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JSB Group A/S
Frejasvej 7
6950 Ringkøbing
Central Business Registration No
34607109

Annual report 2017

The Annual General Meeting adopted the annual report on

Chairman of the General Meeting

Name: Andreas Kipker

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Entity details

Entity

JSB Group A/S
Frejasvej 7
6950 Ringkøbing

Central Business Registration No: 34607109

Registered in: Ringkøbing-Skjern

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Adrian Guise Williams, Chairman
Arne Handeland
Lars Rytter
Jens Sivert Bak

Executive Board

Frank Virenfeldt Nielsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of JSB Group A/S for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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.

Ringkøbing, 18.05.2018

Executive Board

Frank Virenfeldt Nielsen

Board of Directors

Adrian Guise Williams
Chairman

Arne Handeland

Lars Rytter

Jens Sivert Bak

Independent auditor's report

To the shareholder of JSB Group A/S

Auditor's report on the financial statements

Opinion

We have audited the financial statements of JSB Group A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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 financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 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 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.

Independent auditor's report

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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

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 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.

Report on other legal and regulatory requirements

Noncompliance with the Danish Companies Act

Contrary to S 206 Danish Companies Act, the Company has indirectly contributed to the financing of VC VIII JSB Holding ApS' acquisition of shares in the Company. The financing ceased in FY 2017 by distribution of an extraordinary dividend from the Company to VC VIII JSB Holding ApS. Management consider this to be an isolated case and has changed procedures for intercompany transactions and implemented further internal controls to prevent this type of financing to occur again.

Copenhagen, 18.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Nikolaj Thomsen
State Authorised Public Accountant
Identification number (MNE) 33276

Management commentary

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	99.425	99.625	83.675	60.491	71.759
Operating profit/loss	18.041	23.321	10.447	11.532	18.793
Net financials	11.082	14.572	12.750	7.665	(6.153)
Profit/loss for the year	22.913	31.424	20.457	16.198	21.688
Total assets	272.194	212.155	182.336	135.452	108.732
Investments in property, plant and equipment	11.467	19.429	9.120	2.758	0
Equity	101.074	105.524	74.489	50.028	30.435
Employees in average	138	133	137	99	73
Ratios					
Return on equity (%)	22,2	34,9	32,9	40,3	71,3
Soliditetsgrad (%)	37,6	49,7	40,9	36,9	28,0
Liquidity ratio (%)	122,9	140,0	109,3	90,9	58,8

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)		The entity's return on capital invested in the entity by the owners.
Soliditetsgrad (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The financial strength of the entity.
Liquidity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	How the current assets cover the current liabilities.
	$\frac{\text{Current assets} \times 100}{\text{Current liabilities other than provisions}}$	

Management commentary

Primary activities

JSB Group's primary activities comprise manufacturing and sales of core material kits to the wind industry.

Development in activities and finances

During the year 2017 JSB ventured into further new markets and also acquired a competing company creating benefit for our shared customers as well as opportunities for other customers. Furthermore, we established 2 new sites in Turkey and China creating roads for further growth in the years to come. Revenue continued to grow and profit for the year followed the growth to 22,913k. On December 31st 2017 the equity stands at 101,074k.

Outlook

In 2018 the company expects to grow sales by upwards of 25% prior to currency fluctuations. The growth is a result of the new facilities being ramped up and also new customers providing additional growth in our business. According to Market Updates, from MAKE Consulting, the world market is moving away from the established markets to new and emerging markets. In order to follow the market development JSB Group will continue to explore opportunities outside of the more conventional markets.

The combination of sales growth and new sites being ramped up is expected to drive continued improvement of our profit level. We expect to continue to deliver a profit level on a similar share of sales as in the last years.

Particular risks

JSB predominantly purchases and sells raw materials that are traded in EUR, USD and CNY. Significant fluctuations in any of the mentioned currencies could influence the results. The company's debt is financed with flexible interest rates and as such is a risk that could impact the results.

Environmental performance

JSB Group has introduced an ISO 50001 certified management system that ensures focus on reduction of electricity in all production facilities. In addition to the new system JSB also initiated internal projects focused on reducing use of electricity in the production, by upgrading equipment and designing new machines with lower electricity consumption.

Furthermore, JSB has continued the expanded use of renewable raw materials, with no or very little impact on the environment. During past years the company introduced new methods for waste disposal, all with the purpose of reducing the environmental impact from the operations.

No significant environmental relations is expected to have a potential impact on the operations carried out by JSB Group.

Income statement for 2017

	<u>Notes</u>	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
Gross profit		99.425	99.625
Staff costs	1	(72.993)	(70.613)
Depreciation, amortisation and impairment losses	2	<u>(8.391)</u>	<u>(5.691)</u>
Operating profit/loss		18.041	23.321
Income from investments in group enterprises		13.031	13.839
Other financial income	3	3.654	3.486
Other financial expenses	4	<u>(5.603)</u>	<u>(2.753)</u>
Profit/loss before tax		29.123	37.893
Tax on profit/loss for the year	5	<u>(6.210)</u>	<u>(6.469)</u>
Profit/loss for the year	6	<u>22.913</u>	<u>31.424</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
Completed development projects		4.292	0
Goodwill		7.250	7.750
Development projects in progress		985	3.695
Intangible assets	7	<u>12.527</u>	<u>11.445</u>
Plant and machinery		22.203	19.192
Other fixtures and fittings, tools and equipment		1.845	2.301
Leasehold improvements		1.871	106
Property, plant and equipment in progress		97	6.338
Property, plant and equipment	8	<u>26.016</u>	<u>27.937</u>
Investments in group enterprises		110.988	76.418
Deposits		374	275
Fixed asset investments	9	<u>111.362</u>	<u>76.693</u>
Fixed assets		<u>149.905</u>	<u>116.075</u>
Raw materials and consumables		18.483	17.616
Work in progress		2.169	0
Manufactured goods and goods for resale		6.143	8.940
Assets held for sale		549	0
Inventories		<u>27.344</u>	<u>26.556</u>
Trade receivables		37.283	33.066
Receivables from group enterprises		56.587	34.316
Other receivables		368	728
Prepayments	10	704	1.414
Receivables		<u>94.942</u>	<u>69.524</u>
Cash		<u>3</u>	<u>0</u>
Current assets		<u>122.289</u>	<u>96.080</u>
Assets		<u>272.194</u>	<u>212.155</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
Contributed capital	11	10.000	10.000
Reserve for net revaluation according to the equity method		8.242	27.702
Reserve for development expenditure		2.175	2.882
Retained earnings		65.657	49.940
Proposed dividend		15.000	15.000
Equity		101.074	105.524
Deferred tax		2.483	1.925
Provisions		2.483	1.925
Bank loans		41.219	26.141
Finance lease liabilities		6.819	9.958
Other payables		23.450	0
Non-current liabilities other than provisions	12	71.488	36.099
Current portion of long-term liabilities other than provisions	12	18.804	6.516
Bank loans		35.507	8.284
Trade payables		23.229	32.248
Payables to group enterprises		4.859	0
Income tax payable		2.800	4.194
Other payables		11.950	17.365
Current liabilities other than provisions		97.149	68.607
Liabilities other than provisions		168.637	104.706
Equity and liabilities		272.194	212.155
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Mortgages and securities	15		
Related parties with controlling interest	16		
Transactions with related parties	17		
Group relations	18		

Statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	10.000	27.702	2.882	49.940
Ordinary dividend paid	0	0	0	0
Extraordinary dividend paid	0	0	0	(2.000)
Exchange rate adjustments	0	(5.154)	0	0
Value adjustments	0	0	0	(5.209)
Dividends from group enterprises	0	(27.337)	0	27.337
Transfer to reserves	0	0	(707)	707
Profit/loss for the year	0	13.031	0	(5.118)
Equity end of year	10.000	8.242	2.175	65.657
			Proposed dividend DKK'000	Total DKK'000
Equity beginning of year			15.000	105.524
Ordinary dividend paid			(15.000)	(15.000)
Extraordinary dividend paid			0	(2.000)
Exchange rate adjustments			0	(5.154)
Value adjustments			0	(5.209)
Dividends from group enterprises			0	0
Transfer to reserves			0	0
Profit/loss for the year			15.000	22.913
Equity end of year			15.000	101.074

Notes

	2017	2016
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	62.761	59.013
Pension costs	7.450	9.407
Other social security costs	1.301	797
Other staff costs	1.481	1.396
	72.993	70.613
Average number of employees	138	133

	Remunera- tion of manage- ment 2017 DKK'000	Remunera- tion of manage- ment 2016 DKK'000
Total amount for management categories	5.332	2.535
	5.332	2.535

The management categories comprise the Board of Directors and the Executive Board.

	2017	2016
	DKK'000	DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.406	500
Depreciation of property, plant and equipment	6.947	5.031
Profit/loss from sale of intangible assets and property, plant and equipment	38	160
	8.391	5.691

	2017	2016
	DKK'000	DKK'000
3. Other financial income		
Financial income arising from group enterprises	2.091	1.767
Exchange rate adjustments	1.563	1.719
	3.654	3.486

Notes

	2017	2016
	DKK'000	DKK'000
4. Other financial expenses		
Interest expenses	3.587	2.636
Exchange rate adjustments	2.016	117
	5.603	2.753
	2017	2016
	DKK'000	DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	5.652	5.219
Change in deferred tax for the year	671	1.250
Adjustment concerning previous years	(113)	0
	6.210	6.469
	2017	2016
	DKK'000	DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	15.000	15.000
Transferred to reserve for net revaluation according to the equity method	13.031	13.839
Retained earnings	(5.118)	2.585
	22.913	31.424
Dividend distributed after the balance sheet date		
Extraordinary dividend	2.000	2.000

Notes

	Completed develop- ment projects DKK'000	Goodwill DKK'000	Develop- ment projects in progress DKK'000
7. Intangible assets			
Cost beginning of year	0	10.000	3.695
Additions	5.198	0	2.488
Disposals	0	0	(5.198)
Cost end of year	5.198	10.000	985
Amortisation and impairment losses beginning of year	0	(2.250)	0
Amortisation for the year	(906)	(500)	0
Amortisation and impairment losses end of year	(906)	(2.750)	0
Carrying amount end of year	4.292	7.250	985

Development projects in progress

There are no particular conditions regarding recognition or measurement of the development projects in progress at 31 december 2017.

Notes

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000	Property, plant and equipment in progress DKK'000
8. Property, plant and equipment				
Cost beginning of year	27.744	3.616	353	6.338
Additions	8.973	370	2.027	97
Disposals	0	(102)	0	(6.338)
Cost end of year	36.717	3.884	2.380	97
Depreciation and impairment losses beginning of the year	(8.553)	(1.315)	(247)	0
Depreciation for the year	(5.961)	(724)	(262)	0
Depreciation and impairment losses end of the year	(14.514)	(2.039)	(509)	0
Carrying amount end of year	22.203	1.845	1.871	97
			Investments in group enterprises DKK'000	Deposits DKK'000
9. Fixed asset investments				
Cost beginning of year			48.718	275
Additions			54.029	99
Cost end of year			102.747	374
Revaluations beginning of year			27.702	0
Exchange rate adjustments			(5.154)	0
Amortisation of goodwill			(1.909)	0
Share of profit/loss for the year			15.369	0
Dividend			(27.337)	0
Other adjustments			(430)	0
Revaluations end of year			8.241	0
Carrying amount end of year			110.988	374

Notes

The carrying amount of goodwill is DKK 27,036 k.

	<u>Registered in</u>	<u>Equity inte- rest %</u>
Investments in group enterprises comprise:		
JSB Composite (Zhuozhou) Co. Ltd.	China	100,0
Windkits LLC	PA, USA	100,0
JSB Composite Inc.	Kansas, USA	100,0
JSB Composite (Polska) Sp. z.o.o.	Poland	100,0
JSB Izmir Rüzgar Kompozit Ltd	Turkey	100,0
JSB Wind Energy (YDF) Co. Ltd	China	100,0
Mecanizacion De Estructuras Polimericas SL	Spain	100,0

10. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

	<u>Number</u>	<u>Par value DKK'000</u>	<u>Nominal value DKK'000</u>
11. Contributed capital			
Share capital	100.000	0,1	10.000
	100.000		10.000

	<u>Instalments within 12 months 2017 DKK'000</u>	<u>Instalments within 12 months 2016 DKK'000</u>	<u>Instalments beyond 12 months 2017 DKK'000</u>
12. Liabilities other than provisions			
Bank loans	6.422	3.734	41.219
Finance lease liabilities	3.390	2.782	6.819
Other payables	8.992	0	23.450
	18.804	6.516	71.488

	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
13. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	12.569	8.176

Notes

14. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which "VC VIII Jupiter Holding ApS" serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from 13 May 2016 for income taxes etc and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

The Entity has previously participated in a Danish joint taxation arrangement with "WIND GROUP ApS under frivillig likvidation", Central Business Registration No 32660711, as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable until 12 May 2016 for income taxes etc and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

15. Mortgages and securities

Bank loans are secured by way of a registered company charge of DKK 47,500k nominal and deposited shares in Windkits LLC and Mecanizacion De Estructuras Polimericas SL. Total withdrawal on the banking arrangements amounts to DKK 177,036k as of 31 December 2017.

16. Related parties with controlling interest

VC VIII JSB Holding ApS, Ringkøbing, Denmark owns all the shares and thus controls the Entity.

17. Transactions with related parties

Only non-arm's length transactions with related parties are disclosed in the financial statements. All related party transactions carried out during the financial year have been made on an arm's length basis.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Winds Holding AS, reg. no. 917 105 839, Oslo, Norway.

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to S 112(1) Danish Financial Statements Act, no consolidated financial statements have been prepared. JSB Group A/S and its subsidiaries are included in the consolidated financial statements of Winds Holding AS.

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.

Business combinations

Newly acquired enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Allowance is made for the tax effect of restatements.

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.

Accounting policies

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses.

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 is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

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, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

Other financial expenses

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

Income taxes

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.

The Entity is jointly taxed with all Danish Group entities. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is 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. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 20 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 in progress.

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 is taken to equity under "Reserve for development expenditure" that is reduced as the development projects are amortised and written down.

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

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

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	3-6 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	3-5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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

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 under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is 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. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 10-20 years.

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

Accounting policies

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 of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as 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.

Assets held for sale

Assets held for sale are assets related to fixed assets held for sale.

Receivables

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

Prepayments

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

Cash

Cash comprises bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

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

Finance lease liabilities

Lease commitments 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

Accounting policies

future lease payments. Subsequent to initial recognition, lease commitments 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.

Income tax receivable or payable

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.

Cash flow statement

Pursuant to S 86(4) Danish Financial Statements Act, the Company has not prepared a cash flow statement as it is included in the group cash flow statement of Winds Holding AS.