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## *JSB Group A/S*

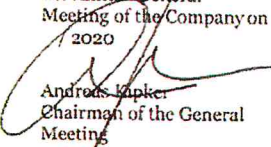
Frejasvej 7, DK-6950 Ringkøbing

# Annual Report for 1 January - 31 December 2019

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CVR No 34 60 71 09

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
/ 2020



Andreas Løpke  
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 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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

Ringkøbing, 13-3-2020

### Executive Board

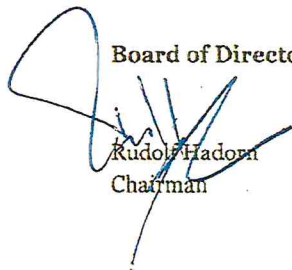


Frank Virefeldt Nielsen

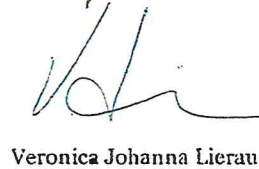


Andreas Kipker

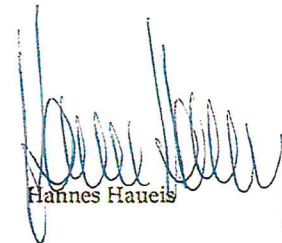
### Board of Directors



Rudolf Hadorn  
Chairman



Veronica Johanna Lierau



Hannes Haueis

# 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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.

## 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.

## Independent Auditor's Report

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 in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned

## Independent Auditor's Report

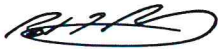
scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Herning, 13-3-2020

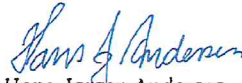
**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Poul Spencer Poulsen  
statsautoriseret revisor  
mne23324



Hans Jørgen Andersen  
statsautoriseret revisor  
mne30211

## Company Information

<b>The Company</b>	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
<b>Board of directors</b>	Rudolf Hadorn, Chairman Veronica Johanna Lierau Hannes Haueis
<b>Executive Board</b>	Frank Virefeldt Nielsen Andreas Kipker
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Platanvej 4 DK-7400 Herning

## Financial Highlights

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

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	129.598	102.880	98.966	99.625	83.675
Profit/loss before financial income and expenses	24.152	12.113	18.038	23.321	20.457
Net financials	16.971	7.892	20.180	14.572	12.750
Net profit/loss for the year	29.235	16.927	32.008	31.424	20.457
<b>Balance sheet</b>					
Balance sheet total	471.150	312.353	264.809	212.155	182.336
Equity	186.374	95.618	93.690	105.524	74.489
Number of employees	179	142	138	133	137
<b>Ratios</b>					
Return on assets	5,1%	3,9%	6,8%	11,0%	11,2%
Solvency ratio	39,6%	30,6%	35,4%	49,7%	40,9%
Return on equity	20,7%	17,9%	32,1%	34,9%	32,9%

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 and business combinations, the comparative figures have not been restated. See the description under accounting policies.



## Management's Review

Financial Statements of JSB Group A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Gurit Kitting Holding ApS and JSB Group A/S has vertically merged in the year with the uniting of interests method applied from the beginning of the financial year and comparative figures have not been restated.

### **Key activities**

JSB Groups' 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 2019 shows a profit of TDKK 29.235, and at 31 December 2019 the balance sheet of the Company shows equity of TDKK 186.374.

The very positive development in performance and business is impacted by the increased demand from customers and efficient production.

The year 2019 offered development in several new areas. JSB established a new production site in Mexico to serve the Americas. The new factory has been ramp-up during 2019 and started production during the year, the ramp up will continue in 2020.

JSB was acquired in 2018 by the Swiss company Gurit AG. In 2019 the new ownership has maintained 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.

## **Management's Review**

### **Targets and expectations for the year ahead**

In 2019 Vestas decided to close down the production in Lauchhammer, Germany and Siemens Gamesa decided to reduce their site in Aalborg, Denmark. This has not impacted the financial performance in 2019 but will likely reduce the customer demand in 2020 for the Danish facility. JSB will adjust workforce accordingly to the needed manning and has already beginning of 2020 made minor reduction of employees.

On Group level JSB expect to continue the upwards trend on sales and will see growth at or higher than the market projections from Wood Mackenzie. 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.

JSB continue the focus on a safe working environment in all matters and has embedded safety culture into the leadership model and personal action plans.

### **Environmental 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 2019 of the Company and the results of the activities of the Company for the financial year for 2019 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	2019 TDKK	2018 TDKK
Gross profit/loss		129.598	102.880
Staff expenses	1	-97.023	-82.290
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-8.423	-8.477
Profit/loss before financial income and expenses		24.152	12.113
Income from investments in subsidiaries	3	21.490	13.361
Financial income	4	794	1.329
Financial expenses	5	-5.313	-6.798
Profit/loss before tax		41.123	20.005
Tax on profit/loss for the year	6	-11.888	-3.078
Net profit/loss for the year		29.235	16.927

## Balance Sheet 31 December

### Assets

	Note	2019 TDKK	2018 TDKK
Completed development projects		3.346	4.813
Goodwill		6.375	6.875
<b>Intangible assets</b>	<b>7</b>	<b>9.721</b>	<b>11.688</b>
Plant and machinery		18.249	22.246
Other fixtures and fittings, tools and equipment		626	1.156
Leasehold improvements		476	1.170
Property, plant and equipment in progress		1.378	0
<b>Property, plant and equipment</b>	<b>8</b>	<b>20.729</b>	<b>24.572</b>
Investments in subsidiaries	9	273.233	126.201
Deposits	10	680	374
<b>Fixed asset investments</b>		<b>273.913</b>	<b>126.575</b>
<b>Fixed assets</b>		<b>304.363</b>	<b>162.835</b>
<b>Inventories</b>	<b>11</b>	<b>23.961</b>	<b>21.676</b>
Trade receivables		29.179	58.479
Receivables from group enterprises		105.629	65.493
Other receivables		5	1.948
Prepayments	12	0	59
<b>Receivables</b>		<b>134.813</b>	<b>125.979</b>
<b>Cash at bank and in hand</b>		<b>8.013</b>	<b>1.863</b>
<b>Currents assets</b>		<b>166.787</b>	<b>149.518</b>
<b>Assets</b>		<b>471.150</b>	<b>312.353</b>

## Balance Sheet 31 December

### Liabilities and equity

	Note	2019 TDKK	2018 TDKK
Share capital		10.000	10.000
Reserve for development costs		2.750	2.750
Retained earnings		173.624	82.868
<b>Equity</b>		<b>186.374</b>	<b>95.618</b>
Provision for deferred tax	14	2.546	2.405
<b>Provisions</b>		<b>2.546</b>	<b>2.405</b>
Lease obligations		3.280	5.490
Payables to group enterprises		189.096	114.153
Other payables		9.285	18.216
<b>Long-term debt</b>	15	<b>201.661</b>	<b>137.859</b>
Credit institutions		86	100
Lease obligations	15	1.940	1.581
Trade payables		30.264	34.870
Payables to group enterprises	15	19.916	18.324
Corporation tax		4.702	427
Other payables	15	23.661	20.669
<b>Short-term debt</b>		<b>80.569</b>	<b>76.471</b>
<b>Debt</b>		<b>282.230</b>	<b>214.330</b>
<b>Liabilities and equity</b>		<b>471.150</b>	<b>312.353</b>
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Accounting Policies	18		

## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	10.000	2.750	82.868	95.618
Net effect from merger and acquisition under the uniting of interests method	0	0	61.521	61.521
Adjusted equity at 1 January	10.000	2.750	144.389	157.139
Net profit/loss for the year	0	0	29.236	29.236
Equity at 31 December	10.000	2.750	173.624	186.374

## Notes to the Financial Statements

	2019 TDKK	2018 TDKK
<b>1 Staff expenses</b>		
Wages and salaries	84.875	69.821
Pensions	9.405	7.743
Other social security expenses	1.219	1.578
Other staff expenses	3.650	4.738
	<u>99.149</u>	<u>83.880</u>
Transfer to assets	-2.126	-1.590
	<u>97.023</u>	<u>82.290</u>
Including remuneration to the Executive Board of: Executive Board	<u>5.447</u>	<u>5.037</u>
	<u>5.447</u>	<u>5.037</u>
Average number of employees	<u>179</u>	<u>142</u>
<b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	1.967	1.663
Depreciation of property, plant and equipment	6.456	6.814
	<u>8.423</u>	<u>8.477</u>
<b>3 Income from investments in subsidiaries</b>		
Dividend	21.490	13.361
	<u>21.490</u>	<u>13.361</u>
<b>4 Financial income</b>		
interest received from group enterprises	794	1.329
	<u>794</u>	<u>1.329</u>

## Notes to the Financial Statements

	2019 TDKK	2018 TDKK
<b>5 Financial expenses</b>		
Interest paid to group enterprises	4.003	731
Other financial expenses	1.313	7.578
Exchange loss	-3	-1.511
	<u>5.313</u>	<u>6.798</u>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	5.653	398
Deferred tax for the year	845	0
With Holding Tax	5.390	2.680
	<u>11.888</u>	<u>3.078</u>
<b>7 Intangible assets</b>		
	Completed development projects TDKK	Goodwill TDKK
Cost at 1 January	7.006	10.000
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	2.193	3.125
Amortisation for the year	1.467	500
Impairment losses and amortisation at 31 December	3.660	3.525
Carrying amount at 31 December	<u>3.346</u>	<u>6.375</u>

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 TDKK	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK	Property, plant and equipment in progress TDKK
Cost at 1 January	40.856	3.873	2.380	0
Additions for the year	2.652	0	0	1.378
Disposals for the year	-2.583	0	0	0
Cost at 31 December	40.925	3.873	2.380	1.378
Impairment losses and depreciation at 1 January	18.610	2.717	1.210	0
Depreciation for the year	5.313	530	694	0
Impairment and depreciation of sold assets for the year	-1.247	0	0	0
Impairment losses and depreciation at 31 December	22.676	3.247	1.904	0
Carrying amount at 31 December	18.249	626	476	1.378
Including assets under finance leases amounting to	7.991	417	0	0

## Notes to the Financial Statements

	2019 TDKK	2018 TDKK
<b>9 Investments in subsidiaries</b>		
Cost at 1 January	126.201	103.605
Net effect from merger and acquisition	128.084	0
Additions for the year	18.948	22.596
Carrying amount at 31 December	<u>273.233</u>	<u>126.201</u>

Investments in subsidiaries are specified as follows  
(financial informations are from 2018) in TDKK:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
JSB Composite (Zhuozhou) Co. Ltd.	China	100%	40.316	20.822
Windkits LLC	PA, USA	100%	N/A	N/A
JSB Composite (Polska) Sp. z.o.o.	Poland	100%	N/A	N/A
JSB Izmir Rüzgar Kompozit Ltd	Turkey	100%	11.393	-4.126
JSB Wind Energy (YDF) Co. Ltd	China	100%	22.314	6.810
Mecanizacion De Estructuras Polimericas SL	Spain	100%	33.741	8.101
JSB Kitting Matamoros, S. A. de C. V.	Mexico	99,98%	N/A	N/A

### 10 Other fixed asset investments

	Deposits TDKK
Cost at 1 January	680
Cost at 31 December	<u>680</u>
Revaluations at 1 January	0
Revaluations at 31 December	<u>0</u>
Impairment losses at 1 January	0
Impairment losses at 31 December	<u>0</u>
Carrying amount at 31 December	<u>680</u>

## Notes to the Financial Statements

	2019 TDKK	2018 TDKK
<b>11 Inventories</b>		
Raw materials and consumables	15.150	9.641
Work in progress	3.140	4.100
Finished goods and goods for resale	5.303	3.352
Assets meant for sale	368	4.583
	<u>23.961</u>	<u>21.676</u>

### 12 Prepayments

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

	2019 TDKK	2018 TDKK
<b>13 Distribution of profit</b>		
Retained earnings	29.235	16.927
	<u>29.235</u>	<u>16.927</u>

### 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:

	2019 TDKK	2018 TDKK
<b>Lease obligations</b>		
Between 1 and 5 years		
Long-term part	3.280	5.490
Within 1 year	3.280	5.490
	1.940	1.581
	<b>5.220</b>	<b>7.071</b>
<b>Payables to group enterprises</b>		
Between 1 and 5 years		
Long-term part	189.096	114.153
	189.096	114.153
Within 1 year		
Other short-term debt to group enterprises	17.189	3.725
Short-term part	2.727	15.099
	19.916	18.824
	<b>209.012</b>	<b>132.977</b>
<b>Other payables</b>		
Between 1 and 5 years		
Long-term part	9.285	18.216
	9.285	18.216
Within 1 year		
Other short-term payables	9.517	9.451
Short-term part	14.144	11.218
	23.661	20.669
	<b>32.946</b>	<b>38.885</b>

## Notes to the Financial Statements

	<u>2019</u>	<u>2018</u>
	TDKK	TDKK
<b>16 Contingent assets, liabilities and other financial obligations</b>		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:	6.623	8.166
Other contingent liabilities		

### 17 Related parties

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

#### 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

### 18 Accounting Policies

The Annual Report of JSB Group A/S for 2019 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.

Gurit Kitting Holding ApS and JSB Group A/S has vertically merged in the year with the uniting of interests method applied from the beginning of the financial year and comparative figures have not been re-stated.

The Financial Statements for 2019 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.

### 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.

### 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

## Notes to the Financial Statements

### 18 Accounting Policies (continued)

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.

#### 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

## Notes to the Financial Statements

### 18 Accounting Policies (continued)

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 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

### 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.

## 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. 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.

## Notes to the Financial Statements

### 18 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.

## Notes to the Financial Statements

### 18 Accounting Policies (continued)

#### 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.

#### 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.

## Notes to the Financial Statements

18 Accounting Policies (continued)

### 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$