JSB Group A/S

Frejasvej 7, DK-6950 Ringkøbing

Annual Report for 1 January - 31 December 2018

CVR No 34 60 71 09

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 3 /5 2019

Andreas Kipker
Chairman of the General Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of JSB Group A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ringkøbing, 29 March 2019

Executive Board

Frank Virenfeldt Nielsen	Andreas Kipker

Board of Directors

Rudolf Hadorn Chairman	Veronica Johanna Lierau	Angelo Roberto Quabba

Independent Auditor’s Report

To the Shareholder of JSB Group A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company’s operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of JSB Group A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”the Financial Statements”).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ”Auditor’s responsibilities for the audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management’s Review
Management is responsible for Management’s Review.

Our opinion on the Financial Statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management’s Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management’s Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management’s Review.

Independent Auditor's Report

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

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

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Holstebro, 29 March 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Poul Spencer Poulsen	Hans Jørgen Andersen
State Authorised Public Accountant	State Authorised Public Accountant
mne23324	mne30211

Company Information

The Company	JSB Group A/S Frejasvej 7 DK-6950 Ringkøbing CVR No: 34 60 71 09 Financial period: 1 January - 31 December Municipality of reg. office: Ringkøbing-Skjern
Board of directors	Rudolf Hadorn, Chairman Veronica Johanna Lierau Angelo Roberto Quabba
Executive Board	Frank Virenfeldt Nielsen Andreas Kipker
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Hjaltesvej 16 DK-7500 Holstebro

Financial Highlights

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

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	102.880	98.966	99.625	83.675	60.491
Profit/loss before financial income and expenses	12.113	18.038	23.321	20.457	16.198
Net financials	7.892	20.180	14.572	12.750	7.665
Net profit/loss for the year	16.927	32.008	31.424	20.457	16.198
Balance sheet					
Balance sheet total	312.353	264.809	212.155	182.336	135.452
Equity	95.618	93.690	105.524	74.489	50.028
Investment in property, plant and equipment	-7.894	-1.921	-33.628	9.120	2.758
Number of employees	142	138	133	137	99
Ratios					
Return on assets	3,9%	6,8%	11,0%	11,2%	12,0%
Solvency ratio	30,6%	35,4%	49,7%	40,9%	36,9%
Return on equity	17,9%	32,1%	34,9%	32,9%	40,3%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In connection with changes to accounting policies, the comparative figures back to 2014 have not been restated. See the description under accounting policies.

Management's Review

Financial Statements of JSB Group A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The company has changed its accounting policies for measurement of investments from the equity method at cost. The change has resulted in an decrease in ordinary profit for the current year and result for the year by tDKK 21.515 and an increase in 2017 by tDKK 9.098. It has also reduced the company's fixed, asset, total assets and equity with tDKK 34.235 (2017: tDKK 7.383). The company's cash flows are not affected by the change.

Key activities

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

Development in the year

The income statement of the Company for 2018 shows a profit of TDKK 16,927, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 95,618.

The year 2018 offered development in several new areas. JSB made decisions to establish a new production site in Mexico to serve the Americas. The new factory is expected to build on the growth we have seen in the last few years in our Group.

In the fall of 2018, JSB was acquired by the Swiss company Gurit AG, which is listed on the SIX Stock Exchange. The new ownership is looking to maintain JSB as an independent kitter and a separate business unit under the existing management.

Foreign Exchange 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.

Targets and expectations for the year ahead

JSB is expected to continue the upwards trend on sales and will see growth at or higher than the levels of the past few years. According to Market Updates, from Wood Mackenzie, the world market is moving away from the established markets to new and emerging markets. In order to follow the market development JSB 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.

Management's Review

Enviromental performance

Over the last years we have developed projects for use of the waste products from our production. Some have been successful and some still require more work to become successful. We continue to expand our use of raw materials that are based on reuse of PET from bottles and similar sources.

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.

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

Unusual events

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Gross profit/loss		**102.880**	**98.966**
Staff expenses	1	-82.290	-72.537
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-8.477	-8.391
Profit/loss before financial income and expenses		**12.113**	**18.038**
Income from investments in subsidiaries	3	13.361	27.337
Financial income	4	6.855	3.653
Financial expenses	5	-12.324	-10.810
Profit/loss before tax		**20.005**	**38.218**
Tax on profit/loss for the year	6	-3.078	-6.210
Net profit/loss for the year		**16.927**	**32.008**

Balance Sheet 31 December

Assets

	Note	2018	2017
		TDKK	TDKK
Completed development projects		4.813	4.292
Goodwill		6.875	7.250
Development projects in progress		0	985
Intangible assets	7	**11.688**	**12.527**
Plant and machinery		22.246	22.204
Other fixtures and fittings, tools and equipment		1.156	1.844
Leasehold improvements		1.170	1.871
Property, plant and equipment in progress		0	97
Property, plant and equipment	8	**24.572**	**26.016**
Investments in subsidiaries	9	126.201	103.605
Deposits	10	374	374
Fixed asset investments		**126.575**	**103.979**
Fixed assets		**162.835**	**142.522**
Inventories	11	**21.679**	**27.342**
Trade receivables		58.476	37.283
Receivables from group enterprises		65.493	56.587
Other receivables		1.948	368
Prepayments	12	59	704
Receivables		**125.976**	**94.942**
Cash at bank and in hand		**1.863**	**3**
Currents assets		**149.518**	**122.287**
Assets		**312.353**	**264.809**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		TDKK	TDKK
Share capital		10.000	10.000
Reserve for development costs		2.750	2.175
Retained earnings		82.868	66.515
Proposed dividend for the year		0	15.000
Equity		**95.618**	**93.690**
Provision for deferred tax	14	2.405	2.483
Provisions		**2.405**	**2.483**
Credit institutions		0	41.219
Lease obligations		5.490	6.819
Payables to group enterprises		114.153	0
Other payables		18.216	23.450
Long-term debt	15	**137.859**	**71.488**
Credit institutions	15	100	41.929
Lease obligations	15	1.581	3.390
Trade payables		34.870	23.229
Payables to group enterprises	15	18.824	4.859
Corporation tax		427	2.800
Other payables	15	20.669	20.941
Short-term debt		**76.471**	**97.148**
Debt		**214.330**	**168.636**
Liabilities and equity		**312.353**	**264.809**

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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	10.000	8.241	2.175	65.658	15.000	101.074
Net effect from change of accounting policy	0	-8.241	0	858	0	-7.383
Adjusted equity at 1 January	10.000	0	2.175	66.516	15.000	93.691
Ordinary dividend paid	0	0	0	0	-15.000	-15.000
Development costs for the year	0	0	1.579	-1.579	0	0
Depreciation, amortisation and impairment for the year	0	0	-1.004	1.004	0	0
Net profit/loss for the year	0	0	0	16.927	0	16.927
Equity at 31 December	**10.000**	**0**	**2.750**	**82.868**	**0**	**95.618**

Notes to the Financial Statements

		2018	2017
		TDKK	TDKK

1 Staff expenses

	2018	2017
Wages and salaries	69.821	62.471
Pensions	7.743	7.450
Other social security expenses	1.578	1.301
Other staff expenses	4.738	1.481
	83.880	**72.703**
Transfer to production wages	-1.590	-166
	82.290	**72.537**
Including remuneration to the Executive Board of:		
Executive Board	5.037	5.332
	5.037	**5.332**
Average number of employees	**142**	**138**

2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2018	2017
Amortisation of intangible assets	1.663	1.406
Depreciation of property, plant and equipment	6.814	6.985
	8.477	**8.391**

3 Income from investments in subsidiaries

	2018	2017
Dividend	13.361	27.337
	13.361	**27.337**

4 Financial income

	2018	2017
Interest received from group enterprises	1.329	2.090
Exchange gains	5.526	1.563
	6.855	**3.653**

Notes to the Financial Statements

5 Financial expenses

	2018	2017
	TDKK	TDKK
Interest paid to group enterprises	731	0
Other financial expenses	7.578	3.585
Exchange loss	4.015	7.225
	12.324	**10.810**

6 Tax on profit/loss for the year

	2018	2017
Current tax for the year	3.078	5.652
Deferred tax for the year	0	671
Adjustment of tax concerning previous years	0	-113
	3.078	**6.210**

7 Intangible assets

	Completed development projects	Goodwill
	TDKK	TDKK
Cost at 1 January	5.198	10.000
Additions for the year	1.808	0
Cost at 31 December	7.006	10.000
Transfers for the year	0	0
Revaluations at 31 December	0	0
Impairment losses and amortisation at 1 January	906	2.750
Amortisation for the year	1.287	375
Impairment losses and amortisation at 31 December	2.193	3.125
Carrying amount at 31 December	**4.813**	**6.875**

Development projects relate to the development of new versions of the Company’s existing software products. The projects are progressing according to plan through the use of the resources allocated by Management to the development. The software is expected to improve efficiency.

Notes to the Financial Statements

8 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	36.718	3.883	2.380	97
Additions for the year	7.894	0	0	0
Disposals for the year	-3.756	-10	0	0
Transfers for the year	0	0	0	-97
Cost at 31 December	40.856	3.873	2.380	0
Impairment losses and depreciation at 1 January	14.514	2.039	509	0
Depreciation for the year	5.854	690	701	0
Reversal of impairment and depreciation of sold assets	-1.758	-12	0	0
Impairment losses and depreciation at 31 December	18.610	2.717	1.210	0
Carrying amount at 31 December	**22.246**	**1.156**	**1.170**	**0**
Including assets under finance leases amounting to	7.991	417	0	0

Notes to the Financial Statements

9 Investments in subsidiaries

	2018	2017
	TDKK	TDKK
Cost at 1 January	103.605	49.576
Additions for the year	22.596	54.029
Carrying amount at 31 December	**126.201**	**103.605**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
JSB Composite (Zhuozhou) Co. Ltd.	China	100%
Windkits LLC	PA, USA	100%
JSB Composite (Polska) Sp. z.o.o.	Poland	100%
JSB Izmir Rüzgar Kompozit Ltd	Turkey	100%
JSB Wind Energy (YDF) Co. Ltd	China	100%
Mecanizacion De Estructuras Polimericas SL	Spain	100%

10 Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	374
Cost at 31 December	374
Revaluations at 1 January	0
Revaluations at 31 December	0
Impairment losses at 1 January	0
Impairment losses at 31 December	0
Carrying amount at 31 December	**374**

Notes to the Financial Statements

11 Inventories

	2018	2017
	TDKK	TDKK
Raw materials and consumables	9.641	18.427
Work in progress	4.100	2.225
Finished goods and goods for resale	3.355	6.141
Assets meant for sale	4.583	549
	21.679	**27.342**

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

13 Distribution of profit

	2018	2017
Proposed dividend for the year	0	15.000
Retained earnings	16.927	17.008
	16.927	**32.008**

14 Provision for deferred tax

The recognised tax asset comprises temporary tax differences on fixed assets which are expected to be utilised within the next three to four years, with the current taxable income

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2018	2017
	TDKK	TDKK
Credit institutions		
Between 1 and 5 years	0	41.219
Long-term part	0	41.219
Within 1 year	0	6.422
Other short-term debt to credit institutions	100	35.507
Short-term part	100	41.929
	100	**83.148**
Lease obligations		
Between 1 and 5 years	5.490	6.819
Long-term part	5.490	6.819
Within 1 year	1.581	3.390
	7.071	**10.209**
Payables to group enterprises		
Between 1 and 5 years	114.153	0
Long-term part	114.153	0
Other short-term debt to group enterprises	18.824	4.859
	132.977	**4.859**
Other payables		
Between 1 and 5 years	18.216	23.450
Long-term part	18.216	23.450
Within 1 year	9.451	8.992
Other short-term payables	11.218	11.949
Short-term part	20.669	20.941
	38.885	**44.391**

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK
16 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:	8.166	12.569

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Gurit Kitting Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

17 Related parties

	Basis
Controlling interest	
Gurit Kitting Holding ApS	Owner
Gurit Holding AG	Ultimate owner

Consolidated Financial Statements

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

Name	Place of registered office
Gurit Holding AG	Wattwil, Switzerland

The Group Annual Report of Gurit Holding AG may be obtained at the following address:

Gurit Holding AG
Ebnaterstrasse 79
9630 Wattwil
Schweiz

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of JSB Group A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2018 are presented in TDKK.

Changes in accounting policies

The company has changed its accounting policies for measurement of investments from the equity method at cost. The change has resulted in an decrease in ordinary profit for the current year and result for the year by tDKK 21.515 and an increase in 2017 by tDKK 9.098. It has also reduced the company's fixed, asset, total assets and equity with tDKK 34.235 (2017: tDKK 7.383). The company's cash flows are not affected by the change.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Gurit Holding AG, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Gurit Holding AG, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

18 Accounting Policies (continued)

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

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

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

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

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

18 Accounting Policies (continued)

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than wages used for asset held for sales.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

18 Accounting Policies (continued)

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Notes to the Financial Statements

18 Accounting Policies (continued)

Other fixed asset investments

Other fixed asset investments consist of .

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes to the Financial Statements

18 Accounting Policies (continued)

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Return on assets $$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$$

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$$

Return on equity $$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$