</b>	<b>1,995,629</b>
<b>Current assets</b>		<b>138,043,254</b>	<b>69,482,573</b>
<b>Assets</b>		<b>176,674,007</b>	<b>106,035,871</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2021 DKK</b>	<b>2020 DKK</b>
Contributed capital		556,000	556,000
Translation reserve		1,419,470	0
Reserve for development costs		2,964,377	539,733
Retained earnings		53,499,059	49,330,137
<b>Equity</b>		<b>58,438,906</b>	<b>50,425,870</b>
Deferred tax	13	2,150,000	226,000
Provisions for investments in group enterprises	14	1,261,216	0
<b>Provisions</b>		<b>3,411,216</b>	<b>226,000</b>
Lease liabilities		1,968,062	385,565
Other payables		2,401,668	2,403,564
<b>Non-current liabilities other than provisions</b>	15	<b>4,369,730</b>	<b>2,789,129</b>
Bank loans		58,203,777	29,636,522
Lease liabilities		377,470	75,985
Trade payables		36,017,373	9,204,948
Payables to group enterprises		9,272,159	8,006,999
Tax payable		2,020,221	1,153,700
Other payables		4,563,155	4,516,718
<b>Current liabilities other than provisions</b>		<b>110,454,155</b>	<b>52,594,872</b>
<b>Liabilities other than provisions</b>		<b>114,823,885</b>	<b>55,384,001</b>
<b>Equity and liabilities</b>		<b>176,674,007</b>	<b>106,035,871</b>
Events after the balance sheet date	1		
Staff costs	2		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		

# Parent statement of changes in equity for 2021

	Contributed capital DKK	Translation reserve DKK	Reserve for development costs DKK	Retained earnings DKK	Total DKK
Equity beginning of year	556,000	0	539,733	49,330,137	50,425,870
Exchange rate adjustments	0	1,819,833	0	(16,836)	1,802,997
Tax of entries on equity	0	(400,363)	0	0	(400,363)
Transfer to reserves	0	0	2,553,764	(2,553,764)	0
Dissolution of reserves	0	0	(129,120)	129,120	0
Profit/loss for the year	0	0	0	6,610,402	6,610,402
<b>Equity end of year</b>	<b>556,000</b>	<b>1,419,470</b>	<b>2,964,377</b>	<b>53,499,059</b>	<b>58,438,906</b>

# Notes to parent financial statements

## 1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would materially influence the evaluation of this annual report.

## 2 Staff costs

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	32,999,884	25,130,346
Pension costs	4,372,569	2,900,582
Other social security costs	2,104,803	388,890
Other staff costs	929,938	279,187
	<b>40,407,194</b>	<b>28,699,005</b>
Average number of full-time employees	<b>59</b>	<b>41</b>

	<b>Remuneration of Manage- ment 2021 DKK</b>	<b>Remuneration of Manage- ment 2020 DKK</b>
Total amount for management categories	2,712,249	2,177,064
	<b>2,712,249</b>	<b>2,177,064</b>

## 3 Other financial income

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Financial income from group enterprises	850,246	223,380
Other financial income	0	61,906
	<b>850,246</b>	<b>285,286</b>

## 4 Other financial expenses

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Financial expenses from group enterprises	112,568	75,379
Other interest expenses	661,176	440,532
Exchange rate adjustments	2,125,128	762,330
	<b>2,898,872</b>	<b>1,278,241</b>

**5 Tax on profit/loss for the year**

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Current tax	1,619,858	1,153,700
Change in deferred tax	1,924,000	878,557
	<b>3,543,858</b>	<b>2,032,257</b>

**6 Proposed distribution of profit and loss**

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Retained earnings	6,610,402	7,040,129
	<b>6,610,402</b>	<b>7,040,129</b>

**7 Intangible assets**

	<b>Completed development projects DKK</b>	<b>Acquired patents DKK</b>	<b>Goodwill DKK</b>	<b>Development projects in progress DKK</b>
Cost beginning of year	3,223,059	306,792	18,779,557	526,428
Transfers	3,800,485	0	0	(3,800,485)
Additions	880,000	0	0	3,274,057
<b>Cost end of year</b>	<b>7,903,544</b>	<b>306,792</b>	<b>18,779,557</b>	<b>0</b>
Amortisation and impairment losses beginning of year	(1,767,957)	(190,642)	(9,414,118)	0
Amortisation for the year	(1,049,690)	(42,792)	(1,727,960)	0
<b>Amortisation and impairment losses end of year</b>	<b>(2,817,647)</b>	<b>(233,434)</b>	<b>(11,142,078)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>5,085,897</b>	<b>73,358</b>	<b>7,637,479</b>	<b>0</b>

**8 Development projects**

The capitalised development costs relate to the development of products for customers in the wind power industry, including supporting IT setup. As of 31 December 2021 all projects have been finalised and commercialised. In the end of the year sales transactions have been initiated and will proceed throughout 2022.

## 9 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	9,537,035	1,313,601	585,495
Additions	5,503,207	491,778	646,085
Disposals	0	(776,562)	0
<b>Cost end of year</b>	<b>15,040,242</b>	<b>1,028,817</b>	<b>1,231,580</b>
Depreciation and impairment losses beginning of year	(5,435,496)	(1,089,510)	(521,479)
Depreciation for the year	(2,048,959)	(115,687)	(97,077)
Reversal regarding disposals	0	776,562	0
<b>Depreciation and impairment losses end of year</b>	<b>(7,484,455)</b>	<b>(428,635)</b>	<b>(618,556)</b>
<b>Carrying amount end of year</b>	<b>7,555,787</b>	<b>600,182</b>	<b>613,024</b>
Recognised assets not owned by entity	2,505,355	0	0

## 10 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	28,153,497	934,041
<b>Cost end of year</b>	<b>28,153,497</b>	<b>934,041</b>
Impairment losses beginning of year	(8,387,005)	0
Exchange rate adjustments	(16,837)	0
Impairment losses on goodwill	(2,455,920)	0
Share of profit/loss for the year	(1,976,159)	0
Adjustment of intra-group profits	(447,807)	0
Investments with negative equity value transferred to provisions	1,261,216	0
<b>Impairment losses end of year</b>	<b>(12,022,512)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>16,130,985</b>	<b>934,041</b>
Goodwill or negative goodwill recognised during the financial year	12,688,859	

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Goodwill, carrying amount as per 31 December 2021, DKK 12,689k, relates to the acquired activity in the subsidiaries in 2017. The value of goodwill is subject to uncertainty as this depends on the future earnings and development in the subsidiaries, including the realisation and execution of planned activity expansions in the companies and the realisation of the expected earnings increases as a result thereof.

### 11 Contract work in progress

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Contract work in progress	13,646,977	6,021,099
Progress billings	0	(3,822,183)
	<b>13,646,977</b>	<b>2,198,916</b>

### 12 Prepayments

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

### 13 Deferred tax

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Intangible assets	1,075,000	403,000
Property, plant and equipment	(379,000)	(552,000)
Inventories	451,000	177,000
Receivables	1,027,000	222,000
Other deductible temporary differences	(24,000)	(24,000)
<b>Deferred tax</b>	<b>2,150,000</b>	<b>226,000</b>

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
<b>Changes during the year</b>		
Beginning of year	226,000	(655,000)
Recognised in the income statement	1,924,000	881,000
<b>End of year</b>	<b>2,150,000</b>	<b>226,000</b>

### 14 Provisions for investments in group enterprises

Provision for investments in group enterprises consists of the negative net asset value of the US subsidiary per 31 December 2021. Formerly the subsidiary has been a sales unit, but is now in its start-up phase in relation to being a production unit. The parent company supports the subsidiary through internal sourcing and liquidity support on market terms. The company is expected to re-establish its equity through its own operations over a shorter number of years.

### 15 Non-current liabilities other than provisions

	<b>Due after more than 12 months</b>	<b>Outstanding after 5 years</b>
	<b>2021</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Lease liabilities	1,968,062	184,469
Other payables	2,401,668	2,401,668
	<b>4,369,730</b>	<b>2,586,137</b>

**16 Unrecognised rental and lease commitments**

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Total liabilities under rental or lease agreements until maturity	<b>14,851,222</b>	<b>15,856,643</b>

**17 Contingent liabilities**

The Entity participates in a Danish joint taxation arrangement in which Ejendomsselskabet Nyholmsvej, Holstebro ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

**18 Assets charged and collateral**

Bank debt has been secured on a registered floating charge of DKK 19,000k secured on goodwill and patents, fixed assets, inventories and trade receivables. The carrying amount of assets charged is DKK 89,373k (DKK 44,697k at 31.12.2020).

**Collateral provided for group enterprises**

The Entity has through the registered floating charge of DKK 19,000k guaranteed the Company's German subsidiary's bank debt. The subsidiary's outstanding with the bank is net positive as per 31. December 2021.

**19 Related parties with controlling interest**

Danhydra Holding A/S, Lollandsvej 2D, 7400 Herning, owns all shares in the Entity, thus exercising control.



# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

## Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

## Business combinations

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets

and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc. in which the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

#### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

**Property costs**

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, electricity, water and heating, which are not charged directly from the lessee.

**Production costs**

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of inventories.

**Distribution costs**

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc., and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

**Administrative expenses**

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

**Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

**Other operating expenses**

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

**Income from investments in group enterprises**

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

**Other financial income**

Other financial income comprises interest income on receivables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net exchange losses on transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

**Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

## Balance sheet

### Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation periods used are 5-10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

### Intellectual property rights etc.

Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 3-7 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

### Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	3-8 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### **Investments in group enterprises**

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount..

### **Inventories**

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### **Receivables**

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

### **Contract work in progress**

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a contract in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Tax payable or receivable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**

Cash comprises bank deposits.

**Other provisions**

Provision for investments in group enterprises consists of the negative net asset value of subsidiaries, where the Parent company supports the subsidiaries through internal sourcing and with liquidity.

**Lease liabilities**

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.