
Gurit Wind Systems A/S

Frejasvej 7, DK-6950 Ringkøbing

Annual Report for 1 January - 31 December 2021

CVR No 34 60 71 09

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
21/06 2022

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 Gurit Wind Systems A/S for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations and cash flows for 2021.

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

Ringkøbing, 21 June 2022

Executive Board

Andreas Kipker
CEO

Per Holmgaard Olesen
Executive Officer

Brian Dysted
Executive Officer

Morten Gørlitz
Executive Officer

Board of Directors

Mitja Schulz
Chairman

Philippe Wirth

Hannes Haueis

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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 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 2021, 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 misstate-

Independent Auditor's Report

ment, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Independent Auditor's Report

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, 21 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Spencer Poulsen
statsautoriseret revisor
mne23324

Hans Jørgen Andersen
statsautoriseret revisor
mne30211

Company Information

The Company

Gurit Wind Systems 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

Mitja Schulz, Chairman
Philippe Wirth
Hannes Haueis

Executive Board

Andreas Kipker
Per Holmgaard Olesen
Brian Dysted
Morten Gørlitz

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Hjaltvej 16
DK-7500 Holstebro

Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures					
Profit/loss					
Gross profit/loss	94.690	116.663	130.855	102.880	98.966
Profit/loss before financial income and expenses	5.548	19.555	24.152	12.113	18.038
Net financials	82.030	16.763	16.971	7.892	20.180
Net profit/loss for the year	83.269	32.365	29.235	16.927	32.008
Balance sheet					
Balance sheet total	409.042	490.253	471.150	312.353	264.809
Equity	302.008	218.739	186.374	95.618	93.690
Cash flows					
Cash flows from:					
- operating activities	68.142	-11.044	-1.153	-14.181	57.835
- investing activities	69.229	19.604	-128.389	-10.884	-7.500
including investment in property, plant and equipment	-7.368	-8.114	-2.542	-826	-5.065
- financing activities	-142.071	-9.250	135.692	26.930	-50.331
Number of employees	131	161	179	142	138
Ratios					
Return on assets	1,4%	4,0%	5,1%	3,9%	6,8%
Solvency ratio	73,8%	44,6%	39,6%	30,6%	35,4%
Return on equity	32,0%	16,0%	20,7%	17,9%	32,1%

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 manufacturing and sales of core material kits to the wind industry.

Development in the year

The income statement of the Company for 2021 shows a profit of TDKK 83,269, and at 31 December 2021 the balance sheet of the Company shows equity of TDKK 302,008.

The positive development in performance and business is impacted by increased income from investments in subsidiaries.

The year 2021 offered challenging conditions with globally reduced demand for wind blades. However in line with strategic footprint expansions Gurit established two new production sites in India. The ramp up of these factories will continue in 2022.

Following the acquisition in 2018 by the Swiss company Gurit Holding AG, the former JSB was rebranded into Gurit Wind Systems during 2021. The rebranding coincided with the merger of the Kitting and Wind Material business units into one customer-focused organization.

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 Wind Industry was impacted by a globally reduced demand for wind blades in 2021. It is expected that blade production in Europe in 2022 will be at a similar level. Gurit's Danish facility primarily serves the Northern European market and is therefore relatively dependent on the development and installation of Wind Turbine Technology in this region. The long term outlook is very positive and we expect to see a positive development in Offshore Wind installations over the next 20 years.

In the near term we are seeing a consolidation of the Blade Manufacturing Footprint in Northern Europe, expected sales in 2022 will be in line with 2021 with gross profit expected to increase with 2-5% for the Danish facility due to previously introduced cost initiatives. The impact of global sales reductions and new Gurit sites being ramped up outside Europe will be to a large extent compensated by continued cost improvement in all operating and administration areas of our business. We expect to continue to deliver a profit percentage on a similar share of sales as in the last years.

Gurit continues the focus on a safe working environment in all matters and has embedded a safety culture into the leadership model and personal action plans. During 2021 Gurit's Danish facility was fully certified on occupational health and safety according to ISO 45001. It is planned that all Gurit production sites will be certified to this standard by end 2023.

Management's Review

Environmental performance

In 2020 Gurit globally set a bold target to achieve climate neutrality by the end of 2021 and we are proud to say we have achieved this for now by sourcing all our electrical power from 100% renewable energy and compensating the emissions under our direct control with a certified wind farm project in India.

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 2021 of the Company and the results of the activities and cash flows of the Company for the financial year for 2021 have not been affected by any unusual events.

Subsequent events

Due to current market conditions in June 2022 the management announced the intention to close production activities at the Ringkøbing site and entered into negotiations with the labour unions.

It is anticipated that production will be relocated to other European sites within Gurit during the second half of 2022.

Approximately 60 people within Innovation, Engineering, Production Technology, Prototyping, Sales and Administration will remain employed in Denmark working for the Gurit Wind Systems Business Unit.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2021</u> TDKK	<u>2020</u> TDKK
Gross profit/loss		94.690	116.663
Staff expenses	1	-79.542	-88.013
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-8.220	-9.095
Other operating expenses		-1.380	0
Profit/loss before financial income and expenses	3	5.548	19.555
Income from investments in subsidiaries	4	84.119	27.718
Financial income	5	2.887	0
Financial expenses	6	-4.976	-10.955
Profit/loss before tax		87.578	36.318
Tax on profit/loss for the year	7	-4.309	-3.953
Net profit/loss for the year		83.269	32.365

Balance Sheet 31 December

Assets

	Note	2021 TDKK	2020 TDKK
Acquired licenses		7.878	1.879
Goodwill		5.375	5.875
Intangible assets	8	13.253	7.754
Plant and machinery		22.260	17.558
Other fixtures and fittings, tools and equipment		537	90
Leasehold improvements		0	0
Property, plant and equipment in progress		0	4.096
Property, plant and equipment	9	22.797	21.744
Investments in subsidiaries	10	273.233	273.233
Deposits	11	794	680
Fixed asset investments		274.027	273.913
Fixed assets		310.077	303.411
Inventories	12	28.305	58.286
Trade receivables		8.451	34.845
Receivables from group enterprises		57.536	86.388
Other receivables		1.308	0
Corporation tax		742	0
Receivables		68.037	121.233
Cash at bank and in hand		2.623	7.323
Currents assets		98.965	186.842
Assets		409.042	490.253

Balance Sheet 31 December

Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital		10.000	10.000
Reserve for development costs		2.750	2.750
Retained earnings		289.258	205.989
Equity		302.008	218.739
Provision for deferred tax	15	1.872	1.215
Provisions		1.872	1.215
Lease obligations		0	1.741
Payables to group enterprises		57.449	189.097
Long-term debt	16	57.449	190.838
Credit institutions		129	40
Lease obligations	16	1.407	1.494
Trade payables		15.232	29.592
Payables to group enterprises	16	4.012	12.696
Corporation tax		0	4.339
Other payables		24.628	31.300
Deferred income		2.305	0
Short-term debt		47.713	79.461
Debt		105.162	270.299
Liabilities and equity		409.042	490.253
Distribution of profit	14		
Related parties	19		
Accounting Policies	20		

Statement of Changes in Equity

	Share capital TDKK	Reserve for development costs TDKK	Retained earnings TDKK	Total TDKK
2021				
Equity at 1 January	10.000	2.750	205.989	218.739
Net profit/loss for the year	0	0	83.269	83.269
Equity at 31 December	10.000	2.750	289.258	302.008
2020				
Equity 1. januar	10.000	2.750	173.624	186.374
Net profit/loss for the year	0	0	32.365	32.365
Equity at 31 December	10.000	2.750	205.989	218.739

Cash Flow Statement 1 January - 31 December

	Note	2021 TDKK	2020 TDKK
Net profit/loss for the year		83.269	32.365
Adjustments	17	-69.501	-3.742
Change in working capital	18	65.189	-23.064
Cash flows from operating activities before financial income and expenses		78.957	5.559
Financial income		2.887	0
Financial expenses		-4.969	-10.956
Cash flows from ordinary activities		76.875	-5.397
Corporation tax paid		-8.733	-5.647
Cash flows from operating activities		68.142	-11.044
Purchase of intangible assets		-7.407	0
Purchase of property, plant and equipment		-7.368	-8.114
Fixed asset investments made etc		0	27.718
Dividends received from subsidiaries		84.004	0
Cash flows from investing activities		69.229	19.604
Repayment of loans from credit institutions		89	-46
Reduction of lease obligations		-1.828	-1.985
Repayment of payables to group enterprises		-140.332	-7.219
Cash flows from financing activities		-142.071	-9.250
Change in cash and cash equivalents		-4.700	-690
Cash and cash equivalents at 1 January		7.323	8.013
Cash and cash equivalents at 31 December		2.623	7.323
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		2.623	7.323
Cash and cash equivalents at 31 December		2.623	7.323

Notes to the Financial Statements

	2021	2020
	TDKK	TDKK
1 Staff expenses		
Wages and salaries	68.690	74.140
Pensions	8.552	9.041
Other social security expenses	999	2.098
Other staff expenses	2.797	4.560
	81.038	89.839
Transfer to assets	-1.496	-1.826
	79.542	88.013
Including remuneration to the Executive Board of: Executive Board	9.181	5.824
	9.181	5.824
Average number of employees	131	161
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	1.909	1.967
Depreciation of property, plant and equipment	6.311	7.128
	8.220	9.095
3 Special items		
Gross profit is in 2020 reduced with DKK 9,8 million regarding adjustment of royalty income recognized previously.		
4 Income from investments in subsidiaries		
Dividend	84.119	27.718
	84.119	27.718

Notes to the Financial Statements

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
5 Financial income		
Other financial income	346	0
Exchange gains	2.541	0
	<u>2.887</u>	<u>0</u>
6 Financial expenses		
Interest paid to group enterprises	3.923	4.638
Other financial expenses	1.053	917
Exchange loss	0	5.400
	<u>4.976</u>	<u>10.955</u>
7 Tax on profit/loss for the year		
Current tax for the year	-2.832	1.972
Deferred tax for the year	657	-1.331
With Holding Tax	6.484	3.312
	<u>4.309</u>	<u>3.953</u>

Notes to the Financial Statements

8 Intangible assets

	Acquired licenses <u>TDKK</u>	Goodwill <u>TDKK</u>
Cost at 1 January	7.006	10.000
Additions for the year	7.408	0
Cost at 31 December	<u>14.414</u>	<u>10.000</u>
Impairment losses and amortisation at 1 January	5.127	4.125
Amortisation for the year	1.409	500
Impairment losses and amortisation at 31 December	<u>6.536</u>	<u>4.625</u>
Carrying amount at 31 December	<u>7.878</u>	<u>5.375</u>

Notes to the Financial Statements

9 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	46.475	3.503	2.380	4.096
Additions for the year	7.231	537	0	0
Disposals for the year	-1.467	-2.151	-434	0
Transfers for the year	4.096	0	0	-4.096
Cost at 31 December	<u>56.335</u>	<u>1.889</u>	<u>1.946</u>	<u>0</u>
Impairment losses and depreciation at 1 January	28.917	3.413	2.380	0
Depreciation for the year	6.224	87	0	0
Impairment and depreciation of sold assets for the year	-52	-16	0	0
Reversal of impairment and depreciation of sold assets	-1.014	-2.132	-434	0
Impairment losses and depreciation at 31 December	<u>34.075</u>	<u>1.352</u>	<u>1.946</u>	<u>0</u>
Carrying amount at 31 December	<u>22.260</u>	<u>537</u>	<u>0</u>	<u>0</u>
Including assets under finance leases amounting to	<u>7.991</u>	<u>417</u>	<u>0</u>	<u>0</u>

Notes to the Financial Statements

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
10 Investments in subsidiaries		
Cost at 1 January	273.233	273.233
Carrying amount at 31 December	273.233	273.233

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Gurit Wind Systems (Zhuozhou) Co., Ltd.	China	100%	64.011.119	18.535.681
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%	12.065.546	2.081.663
Gurit Wind Systems (YDF) Co., Ltd	China	100%	78.188.123	52.202.385
Mecanizacion De Estructuras Polimericas SL	Spain	100%	39.846.205	11.170.026
JSB Kitting Matamoros, S. A. de C. V.	Mexico	100%	0	0

11 Other fixed asset investments

	Deposits <u>TDKK</u>
Cost at 1 January	794
Cost at 31 December	794
Impairment losses at 31 December	0
Carrying amount at 31 December	794

12 Inventories

Raw materials and consumables	21.238	39.667
Work in progress	1.777	1.734
Finished goods and goods for resale	4.048	11.223
Assets meant for sale	1.242	5.662
	28.305	58.286

Notes to the Financial Statements

13 Prepayments

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

	<u>2021</u> TDKK	<u>2020</u> TDKK
14 Distribution of profit		
Retained earnings	83.269	32.365
	<u>83.269</u>	<u>32.365</u>

15 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

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:

Lease obligations

Between 1 and 5 years	<u>0</u>	<u>1.741</u>
Long-term part	0	1.741
Within 1 year	<u>1.407</u>	<u>1.494</u>
	<u>1.407</u>	<u>3.235</u>

Payables to group enterprises

Between 1 and 5 years	<u>57.449</u>	<u>189.097</u>
Long-term part	<u>57.449</u>	<u>189.097</u>
Within 1 year	0	6.697
Other short-term debt to group enterprises	<u>4.012</u>	<u>5.999</u>
Short-term part	<u>4.012</u>	<u>12.696</u>
	<u>61.461</u>	<u>201.793</u>

Notes to the Financial Statements

	2021 TDKK	2020 TDKK
17 Cash flow statement - adjustments		
Financial income	-2.887	0
Financial expenses	4.976	10.955
Depreciation, amortisation and impairment losses, including losses and gains on sales	8.220	9.068
Income from investments in subsidiaries	-84.119	-27.718
Tax on profit/loss for the year	4.309	3.953
	-69.501	-3.742

18 Cash flow statement - change in working capital

Change in inventories	29.977	-34.322
Change in receivables	53.940	13.577
Change in trade payables, etc	-18.728	-2.319
	65.189	-23.064

19 Related parties

Basis

Controlling interest

Gurit Holding AG	Owner
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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
Switzerland

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Gurit Wind Systems A/S for 2021 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 2021 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

Uniting of interests

Intragroup business combinations are accounted for under the uniting 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 uniting 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.

Notes to the Financial Statements

20 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

20 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.

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. 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.

Notes to the Financial Statements

20 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.

Balance Sheet

Intangible 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 10-20 years.

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.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

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. 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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

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 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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$