
Gurit Wind Systems A/S

Ribovej 5, DK-6950 Ringkøbing

Annual Report for 2023

CVR No. 34 60 71 09

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 25/6 2024

Brian Dysted
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 Gurit Wind Systems A/S for the financial year 1 January - 31 December 2023.

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 2023 of the Company and of the results of the Company operations and cash flows for 2023.

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

Ringkøbing, 25 June 2024

Executive Board

Morten Gørlitz Nielsen
Executive Officer

Brian Dysted
Executive Officer

Board of Directors

Mitja Schulz
Chairman

Javier Perez Freije

Daniel Sven Dahlqvist

Independent Auditor's report

To the shareholder of Gurit Wind Systems 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 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Gurit Wind Systems A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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' 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.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, 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.

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.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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, 25 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Spencer Poulsen

State Authorised Public Accountant

mne23324

Hans Jørgen Andersen

State Authorised Public Accountant

mne30211

Company information

The Company	Gurit Wind Systems A/S Ribovej 5 6950 Ringkøbing CVR No: 34 60 71 09 Financial period: 1 January - 31 December Incorporated: 3 July 2012 Municipality of reg. office: Ringkøbing-Skjern
Board of Directors	Mitja Schulz, chairman Javier Perez Freije Daniel Sven Dahlqvist
Executive Board	Morten Gørlitz Nielsen Brian Dysted
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Hjaltetvej 16 DK-7500 Holstebro

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	60,432	40,431	94,690	116,663	130,855
Profit/loss of primary operations	14,483	-4,476	5,549	19,553	24,152
Profit/loss of financial income and expenses	32,545	68,077	82,030	16,766	16,971
Profit/loss from discontinuing activities	0	-12,840	0	0	0
Net profit/loss for the year	47,047	48,523	83,269	32,365	29,235
Balance sheet					
Balance sheet total	435,113	435,337	409,042	490,253	471,150
Equity	397,578	350,531	302,009	218,739	186,374
Cash flows					
Cash flows from:					
- operating activities	5,340	-71,569	68,142	-11,044	-1,153
- investing activities	33,776	69,181	69,229	19,604	-128,389
- financing activities	-39,889	3,018	-142,071	-9,250	135,692
Number of employees	50	110	131	161	179
Ratios					
Return on assets	3.3%	-1.0%	1.4%	4.0%	5.1%
Solvency ratio	91.4%	80.5%	73.8%	44.6%	39.6%
Return on equity	12.6%	14.9%	32.0%	16.0%	20.7%

In connection with changes to accounting policies and business combinations, the comparative figures have not been restated. See the description under accounting policies.

Management's review

Key activities

Gurit Wind Systems' key activities comprise business support to the Gurit Wind Systems Business Unit globally for manufacturing and sales of core material kits to the wind industry.

Development in the year

The income statement of the Company for 2023 shows a profit of TDKK 47,047, and at 31 December 2023 the balance sheet of the Company shows a positive equity of TDKK 397,578.

The negative development in performance and business is impacted by decreased income from investments in subsidiaries.

Foreign exchange risks

Gurit Wind Systems 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

The business model for the Danish legal entity changes to a shared service model providing business support to the Gurit Wind Systems Business Unit globally. As such all services provided in Denmark will be charged out under Gurit's global shared service agreement.

It is expected that the Danish entity will be break even in the coming year excluding income from subsidiaries.

Environmental performance

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

Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities and cash flows of the Company for the financial year for 2023 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	2023	2022
		TDKK	TDKK
Gross profit		60,432	40,431
Staff expenses	1	-41,531	-40,344
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-4,418	-4,563
Profit/loss before financial income and expenses		14,483	-4,476
Income from investments in subsidiaries	3	32,274	69,467
Financial income	4	3,658	365
Financial expenses	5	-3,387	-1,755
Profit/loss before tax		47,028	63,601
Tax on profit/loss for the year	6	19	-2,238
Profit/loss of continuing activities		47,047	61,363
Discontinuing activities	8	0	-12,840
Net profit/loss for the year	7	47,047	48,523

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Acquired licenses		5,312	6,074
Goodwill		4,375	4,875
Intangible assets	9	9,687	10,949
Plant and machinery		4,440	8,899
Other fixtures and fittings, tools and equipment		323	429
Leasehold improvements		0	0
Property, plant and equipment	10	4,763	9,328
Investments in subsidiaries	11	273,230	273,230
Deposits	12	794	794
Fixed asset investments		274,024	274,024
Fixed assets		288,474	294,301
Inventories	13	2,628	8,635
Trade receivables		2,950	25,542
Receivables from group enterprises		136,642	99,708
Deferred tax asset	14	1,287	2,830
Corporation tax		323	1,064
Prepayments	15	329	4
Receivables		141,531	129,148
Cash at bank and in hand		2,480	3,253
Current assets		146,639	141,036
Assets		435,113	435,337

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital		10,000	10,000
Reserve for development costs		2,750	2,750
Retained earnings		384,828	337,781
Equity		397,578	350,531
Payables to group enterprises		22,349	53,115
Long-term debt	16	22,349	53,115
Credit institutions		0	79
Trade payables		1,309	8,715
Payables to group enterprises	16	3,777	12,821
Other payables		10,100	10,076
Short-term debt		15,186	31,691
Debt		37,535	84,806
Liabilities and equity		435,113	435,337
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		
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Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2023	10,000	2,750	337,781	350,531
Net profit/loss for the year	0	0	47,047	47,047
Equity at 31 December 2023	10,000	2,750	384,828	397,578

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2022	10,000	2,750	289,258	302,008
Net profit/loss for the year	0	0	48,523	48,523
Equity at 31 December 2022	10,000	2,750	337,781	350,531

Cash flow statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Result of the year		47,047	48,523
Adjustments	17	-28,239	-58,465
Change in working capital	18	-16,042	-53,254
Cash flow from operations before financial items		2,766	-63,196
Financial income		3,658	365
Financial expenses		-3,387	-5,097
Cash flows from ordinary activities		3,037	-67,928
Corporation tax paid		2,303	-3,641
Cash flows from operating activities		5,340	-71,569
Purchase of intangible assets		-969	0
Purchase of property, plant and equipment		0	-286
Sale of property, plant and equipment		2,471	0
Dividends received from subsidiaries		32,274	69,467
Cash flows from investing activities		33,776	69,181
Repayment of loans from credit institutions		-79	-50
Reduction of lease obligations		0	-1,407
Repayment of payables to group enterprises		-39,810	4,475
Cash flows from financing activities		-39,889	3,018
Change in cash and cash equivalents		-773	630
Cash and cash equivalents at 1 January		3,253	2,623
Cash and cash equivalents at 31 December		2,480	3,253
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		2,480	3,253
Cash and cash equivalents at 31 December		2,480	3,253

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
1. Staff Expenses		
Wages and salaries	37,536	34,782
Pensions	3,566	3,393
Other social security expenses	416	439
Other staff expenses	251	2,604
	<u>41,769</u>	<u>41,218</u>
Transfer to production wages	-238	-874
	<u>41,531</u>	<u>40,344</u>
Including remuneration to the Board of Directors:		
Board of directors	6,880	5,977
	<u>6,880</u>	<u>5,977</u>
Average number of employees	<u>50</u>	<u>54</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
2. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	2,231	2,152
Depreciation of property, plant and equipment	2,187	2,411
	<u>4,418</u>	<u>4,563</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
3. Income from investments in subsidiaries		
Dividend	32,274	69,467
	<u>32,274</u>	<u>69,467</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
4. Financial income		
Interest received from group enterprises	2,662	365
Exchange gains	996	0
	<u>3,658</u>	<u>365</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
5. Financial expenses		
Interest paid to group enterprises	1,809	875
Other financial expenses	463	788
Exchange loss	1,115	92
	<u>3,387</u>	<u>1,755</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
6. Income tax expense		
Current tax for the year	386	0
Deferred tax for the year	1,544	-1,081
Adjustment of tax concerning previous years	-1,949	3,319
	<u>-19</u>	<u>2,238</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
7. Profit allocation		
Retained earnings	47,047	48,523
	<u>47,047</u>	<u>48,523</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
8. Discontinuing activities		
Gross profit/loss	0	27,288
Staff expenses	0	-37,317
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	0	-3,089
Profit/loss before financial income and expenses	<u>0</u>	<u>-13,118</u>
Financial expenses	0	-3,344
Profit/loss before tax	<u>0</u>	<u>-16,462</u>
Tax on profit/loss for the year	0	3,622
Net profit/loss for the year of discontinuing activities	<u>0</u>	<u>-12,840</u>

9. Intangible fixed assets

	<u>Acquired licenses</u>	<u>Goodwill</u>
	TDKK	TDKK
Cost at 1 January	14,414	10,000
Additions for the year	969	0
Disposals for the year	-747	0
Cost at 31 December	<u>14,636</u>	<u>10,000</u>
Impairment losses and amortisation at 1 January	8,340	5,125
Amortisation for the year	1,731	500
Reversal of impairment and amortisation of sold assets	-747	0
Impairment losses and amortisation at 31 December	<u>9,324</u>	<u>5,625</u>
Carrying amount at 31 December	<u>5,312</u>	<u>4,375</u>
Amortised over	<u>5-10 years</u>	<u>20 years</u>

Notes to the Financial Statements

10. Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 January	45,640	1,889	1,946
Disposals for the year	-34,678	-1,034	-514
Cost at 31 December	10,962	855	1,432
Impairment losses and depreciation at 1 January	36,741	1,460	1,946
Depreciation for the year	1,542	106	0
Impairment and depreciation of sold assets for the year	538	0	0
Reversal of impairment and depreciation of sold assets	-32,299	-1,034	-514
Impairment losses and depreciation at 31 December	6,522	532	1,432
Carrying amount at 31 December	4,440	323	0
Amortised over	3-10 years	5 years	3-5 years

11. Investments in subsidiaries

	2023	2022
	TDKK	TDKK
Cost at 1 January	273,230	273,230
Cost at 31 December	273,230	273,230
Carrying amount at 31 December	273,230	273,230

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership and Votes	Equity	Net profit/loss for the year
Gurit Wind Systems (Zhuozhou) Co., Ltd.	China	100%	23,872,958	-5,964,170
Windkits LLC	PA, USA	100%	0	0
JSB Composite (Polska) Sp. z.o.o.	Poland	100%	0	0
JSB Izmir Rüzgar Kompozit Ltd	Turkey	100%	11,437,885	6,825,801
Gurit Wind Systems (YDF) Co., Ltd	China	100%	40,809,091	10,161,518
Mecanizacion De Estructuras Polimericas SL	Spain	100%	52,371,391	163,893
JSB Kitting Matamoros, S. A. de C. V.	Mexico	100%	0	0

Notes to the Financial Statements

12. Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	794
Cost at 31 December	794
Carrying amount at 31 December	794

13. Inventories

	2023	2022
	TDKK	TDKK
Raw materials and consumables	2,092	4,513
Work in progress	0	65
Finished goods and goods for resale	536	2,652
Assets meant for sale	0	1,405
	<u>2,628</u>	<u>8,635</u>

14. Deferred tax asset

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.

15. Prepayments

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

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
16. 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:		
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	22,349	53,115
Long-term part	22,349	53,115
Other short-term debt to group enterprises	3,777	12,821
	<u>26,126</u>	<u>65,936</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
17. Cash flow statement - Adjustments		
Financial income	-3,658	-365
Financial expenses	3,387	5,099
Depreciation, amortisation and impairment losses, including losses and gains on sales	4,325	7,652
Income from investments in subsidiaries	-32,274	-69,467
Tax on profit/loss for the year	-19	-1,384
	<u>-28,239</u>	<u>-58,465</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
18. Cash flow statement - Change in working capital		
Change in inventories	6,007	19,672
Change in receivables	-14,667	-57,912
Change in trade payables, etc	-7,382	-15,014
	<u>-16,042</u>	<u>-53,254</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
19. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Rental obligations. Total future rental payments:	17,600,182	20,093,495

Other contingent liabilities

The Danish 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 by the Group is disclosed in this Annual Report of Gurit Wind System A/S, which is the management company of the joint taxation purposes. Moreover, the Danish 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 Group's liability.

20. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Gurit Holding AG	Owner

Transactions

Apart from the above, there have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
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
Switzerland

Notes to the Financial Statements

21. Accounting policies

The Annual Report of Gurit Wind Systems A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in TDKK.

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.

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.

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied from the beginning of the financial year date or at the date of acquisition, and comparative figures have not been restated.

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.

Notes to the Financial Statements

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.

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 as well as office expenses, etc.

Gross profit

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 costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

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.

Notes to the Financial Statements

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

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

Tax on profit/loss for the year

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

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

Balance sheet

Intangible fixed assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 20 year.

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 year.

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. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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	3-10 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	3-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

Notes to the Financial Statements

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.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. 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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

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.

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.

Notes to the Financial Statements

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 liabilities

Loans, such as 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.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$