

Bætttr Lem A/S

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

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 17.06.24

Michael Westh Thorsen
Dirigent



Company information etc.	3
Statement by the Executive Board and Board of Directors on the annual report	4
Independent auditor's report	5 - 7
Management's review	8 - 14
Income statement	15
Balance sheet	16 - 17
Statement of changes in equity	18
Cash flow statement	19
Notes	20 - 34

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 01.01.23 - 31.12.23 for Baettr Lem A/S.

The annual report is presented in accordance with the 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 as at 31.12.23 and of the results of the company's activities and cash flows for the financial year 01.01.23 - 31.12.23.

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 17, 2024

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 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's financial position at 31.12.23 and of the results of the company's operations and cash flows for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, it is our responsibility 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 the 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 of the management's review.

Management's responsibilities for the financial statements

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

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

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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Soeborg, Copenhagen, June 17, 2024

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	2023	2022	2021	2020	2019
<i>Profit/loss</i>					
Revenue	815.474	717.072	787.724	555.784	119.960
Gross profit	102.141	88.122	77.223	84.068	80.594
Index	127	109	96	104	100
Profit before depreciation, amortisation, write-downs and impairment losses	24.117	14.782	1.476	11.835	13.734
Index	176	108	11	86	100
Operating profit	16.423	6.493	-4.393	6.273	7.614
Index	216	85	-58	82	100
Total net financials	-2.461	358	-278	812	-507
Profit before tax	13.962	6.851	-4.671	7.085	7.107
Index	196	96	-66	100	100
Profit for the year	11.025	5.497	-4.303	5.435	5.537
<i>Balance</i>					
Total assets	186.738	299.054	254.120	245.305	50.318
Investments in property, plant and equipment	5.897	3.283	18.442	6.654	10.926
Equity	42.765	31.740	26.243	30.546	25.110
Ratios					
	2023	2022	2021	2020	2019
<i>Profitability</i>					
Return on equity	30%	19%	-15%	20%	25%

Ratios - continued -

	2023	2022	2021	2020	2019
<i>Equity ratio</i>					
Solvency ratio	23%	11%	10%	12%	50%

Others

Number of employees (average)	118	120	124	115	118
-------------------------------	-----	-----	-----	-----	-----

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 activity is internal to the group and consists of being part of the overall value chain for the production of wind turbine components within the Baettr group. The company machine processes heavy castings received from sister companies' foundries and resells them to the group's sales company after treatment.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit of DKK 11,024,879 against DKK 5,497k for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 42,764,680.

The earnings expectations for 2023 were a positive net profit in line with 2022 which was more than achieved, mainly due to increased sales prices and reduced use of subcontractors.

Outlook

The expectation is to achieve a positive net profit in the range of DKK 16.000k for 2024, based on improved margins.

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.

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

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

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.

The ERP system and IT platforms have been expanded and will be further developed during the coming years. 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 is 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.

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

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 the management considers that there is no need for company-specific policies in these areas.

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 Sales & Services A/S will ensure that future electricity will be delivered from renewable energy sources.

The Baettr Sustainability report 2023 can be retrieved here:

<https://www.baettr.com/app/uploads/2024/04/Sustainability-Report-2023.pdf>.

Gender composition of the management

Supreme management body

The company sees gender diversity on the Board of Directors as important to ensure that both genders are represented and can contribute to the company being viewed from different angles.

	31.12.23	31.12.22	31.12.21	31.12.20	31.12.19
Number of members	3	*)	*)	*)	*)
Underrepresented sex (%)	0%	*)	*)	*)	*)
Target (%)	33%	*)	*)	*)	*)
Target figures expected to be met in year	2024	*)	*)	*)	*)

*)The table does not contain information for 2022 and earlier, in line with section 99(b(7) of the Danish Financial Statement Act.

Update on meeting targets

The company's Board of Directors currently consists of 0 female board members out of a total of 3 board members (0%), which is unchanged from last year.

Significant actions taken during the financial year to achieve the target

The company wishes to have equal representation of men and women on the Board of Directors and has therefore taken the following actions during the year in line with this policy to increase the proportion of female board members:

- Encouraged both sexes to stand for board positions that were up for election
- When selecting and nominating candidates for the Board of Directors, the company has developed a formal and transparent process that takes into account the need to regularly increase the proportion of the underrepresented sex on the Board of Directors in order to achieve the set target
- Implemented a number of internal initiatives to encourage female candidates to seek to be elected to the board.

Accounting policies

The gender diversity ratio in the supreme management body is calculated as the proportion of female board members on the Board of Directors. It only includes board members elected by the general meeting. Employee representatives are not included.

Other management levels

Other levels of management include the Executive Board, and people with responsibility for personnel who report directly to the Executive Board.

	31.12.23	31.12.22	31.12.21	31.12.20	31.12.19
Number of managers	5	*)	*)	*)	*)
Underrepresented sex (%)	40%	*)	*)	*)	*)

*) The table does not contain information for 2022 and earlier, in line with section 99 b(7) of the Danish Financial Statements Act.

Update on meeting targets

The company's other levels of management currently consist of 2 female managers out of a total of 5 managers (40%), which is according to the company's target of having equal gender representation on all management levels.

Description of material content of the policy

The company's policy and goal is to create a workplace with a diverse workforce at all levels of management that promotes equal opportunities irrespective of background, culture, religion, gender, etc. Management has adopted a policy to increase the proportion of the underrepresented sex at the other management levels, including the company's department managers and team leaders. The policy contains a framework for each manager's career development and mentoring options, and internal targets for the proportion of the underrepresented sex at other management levels. The policy also lays down guidelines for recruiting and retaining the sex that is underrepresented in the company.

The company has set a target for the underrepresented sex at other management levels of 40%. The target is achieved based on current number of managers. If the number of managers is increasing, the target will be set to an equal split on sexes (i.e. 50%)

Gender balance

The company's other levels of management consist of 2 women (40%) and 3 men (60%), and the gender distribution is therefore seen as being equal. The gender balance is expected to be maintained in future.

Accounting policies

The gender diversity ratio at other management levels is calculated as the proportion of female managers with responsibility for personnel out of the total number of managers with responsibility for personnel at the other management levels.

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 uses algorithms for data analysis, why 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 has found our site.

For further details are available on our website: [Data Protection - Baettr.com](https://baettr.com)

Income statement

Note		2023 DKK	2022 DKK '000
	Revenue	815.473.998	717.072
	Change in inventories of finished goods and work in progress	-10.732.846	15.578
	Other operating income	21.003.608	21.674
	Costs of raw materials and consumables	-686.234.978	-618.436
	Other external expenses	-37.369.188	-47.766
	Gross profit	102.140.594	88.122
1	Staff costs	-78.023.808	-73.340
	Profit before depreciation, amortisation, write-downs and impairment losses	24.116.786	14.782
	Depreciation and impairments losses of property, plant and equipment	-7.693.984	-8.289
	Operating profit	16.422.802	6.493
	Financial income	0	602
	Financial expenses	-2.460.973	-244
	Profit before tax	13.961.829	6.851
3	Tax on profit for the year	-2.936.950	-1.354
	Profit for the year	11.024.879	5.497
4	Proposed appropriation account		

ASSETS		31.12.23	31.12.22
		DKK	DKK '000
Note			
	Land and buildings	5.382.519	5.525
	Leasehold improvements	101.833	149
	Plant and machinery	31.925.497	34.105
	Other fixtures and fittings, tools and equipment	652.782	789
	Property, plant and equipment under construction	643.566	38
5	Total property, plant and equipment	38.706.197	40.606
	Total non-current assets	38.706.197	40.606
	Raw materials and consumables	62.248.753	98.443
	Work in progress	3.783.845	11.176
	Manufactured goods and goods for resale	55.059.876	58.401
	Prepayments for goods	4.565.021	0
	Total inventories	125.657.495	168.020
	Trade receivables	1.302.068	1.156
	Receivables from group enterprises	18.204.856	86.113
	Other receivables	2.318.751	2.662
6	Prepayments	79.054	82
	Total receivables	21.904.729	90.013
	Cash	469.651	415
	Total current assets	148.031.875	258.448
	Total assets	186.738.072	299.054

EQUITY AND LIABILITIES		31.12.23	31.12.22
		DKK	DKK '000
Note			
7	Share capital	1.000.000	1.000
	Retained earnings	41.764.680	30.740
	Total equity	42.764.680	31.740
8	Provisions for deferred tax	2.330.200	2.133
	Total provisions	2.330.200	2.133
9	Lease commitments	298.322	8.195
	Total long-term payables	298.322	8.195
9	Short-term part of long-term payables	374.114	1.998
	Payables to other credit institutions	53.111	0
	Lease commitments	0	1.998
	Trade payables	23.038.046	24.438
	Payables to group enterprises	95.183.542	186.086
	Income taxes	2.925.564	209
	Other payables	19.770.493	42.257
	Total short-term payables	141.344.870	256.986
	Total payables	141.643.192	265.181
	Total equity and liabilities	186.738.072	299.054
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 01.01.23 - 31.12.23		
Balance as at 01.01.23	1.000.000	30.739.801
Net profit/loss for the year	0	11.024.879
Balance as at 31.12.23	1.000.000	41.764.680

Cash flow statement

Note	2023 DKK	2022 DKK '000
Profit for the year	11.024.879	5.497
13 Adjustments	13.091.907	10.231
Change in working capital:		
Inventories	42.362.562	-24.688
Receivables	200.248	-1.113
Trade payables	-4.424.317	-30.360
Other payables relating to operating activities	-39.542.910	43.324
Cash flows from operating activities before net financials	22.712.369	2.891
Interest income and similar income received	0	602
Interest expenses and similar expenses paid	-2.460.973	-244
Income tax paid	-2.936.950	0
Cash flows from operating activities	17.314.446	3.249
Purchase of property, plant and equipment	-5.793.941	-2.657
Cash flows from investing activities	-5.793.941	-2.657
Arrangement of payables to credit institutions	53.111	0
Repayment of lease commitments	-11.518.620	-311
Cash flows from financing activities	-11.465.509	-311
Total cash flows for the year	54.996	281
Cash, beginning of year	414.655	134
Cash, end of year	469.651	415
Cash, end of year, comprises:		
Cash	469.651	415
Total	469.651	415

	2023	2022
	DKK	DKK '000

1. Staff costs

Wages and salaries	69.332.703	65.528
Pensions	5.525.154	4.819
Other social security costs	2.780.171	2.286
Other staff costs	385.780	707
Total	78.023.808	73.340

Average number of employees during the year	118	120
---	-----	-----

Remuneration for the management:

Salaries for the Executive Board	2.822.181	1.844
Total remuneration for the Executive Board	2.822.181	1.844

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

2. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	114.587	128
Other services	47.500	48
Total	162.087	176

	2023	2022
	DKK	DKK '000

3. Tax on profit for the year

Current tax for the year	2.925.564	0
Adjustment of deferred tax for the year	148.639	1.510
Adjustment of tax in respect of previous years	-137.253	-156
Total	2.936.950	1.354

4. Proposed appropriation account

Retained earnings	11.024.879	5.497
-------------------	------------	-------

5. Property, plant and equipment

Figures in DKK	Land and buildings	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Cost as at 01.01.23	6.202.490	235.000	83.946.821	1.957.931	38.384
Additions during the year	0	0	5.013.148	252.506	631.617
Disposals during the year	0	0	-105.987	-410.384	0
Transfers during the year to/from other items	0	0	26.435	0	-26.435
Cost as at 31.12.23	6.202.490	235.000	88.880.417	1.800.053	643.566
Depreciation and impairment losses as at 01.01.23	-677.471	-86.167	-49.841.589	-1.169.160	0
Depreciation during the year	-142.500	-47.000	-7.319.104	-388.495	0
Reversal of depreciation of and impairment losses on disposed assets	0	0	205.773	410.384	0
Depreciation and impairment losses as at 31.12.23	-819.971	-133.167	-56.954.920	-1.147.271	0
Carrying amount as at 31.12.23	5.382.519	101.833	31.925.497	652.782	643.566
Carrying amount of assets held under finance leases as at 31.12.23	0	0	650.394	0	0

	31.12.23	31.12.22
	DKK	DKK '000

6. Prepayments

Other prepayments	79.054	82
Total	79.054	82

7. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	1.000	1.000.000
Total		1.000.000

	31.12.23	31.12.22
	DKK	DKK '000

8. Deferred tax

Deferred tax as at 01.01.23	2.132.786	623
Deferred tax recognised in the income statement	197.414	1.510
Deferred tax as at 31.12.23	2.330.200	2.133

9. Long-term payables

	Repayment first year DKK	Total payables at 31.12.23 DKK	Total payables at 31.12.22 DKK '000
Lease commitments	374.114	672.436	10.193
Total	374.114	672.436	10.193

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 0 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 31.12.23, 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 32,578k
- Inventories, DKK 125,657k

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.

	2023 DKK	2022 DKK '000
13. Adjustments for the cash flow statement		
Other operating income	0	947
Depreciation and impairments losses of property, plant and equipment	7.693.984	8.288
Financial income	0	-602
Financial expenses	2.460.973	244
Tax on profit or loss for the year	2.936.950	1.354
Total	13.091.907	10.231

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.

Material error

The company has identified a material classification error in the financial statements for 2022.

The classification in the cash flow statement of intercompany transactions have been corrected with DKK 28.825.904 from cash flows from investing activities to cash flows from operating activities due to the nature of the transactions. The classification of change in inventories of finished goods and work in progress have been corrected with DKK 15.577.567 from costs of raw materials and consumables.

The corrections has no effect on net result, equity or balance sheet total.

Comparative figures for 2022 have been restated in the income statement, balance sheet, cash flow statement and notes.

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.

14. Accounting policies - continued -**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

The Group applies a recognition and measurement approach based on IFRS 16.

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 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.

14. Accounting policies - continued -

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 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.

INCOME STATEMENT

Revenue

The Group applies a recognition and measurement approach based on IFRS 15.

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.

Change in inventories of finished goods and work in progress

Change in inventories of finished goods and work in progress comprises adjustments in inventories of finished goods and work in progress for the year, including write-downs of inventories of finished goods and work in progress to the extent that these do not exceed normal write-downs.

14. Accounting policies - continued -**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 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.

14. Accounting policies - continued -

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.

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.

14. Accounting policies - continued -

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.

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.

14. Accounting policies - continued -**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 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 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 account.

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.

14. Accounting policies - continued -

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 financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

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.

14. Accounting policies - continued -

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.