BEIERHOLM
VI SKABER BALANCE

Global Castings Holding A/S

Smed Hansens Vej 27, 6940 Lem

CVR no. 35 48 67 04

Annual report for 2016

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 31.05.17

Allan Harritslev Nielsen
Dirigent

København
Knud Højgaards Vej 9
2860 Søborg

Tel.: 39 16 76 00
www.beierholm.dk
CVR-nr. 32 89 54 68

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Company information etc.

The company

Global Castings Holding A/S
Smed Hansens Vej 27
6940 Lem
Registered office: Lem
CVR no.: 35 48 67 04
Financial year: 01.01 - 31.12

Executive board

Stefan Brandt, CEO
Michael Engelen, CFO
Peter Christian Pallishøj, COO

Board Of Directors

Jürgen Max Leuze, chairman
Thomas Rudolf Johannes Robl
Philipp Freyschlag

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

Global Castings A/S, Lem

Company information etc.

Subsidiaries

Global Castings Lem A/S, Lem
Global Castings Guldsmedshyttan AB, Sweden
Global Castings Kristiansand AS, Norway
Global Castings Magdeburg GmbH, Germany
Global Castings Germany GmbH, Germany
Global Castings Stade GmbH, Germany
Global Castings (Xuzhou) Co. Ltd., China
Global Castings (Tianjin) Co, Ltd., China

Management's statement

We have on this day presented the annual report for the financial year 01.01.16 - 31.12.16 for Global Castings Holding A/S.

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

In our opinion, the financial statements give a true and fair view of the the company's assets, liabilities and financial position as at 31.12.16 and of the results of the the company's activities for the financial year 01.01.16 - 31.12.16.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Lem, May 31, 2017

Executive Board

Stefan Brandt	Michael Engelen	Peter Christian Pallishøj

Board Of Directors

Jürgen Max Leuze Chairman	Thomas Rudolf Johannes Robl	Philipp Freyschlag

Independent auditor's report

To the Shareholder of Global Castings Holding A/S

Opinion

We have audited the financial statements of Global Castings Holding A/S for the financial year 01.01.16 - 31.12.16, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.16 and of the results of the company's operations for the financial year 01.01.16 - 31.12.16 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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.

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

Statement regarding the 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.

Independent auditor's report

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Soeborg, Copenhagen, May 31, 2017

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Peter Nordahl
State Authorized Public Accountant

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2016	2015	02.10.13 31.12.14
Profit/loss			
Revenue	513.698	961.221	947.983
Gross profit	29.764	52.932	15.175
Operating profit/loss	-6.842	22.286	-8.110
Total net financials	31.337	25.429	1.051.516
Profit/loss for the year	20.505	42.136	1.044.061
Balance			
Total assets	943.338	1.456.271	1.241.554
Equity	644.572	1.021.798	1.048.582

Ratios

	2016	2015	02.10.13 31.12.14
Profitability			
Return on equity	2%	4%	199%
Gross margin	6%	6%	2%
Equity ratio			
Equity interest	68%	70%	84%

Definition og key figures

Return on equity:	Profit/loss for the year x 100 Average equity
Gross margin:	Gross result x 100 Revenue
Equity interest:	Equity, end of year x 100 Total assets

Primary activities

The company's main activities is to be the sales company for Global Castings factories in Europe. The company supports the subsidiaries with sales, marketing, quality, IT, insurance and PE activities.

The company is also the holding company for the companies in the Global Castings group and do not have its own production.

Development in activities and financial affairs

The income statement for the period 01.01.16 - 31.12.16 shows a profit of DKK'000 20,505 against DKK'000 42,136 for the period 01.01.15 - 31.12.15. The balance sheet shows equity of DKK'000 644,572.

Outlook

In 2017, the global market demand for wind turbines is expected to remain on the high level of 2016. In this environment, Global Castings expects to increase its total sales and revenue, mainly driven by sales of new customers' products, which are currently in introduction. Price pressure from customers and general cost increases are expected to be countered by further efficiency increases and cost reductions. Overall, Global Castings expects an increase of its EBITDA in 2017.

For the long-term future, from 2017 to 2026, the market research institute MAKE expects a compounded annual growth rate (CAGR) of the global wind turbine industry of more than 3%, resulting in the addition of 627GW of wind capacity globally. Global Castings intends to participate in this growth, which will be supported by the broadening of the customer basis, the existing global footprint, the current expansions of own production capacity and the market tendency to lager wind turbines with higher casting intensity per MW. Cost-out expectations of the customers shall be met by continuous improvement and efficiency increases.

Special risks

Global Castings' business is exposed to several internal and external risks and uncertainties, among which the following:

- The world-wide wind turbine business is supported by subsidies, tax holidays and other public benefits and regulations, and thereby exposed to political and other changes in that area. The demand for wind turbines and subsequently for Global Castings' products can be significantly influenced by fluctuations in the public and political support.
- The US market is one of the largest markets for wind turbines in the Western world and big castings are often imported from China and other countries. A change of the energy or trade policy of the US government can have a significant impact on the wind turbine business and Global Castings' sales to the US.
- All wind turbine producers face an increasing competition and wind parks are often awarded by means of electronic auctions. The resulting price pressure on wind turbines leads to cost-out requests from wind turbine producers towards their suppliers, like Global Castings.
- Due to the history of Global Castings as a former business unit of Vestas, Vestas is still the main customer of Global Castings with a share in Global Castings' revenue of more than 90%.

Global Castings manages these and other risks and uncertainties by several measures, among which (a) the utilization of Global Castings' global footprint in Europe and Asia and unique position as an integrated casting-, machining- and surface treatment provider to optimize market supply between the different continents, (b) continuous improvement activities at all facilities in order to increase efficiency and reduce the own cost basis, (c) broadening the customer base by onboarding new customers in order to achieve a more balanced customer portfolio and reduce dependency and (d) closely monitoring the relevant markets and political situations in order to act and adjust proactively and quickly.

Global Castings maintains a pragmatic and efficient information and risk management systems. The ERP system and IT platforms have been expanded and will be further developed during the coming years. Internal control measures are in place in all facilities and will be integrated into the existing ERP-system where possible.

Corporate social responsibility

Global Castings Holding A/S has ethical rules regarding employees and external business partners. Global Castings Holding A/S respect the companies social responsibility (CSR) and support the principles for human rights, labour rights, the environment, anti-corruptions etc. according to the UN Guiding Principles on Business and Human Rights Global Castings Holding A/S truly believes in "safety first".

Target figure for the underrepresented gender

Target figures for the Board of Directors

At present, the company has no female board member, which is unchanged compared to last year. The Board of Directors has set a target figure of 33% for the underrepresented gender on the Board of Directors, corresponding to 1 out of 3 board members. The Board of Directors aims to achieve the target figure before the end of 2020.

Income statement

Note		2016 DKK '000	2015 DKK '000
	Revenue	**513.698**	**961.221**
	Other operating income	32.258	35.425
	Costs of raw materials and consumables	-491.144	-905.638
	Other external expenses	-25.048	-38.076
	Gross profit	**29.764**	**52.932**
1	Staff costs	-33.782	-27.857
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**-4.018**	**25.075**
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-2.824	-2.789
	Profit/loss before net financials	**-6.842**	**22.286**
	Income from equity investments in group enterprises	29.092	23.380
2	Financial income	4.940	5.571
	Financial expenses	-2.695	-3.522
	Profit before tax	**24.495**	**47.715**
	Tax on profit or loss for the year	-3.990	-5.579
	Profit for the year	**20.505**	**42.136**

Balance sheet

ASSETS

Note		31.12.16 DKK '000	31.12.15 DKK '000
	Acquired rights	7.763	8.487
4	**Total intangible assets**	**7.763**	**8.487**
	Property, plant and equipment under construction	198	0
5	**Total property, plant and equipment**	**198**	**0**
6	Equity investments in group enterprises	753.023	970.949
	Total investments	**753.023**	**970.949**
	Total non-current assets	**760.984**	**979.436**
	Raw materials and consumables	24.755	25.707
	Manufactured goods and goods for resale	2.832	7.924
	Prepayments for goods	1.327	0
	Total inventories	**28.914**	**33.631**
	Trade receivables	3.089	22.297
	Receivables from group enterprises	122.092	389.925
10	Deferred tax asset	301	0
	Income tax receivable	4.337	0
	Other receivables	0	1.122
7	Prepayments	1.490	659
8	**Total receivables**	**131.309**	**414.003**
	Cash	**22.131**	**29.201**
	Total current assets	**182.354**	**476.835**
	Total assets	**943.338**	**1.456.271**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.16 DKK '000	31.12.15 DKK '000
9	Contributed capital	1.000	1.000
	Reserve for net revaluation according to the equity method	579.476	650.766
	Retained earnings	11.596	0
	Proposed dividend for the financial year	52.500	370.032
	Total equity	**644.572**	**1.021.798**
10	Provisions for deferred tax	0	1.806
11	Other provisions	0	1.194
	Total provisions	**0**	**3.000**
	Payables to group enterprises	131.254	0
	Total long-term payables	**131.254**	**0**
	Trade payables	2.272	2.002
	Payables to group enterprises	147.511	402.855
	Income taxes	0	4.810
	Other payables	17.729	21.806
	Total short-term payables	**167.512**	**431.473**
	Total payables	**298.766**	**431.473**
	Total equity and liabilities	**943.338**	**1.456.271**

12 Contingent liabilities
13 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year
Statement of changes in equity for 01.01.15 - 31.12.15				
Balance as at 01.01.15	1.000	843.323	74.259	130.000
Foreign currency translation adjustment of foreign enterprises	0	61.080	0	0
Distributed dividend from group enterprises	0	-277.017	277.017	0
Dividend paid	0	0	0	-130.000
Net profit/loss for the year	0	23.380	-351.276	370.032
Balance as at 31.12.15	1.000	650.766	0	370.032
Statement of changes in equity for 01.01.16 - 31.12.16				
Balance as at 01.01.16	1.000	650.766	0	370.032
Foreign currency translation adjustment of foreign enterprises	0	-22.543	-5.156	0
Distributed dividend from group enterprises	0	-77.839	77.839	0
Dividend paid	0	0	0	-370.032
Net profit/loss for the year	0	29.092	-61.087	52.500
Balance as at 31.12.16	1.000	579.476	11.596	52.500

	2016 DKK '000	2015 DKK '000

1. Staff costs

Wages and salaries	31.753	25.962
Pensions	1.610	1.482
Other social security costs	178	179
Other staff costs	241	234
Total	33.782	27.857
Average number of employees during the year	30	27

Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	3.871	0

2. Financial income

Interest, group enterprises	4.940	2.517
Other interest income	0	195
Foreign currency translation adjustments	0	2.859
Total	4.940	5.571

3. Distribution of net profit

Reserve for net revaluation according to the equity method	29.092	23.380
Proposed dividend for the financial year	52.500	370.032
Retained earnings	-61.087	-351.276
Total	20.505	42.136

4. Intangible assets

Figures in DKK '000	Acquired rights
Cost as at 01.01.16	13.946
Additions during the year	2.097
Cost as at 31.12.16	16.043
Amortisation and impairment losses as at 01.01.16	-5.459
Amortisation during the year	-2.821
Amortisation and impairment losses as at 31.12.16	-8.280
Carrying amount as at 31.12.16	7.763

5. Property, plant and equipment

Figures in DKK '000	Property, plant and equipment under construction
Additions during the year	198
Cost as at 31.12.16	198
Carrying amount as at 31.12.16	198

6. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Cost as at 01.01.16	6.008
Additions relating to mergers and acquisition of enterprises	0
Cost as at 31.12.16	6.008
Revaluations as at 01.01.16	927.783
Foreign currency translation adjustment of foreign enterprises	-22.543
Net profit/loss from equity investments	29.092
Dividend relating to equity investments	-274.117
Revaluations as at 31.12.16	660.215
Negative equity value impaired in receivables	86.800
Depreciation and impairment losses as at 31.12.16	86.800
Carrying amount as at 31.12.16	753.023
Goodwill on initial recognition of equity investments measured at equity value	0

6. Equity investments in group enterprises - continued -

Name and Registered office:	Ownership interest
Group enterprises:	
Global Castings Lem A/S, Lem	100%
Global Castings Guldsmedshyttan AB, Sweden	100%
Global Castings Kristiansand AS, Norway	100%
Global Castings Magdeburg GmbH, Germany	100%
Global Castings Germany GmbH, Germany	100%
Global Castings Stade GmbH, Germany	51%
Global Castings (Xuzhou) Co. Ltd., China	100%
Global Castings (Tianjin) Co, Ltd., China	100%

	31.12.16 DKK '000	31.12.15 DKK '000

7. Prepayments

Other prepayments	1.490	659
Total	1.490	659

8. Receivables

Receivables which fall due for payment more than 1 year after the end of the financial year	113.228	76.291

9. Share capital

The share capital consists of:

	Quantity	Nominal value
Share capital	1.000.000	1
Total	1.000.000	1

10. Deferred tax

Deferred tax as at 01.01.16	-1.806	-1.806
Deferred tax recognised in the income statement	2.107	0
Deferred tax as at 31.12.16	301	-1.806

11. Other provisions

Figures in DKK '000	Other provisions
Provisions as at 01.01.16	1.194
Reversed provision in respect of previous years	-1.194
Provisions as at 31.12.16	0

12. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 1-2 years, a total of DKK 831k.

13. Related parties

Controlling influence:	Basis of influence
Global Castings A/S, Lem	Parent company
Global Castings GmbH & Co. KG, Germany	Intermediate parent company
VTC Industriebeteiligungen GmbH & Co. KG, Germany	Ultimate parent company

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 1. Staff costs.

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the company's standard terms of agreement and payment. No write-downs have been made on the receivables

The company is included in the consolidated financial statements of the parent VTC Industriebeteiligungen GmbH & Co. KG, Germany.

14. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for large enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of VTC Industriebeteiligungen GmbH & Co. KG, Germany, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

BUSINESS COMBINATIONS

Newly acquired or newly founded enterprises are recognised as from the date of acquisition and the date of foundation, respectively. The date of acquisition is the date at which control of the enterprise is obtained. Divested or discontinued enterprises are recognised until the date of divestment or discontinuation. The date of discontinuation is the date at which control of the enterprise passes to a third party.

Newly acquired enterprises are recognised in accordance with the acquisition method, according to which the identifiable assets and liabilities of the newly acquired enterprises are measured at fair value at the date of acquisition.

14. Accounting policies - continued -

The investment property of the acquired enterprise is measured at fair value at the date of acquisition. Reference is made to the company's accounting policies in the ‘Investment properties’ section.]

The tax effect of any reassessments made is recognised.

The cost of the equity investments in the acquired enterprises is offset against the proportionate share of the fair value of the subsidiaries’ net assets at the date of the establishment of the group relationship.

The goodwill (positive difference) determined at the date of acquisition is recognised under equity investments in subsidiaries in the balance sheet. Goodwill is amortised using the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at years in consideration of the expected future net earnings of the enterprise to which goodwill relates. Goodwill from acquired enterprises is adjusted until the end of the year after the year in which the acquisition took place.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

14. Accounting policies - continued -

INCOME STATEMENT

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The amortisation and depreciation of intangible assets aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated/amortised according to the straight-line method based on the following expected useful lives and residual values:

14. Accounting policies - continued -

	Useful life, year	Residual value, per cent
Acquired rights	5	0

The basis of depreciation/amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation/amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group entreprises

For equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

14. Accounting policies - continued -

BALANCE SHEET

Intangible assets

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

14. Accounting policies - continued -

Accounting policies for the acquisition of new enterprises are stated in the ‘Business combinations’ section.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation/amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of

14. Accounting policies - continued -

completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments in subsidiaries is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be adopted before adoption of the annual report for Global Castings Holding A/S are not tied up in the revaluation reserve.

Provisions

Other provisions comprise expected expenses incidental to restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

14. Accounting policies - continued -

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.