

Baettr Lem A/S

Smed Hansens Vej 27, 6940 Lem St.
CVR no. 35 51 50 46

Annual report for 2022

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 08.06.23

Peter Christian Pallishøj
Dirigent



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The company

Baettr Lem A/S
Smed Hansens Vej 27
6940 Lem St.
Registered office: Ringkøbing-Skjern
CVR no.: 35 51 50 46
Financial year: 01.01 - 31.12

Executive Board

Michael Westh Thorsen

Board of Directors

Thomas Rahbek
Peter Christian Pallishøj
Michael Westh Thorsen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.22 - 31.12.22 for Baettr Lem A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities and cash flows for the financial year 01.01.22 - 31.12.22.

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 St., June 8, 2023

Executive Board

Michael Westh Thorsen

Board of Directors

Thomas Rahbek
Chairman

Peter Christian Pallishøj

Michael Westh Thorsen

To the Shareholder of Baettr Lem A/S**Opinion**

We have audited the financial statements of Baettr Lem A/S for the financial year 01.01.22 - 31.12.22, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.22 and of the results of the company's operations and cash flows for the financial year 01.01.22 - 31.12.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

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' 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 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.

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.

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.

Soeborg, Copenhagen, June 8, 2023

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Lasse Rosenborg Petersen
State Authorized Public Accountant
MNE-no. mne42896

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2022	2021	2020	2019	2018
<i>Profit/loss</i>					
Revenue	717.072	787.724	555.784	119.960	113.310
Gross profit	88.121	77.223	84.068	80.594	71.694
Index	123	108	117	112	100
Profit before depreciation, amortisation, write-downs and impairment losses	14.781	1.476	11.835	13.734	9.166
Index	161	16	129	150	100
Operating profit/loss	6.493	-4.393	6.273	7.614	1.155
Index	562	-380	543	659	100
Total net financials	358	-278	812	-507	8
Profit/loss before tax	6.851	-4.671	7.085	7.107	1.163
Index	589	-402	609	611	100
Profit/loss for the year	5.497	-4.303	5.435	5.537	905
<i>Balance</i>					
Total assets	303.329	254.120	245.305	50.318	44.763
Investments in property, plant and equipment	3.283	18.442	6.654	10.926	3.512
Equity	31.740	26.243	30.546	25.110	19.659

Ratios

	2022	2021	2020	2019	2018
<i>Profitability</i>					
Return on equity	19%	-15%	20%	25%	5%
<i>Equity ratio</i>					
Solvency ratio	10%	10%	12%	50%	44%
<i>Others</i>					
Number of employees (average)	120	124	115	118	124

Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$
Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

Primary activities

The company's activities comprise in machining and surface treatment of large casted components to leading manufactures within the wind industry,

The activity is divided between machining and surface treatment of components from Baettr Group's own foundries and sale of free capacity for strategic customers.

Development in activities and financial affairs

The income statement for the period 01.01.22 - 31.12.22 shows a profit/loss of DKK 5,496,803 against DKK'000 -4,303 for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK 31,739,801.

The expectations for 2022 earnings were an increase of EBITDA compared to 2021, which was achieved, mainly due to increase sales prices and reduced use of subcontractors.

Outlook

The expected result for 2023 is in line with 2022.

Financial risks

The main external risks and uncertainties are related to the competitive market situation of our customers.

Vestas continues to be the main customer of Baettr, why we are dependent upon the business relationship we have developed with this customer. Besides, we are continuing our business development efforts with other sizable global companies within the Wind Industry.

Our success depends on meeting customer needs, which is obtained through delivering high quality products and new product development. We aim to introduce products and new or improved production processes proactively.

Like any business, the sale of our products involves a risk of product liability claims against us. We have ongoing strict control measures and systems to ensure that the maximum safety and quality of our products are observed. We are protected through a product liability insurance.

Our business depends on a skilled workforce to manufacture and distribute our products. We may have difficulties to find skilled persons for the workforce, which could have an adverse effect on our business.

Baettr Lem A/S manages these and other risks and uncertainties by several measures:

Continuous improvement activities to increase efficiency and reduce own cost basis.

Broadening the customer base by expanding the business with new customers and doing cross sales with existing customers to achieve a more balanced customer portfolio and to reduce dependency.

Baettr Lem A/S maintains a pragmatic and efficient information and risk management system using the ERP system and IT platforms which are constantly being developed. Internal control measures are in place and are integrated into the existing ERP-system where possible.

External environment

The Company acts in accordance with the applicable environmental and security legislation and are working according to the ISO 14001 standard.

Subsequent events

No important events have occurred after the end of the financial year.

Corporate social responsibility

Baettr Lem A/S has ethical rules regarding employees and external business partners.

Baettr Lem A/S respect the corporate 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 as presented in the Code of Conduct.

The company is located in Denmark, where social and employee relations are regulated, that ensure good conditions for all employees and also basic human rights, corruption and bribery are regulated and are not considered a significant risk for the company and there the management considers that there is no need for company-specific policies in these areas.

Baettr Lem A/S truly believes in "safety first".

The Baettr Sustainability strategy towards 2030 defines targets and workstreams to improve Baettr sustainability performance linked to the UN SDG 4, 8, 12 and 13. As part of that strategy Baettr Lem A/S will ensure that future electricity will be delivered from renewable energy sources.

The Baettr Sustainability report 2022 can be retrieved as download at Baettr homepage: www.baettr.com.

Gender diversity

Target figures for the supreme management body

At present, the Company has no female board members. 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 2024.

Policy to increase the share of the underrepresented gender at other management levels

The management has adopted a policy to increase the share of the underrepresented gender at the other management levels, including the company's department managers and team leaders.

Data ethics

The Company's activities and business model do not include data processing to an extent where Management deems it necessary to establish a policy for the area. The Company does not process data nor use algorithms for data analysis, and thus this is not an integral part of the Company's strategy and business model.

The only data collection and processing is related to company websites, where cookies and basic analytics are used for statistics and insights on how visitors have found our site.

Income statement

Note		2022 DKK	2021 DKK '000
	Revenue	717.071.966	787.724
	Other operating income	21.673.906	18.754
	Costs of raw materials and consumables	-602.858.643	-680.669
	Other external expenses	-47.765.823	-48.586
	Gross profit	88.121.406	77.223
1	Staff costs	-73.340.389	-75.747
	Profit before depreciation, amortisation, write-downs and impairment losses	14.781.017	1.476
	Depreciation and impairments losses of property, plant and equipment	-8.288.326	-5.869
	Operating profit/loss	6.492.691	-4.393
	Financial income	602.121	199
	Financial expenses	-244.071	-477
	Profit/loss before tax	6.850.741	-4.671
2	Tax on profit or loss for the year	-1.353.938	368
	Profit/loss for the year	5.496.803	-4.303

3 Proposed appropriation account

ASSETS		31.12.22	31.12.21
		DKK	DKK '000
Note			
	Land and buildings	5.525.020	5.743
	Leasehold improvements	148.833	196
	Plant and machinery	34.105.232	37.029
	Other fixtures and fittings, tools and equipment	788.768	1.175
	Property, plant and equipment under construction	38.386	2.094
4	Total property, plant and equipment	40.606.239	46.237
	Total non-current assets	40.606.239	46.237
	Raw materials and consumables	98.443.430	89.334
	Work in progress	11.175.771	29.264
	Manufactured goods and goods for resale	58.400.856	24.735
	Total inventories	168.020.057	143.333
	Trade receivables	1.155.666	42
	Receivables from group enterprises	90.387.719	63.702
	Other receivables	2.662.171	355
5	Prepayments	82.283	317
	Total receivables	94.287.839	64.416
	Cash	414.656	134
	Total current assets	262.722.552	207.883
	Total assets	303.328.791	254.120

EQUITY AND LIABILITIES		31.12.22	31.12.21
Note		DKK	DKK '000
6	Share capital	1.000.000	1.000
	Retained earnings	30.739.801	25.243
	Total equity	31.739.801	26.243
7	Provisions for deferred tax	2.132.786	623
8	Other provisions	0	7.341
	Total provisions	2.132.786	7.964
9	Lease commitments	8.194.932	10.652
	Total long-term payables	8.194.932	10.652
9	Short-term part of long-term payables	1.998.062	1.850
	Lease commitments	1.998.062	0
	Trade payables	24.438.297	52.759
	Payables to group enterprises	190.360.781	112.861
	Income taxes	209.160	209
	Other payables	42.256.910	41.582
	Total short-term payables	261.261.272	209.261
	Total payables	269.456.204	219.913
	Total equity and liabilities	303.328.791	254.120
10	Contingent liabilities		
11	Charges and security		
12	Related parties		

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings
Statement of changes in equity for 01.01.22 - 31.12.22		
Balance as at 01.01.22	1.000.000	25.242.998
Net profit/loss for the year	0	5.496.803
Balance as at 31.12.22	1.000.000	30.739.801

Cash flow statement

Note	2022 DKK	2021 DKK '000
Profit/loss for the year	5.496.803	-4.303
13 Adjustments	10.231.577	5.851
Change in working capital:		
Inventories	-24.687.678	4.291
Receivables	-1.114.343	1.398
Trade payables	-28.320.520	-10.864
Other payables relating to operating activities	70.111.323	21.965
Cash flows from operating activities before net financials	31.717.162	18.338
Interest income and similar income received	602.121	2.250
Interest expenses and similar expenses paid	-244.071	-2.529
Income tax paid	0	-2.442
Cash flows from operating activities	32.075.212	15.617
Purchase of property, plant and equipment	-2.657.266	-18.645
Cash flows from investing activities	-2.657.266	-18.645
Arrangement of payables to credit institutions	0	6.604
Repayment of lease commitments	-311.164	-1.436
Arrangement of payables to group enterprises	-28.825.904	-2.297
Cash flows from financing activities	-29.137.068	2.871
Total cash flows for the year	280.878	-157
Cash, beginning of year	133.778	291
Cash, end of year	414.656	134
Cash, end of year, comprises:		
Cash	414.656	134
Total	414.656	134

	2022	2021
	DKK	DKK '000

1. Staff costs

Wages and salaries	65.528.346	67.597
Pensions	4.819.393	5.124
Other social security costs	2.285.859	2.424
Other staff costs	706.791	602
Total	73.340.389	75.747

Average number of employees during the year	120	124
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Remuneration for the management:

Salaries for the Executive Board	1.843.534	3.869
Total remuneration for the Executive Board	1.843.534	3.869

Remuneration for the Executive Board is partly paid from group enterprises.

2. Tax on profit or loss for the year

Current tax for the year	0	209
Adjustment of deferred tax for the year	1.510.035	-1.253
Adjustment of tax in respect of previous years	-156.097	676
Total	1.353.938	-368

	2022	2021
	DKK	DKK '000

3. Proposed appropriation account

Retained earnings	5.496.803	-4.303
Total	5.496.803	-4.303

4. Property, plant and equipment

Figures in DKK	Land and buildings	Leasehold improve- ments	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Prepayments for property, plant and equipment
Cost as at 01.01.22	6.164.664	235.000	79.254.242	1.975.689	2.093.682	0
Additions during the year	37.826	0	3.244.862	0	0	0
Disposals during the year	0	0	-607.579	-17.758	0	0
Transfers during the year to/from other items	0	0	2.055.296	0	-2.055.296	0
Cost as at 31.12.22	6.202.490	235.000	83.946.821	1.957.931	38.386	0
Depreciation and impairment losses as at 01.01.22	-421.492	-39.167	-42.224.924	-800.397	0	0
Depreciation during the year	-255.978	-47.000	-7.902.485	-383.976	0	0
Reversal of depreciation of and impairment losses on disposed assets	0	0	285.820	15.210	0	0
Depreciation and impairment losses as at 31.12.22	-677.470	-86.167	-49.841.589	-1.169.163	0	0
Carrying amount as at 31.12.22	5.525.020	148.833	34.105.232	788.768	38.386	0
Carrying amount of assets held under finance leases as at 31.12.22	0	0	11.817.400	0	0	0

	31.12.22	31.12.21
	DKK	DKK '000

5. Prepayments

Other prepayments	82.283	317
Total	82.283	317

6. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	1.000	1.000.000
Total		1.000.000

	31.12.22	31.12.21
	DKK	DKK '000

7. Deferred tax

Deferred tax as at 01.01.22	622.753	1.876
Deferred tax recognised in the income statement	1.510.033	-1.253
Deferred tax as at 31.12.22	2.132.786	623

8. Other provisions

Figures in DKK	Other provisions	
Provisions as at 01.01.22		7.340.802
Applied during the year		-7.340.802
Provisions as at 31.12.22		0
	31.12.22 DKK	31.12.21 DKK '000

Other provisions are expected to be distributed as follows:

Current liabilities	0	7.341
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9. Long-term payables

	Repayment first year DKK	Outstanding debt after 5 years DKK	Total payables at 31.12.22 DKK	Total payables at 31.12.21 DKK '000
Lease commitments	1.998.062	3.637.143	10.192.994	12.502
Total	1.998.062	3.637.143	10.192.994	12.502

10. Contingent liabilities

Recourse guarantee commitments

The company has provided a guarantee whereby the guarantor assumes primary liability for group enterprises' debt to credit institutions. The guarantee is maximised at DKK 100m. The group enterprises' debt to the credit institutions concerned amounts to DKK 82k at the balance sheet date.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

11. Charges and security

The company has provided a company charge of DKK 75m as security for own debt and group enterprises' debt to credit institutions. As at 31.12.22, the company charge comprises the following assets with the following carrying amounts:

- Goodwill and intellectual property rights, DKK 0
- Other plant, fixtures and fittings, tools and equipment, DKK 34,894k
- Inventories, DKK 168,020k

12. Related parties

Controlling influence	Basis of influence
Baettr Holding GmbH, Germany	Parent company
Baettr Canopy GmbH, Germany	Parent company
Global Castings GmbH & Co. KG, Germany	Parent company
VTC Industriebeteiligungen GmbH & Co. KG, Germany	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.

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

	2022 DKK	2021 DKK '000
13. Adjustments for the cash flow statement		
Other operating income	947.363	71
Depreciation and impairments losses of property, plant and equipment	8.288.326	5.868
Financial income	-602.121	-2.250
Financial expenses	244.071	2.529
Tax on profit or loss for the year	1.510.035	-367
Other taxes	-156.097	0
Total	10.231.577	5.851

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 with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

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.

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.

14. Accounting policies - continued -**LEASES**

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease

14. Accounting policies - continued -

unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

14. Accounting policies - continued -**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 and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK '000
Buildings	25	0
Leasehold improvements	3-10	0
Plant and machinery	3-10	0
Other plant, fixtures and fittings, tools and equipment	3-10	0

Land is not depreciated.

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

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

Other net financials

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

14. Accounting policies - continued -**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.

BALANCE SHEET**Property, plant and equipment**

Property, plant and equipment comprise land and buildings, leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

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.

Prepayments for property, plant and equipment

Prepayments for property, plant and equipment comprise prepayments to suppliers.

14. Accounting policies - continued -*Gains and losses on the disposal of property, plant and equipment*

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.

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.

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

14. Accounting policies - continued -**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.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

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

Cash

Cash includes deposits in bank account.

14. Accounting policies - continued -**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 company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

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

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

14. Accounting policies - continued -**CASH FLOW STATEMENT**

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash.