

---

# ***KK Wind Solutions Service A/S***

Bøgildvej 3, DK-7430 Ikast

## **Annual Report for 1 January - 31 December 2021**

---

CVR No 36 92 27 96

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
20/4 2022

Allan Gabriel Zandberg  
Chairman of the General  
Meeting



# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Notes to the Financial Statements	13

# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of KK Wind Solutions Service A/S for the financial year 1 January - 31 December 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Ikast, 20 April 2022

## **Executive Board**

Mauricio Fernando Quintana  
CEO

## **Board of Directors**

Søren Bæk Just  
Chairman

Mauricio Fernando Quintana

Kim Wichmann-Hansen

# Independent Auditor's Report

To the Shareholder of KK Wind Solutions Service A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of KK Wind Solutions Service A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for Opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities for the Financial Statements

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

# Independent Auditor's Report

ment, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the Financial Statements**

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

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

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

# Independent Auditor's Report

in a manner that gives a true and fair view.

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

Aarhus, 20 April 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Claus Lyngsø Sørensen  
statsautoriseret revisor  
mne34539

Thomas Bernth Jensen  
statsautoriseret revisor  
mne47814

## Company Information

### **The Company**

KK Wind Solutions Service A/S  
Bøgildvej 3  
DK-7430 Ikast

CVR No: 36 92 27 96  
Financial period: 1 January - 31 December  
Municipality of reg. office: Ikast-Brande

### **Board of Directors**

Søren Bæk Just, Chairman  
Mauricio Fernando Quintana  
Kim Wichmann-Hansen

### **Executive Board**

Mauricio Fernando Quintana

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Nobelparken  
Jens Chr. Skous Vej 1  
DK-8000 Aarhus C

# Financial Highlights

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

	2021 kDKK	2020 kDKK	2019 kDKK	2018 kDKK	2016/17 kDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	51.877	40.301	37.271	30.139	23.103
Operating profit/loss	26.330	15.244	16.759	7.324	-9.775
Profit/loss before financial income and expenses	26.330	15.244	16.421	7.324	-9.775
Net financials	634	443	94	-191	-519
Net profit/loss for the year	21.035	12.193	12.882	5.563	-9.005
<b>Balance sheet</b>					
Balance sheet total	81.241	57.753	43.217	97.455	58.349
Equity	59.834	38.799	26.607	13.725	8.162
Investment in property, plant and equipment	0	0	564	0	538
Number of employees	21	19	22	27	41
<b>Ratios</b>					
Return on assets	32,4%	26,4%	38,0%	7,5%	-16,8%
Solvency ratio	73,7%	67,2%	61,6%	14,1%	14,0%
Return on equity	42,7%	37,3%	63,9%	50,8%	-71,1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



# Management's Review

## Key activities

KK Wind Solutions Service A/S' activities include the sale of spare parts and services related to field services, installation, engineering, retrofit, repairs, technical support etc. within the wind industry.

Activities are managed from the head office in Ikast and Kansas, USA.

## Development in the year

The income statement of the Company for 2021 shows a profit of kDKK 21,035, and at 31 December 2021 the balance sheet of the Company shows equity of kDKK 59,834.

## Operating risks

The Company's primary activities are within the Wind Industry which are characterized by a few large Original Equipment Manufacturers of wind turbines. The Company has during the last years increased the customer base and offerings to de-risk the business model.

Besides the above, the Company has no specific risks besides what is common to the industry.

## Targets and expectations for the year ahead

Due to the present geopolitical situation and component challenges the outlook remains positive but with more uncertainty and lower growth rates in the coming 18- 24 months with earnings under pressure. As a result, the Company forecasts turnover in 2022 at or around the same level as 2021 while earnings performance will be challenged with an expected profit after tax below the level of 2021.

## External environment

The Company's activities are conducted with consideration for the environment. The Company's activities only have a limited effect on the external environment.

## Intellectual capital resources

The Company works in the services and installation of advanced and reliable systems for wind turbines. This places high demand for knowledge resources within key domains. The Company's scope of work requires attracting, sustaining and developing employees that have leading edge knowledge within wind turbines and advanced electro-mechanical solutions. The Company has defined key competency areas within Electrical Power, Data & Analytics and Integrated Supply Chain Networks that are the lighthouses for training and development of our employees. It is also endeavored that employees are continuously trained via continued education and cooperation with universities, so that the latest knowledge is constantly present in the organization.

## **Management's Review**

### **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

### **Unusual events**

The financial position at 31 December 2021 of the Company and the results of the activities of the Company for the financial year for 2021 have not been affected by any unusual events.

## Income Statement 1 January - 31 December

	Note	2021 kDKK	2020 kDKK
<b>Gross profit/loss</b>		<b>51.877</b>	<b>40.301</b>
Distribution expenses	1	-11.495	-9.443
Administrative expenses		<u>-14.052</u>	<u>-15.614</u>
<b>Operating profit/loss</b>		<b>26.330</b>	<b>15.244</b>
<b>Profit/loss before financial income and expenses</b>		<b>26.330</b>	<b>15.244</b>
Financial income	2	1.004	767
Financial expenses	3	<u>-370</u>	<u>-324</u>
<b>Profit/loss before tax</b>		<b>26.964</b>	<b>15.687</b>
Tax on profit/loss for the year	4	<u>-5.929</u>	<u>-3.494</u>
<b>Net profit/loss for the year</b>		<b>21.035</b>	<b>12.193</b>

# Balance Sheet 31 December

## Assets

	Note	2021 kDKK	2020 kDKK
Completed development projects		808	0
Goodwill		0	625
Development projects in progress		0	761
<b>Intangible assets</b>	5	<b>808</b>	<b>1.386</b>
Other fixtures and fittings, tools and equipment		334	401
<b>Property, plant and equipment</b>	6	<b>334</b>	<b>401</b>
Investments in subsidiaries	7	0	0
<b>Fixed asset investments</b>		<b>0</b>	<b>0</b>
<b>Fixed assets</b>		<b>1.142</b>	<b>1.787</b>
<b>Inventories</b>	8	<b>177</b>	<b>125</b>
Trade receivables		8.520	10.034
Contract work in progress	9	572	682
Receivables from group enterprises		44.173	39.596
Other receivables		2.681	3.705
Deferred tax asset	11	786	786
<b>Receivables</b>		<b>56.732</b>	<b>54.803</b>
<b>Cash at bank and in hand</b>		<b>23.190</b>	<b>1.038</b>
<b>Currents assets</b>		<b>80.099</b>	<b>55.966</b>
<b>Assets</b>		<b>81.241</b>	<b>57.753</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 kDKK	2020 kDKK
Share capital		1.000	1.000
Reserve for development costs		630	594
Retained earnings		38.204	37.205
Proposed dividend for the year		20.000	0
<b>Equity</b>		<b>59.834</b>	<b>38.799</b>
Other provisions	12	1.451	1.339
<b>Provisions</b>		<b>1.451</b>	<b>1.339</b>
Lease obligations		334	334
Trade payables		1.241	305
Contract work in progress, liabilities	9	3.454	0
Payables to group enterprises		6.623	6.606
Corporation tax		5.932	5.356
Other payables		2.372	5.014
<b>Short-term debt</b>		<b>19.956</b>	<b>17.615</b>
<b>Debt</b>		<b>19.956</b>	<b>17.615</b>
<b>Liabilities and equity</b>		<b>81.241</b>	<b>57.753</b>
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	13		
Subsequent events	14		
Related parties	15		
Accounting Policies	16		

## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	kDKK	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	1.000	594	37.205	0	38.799
Development costs for the year	0	73	-73	0	0
Depreciation, amortisation and impairment for the year	0	-37	37	0	0
Net profit/loss for the year	0	0	1.035	20.000	21.035
<b>Equity at 31 December</b>	<b>1.000</b>	<b>630</b>	<b>38.204</b>	<b>20.000</b>	<b>59.834</b>

# Notes to the Financial Statements

	2021 kDKK	2020 kDKK
<b>1 Staff</b>		
Wages and Salaries	15.462	12.932
Pensions	1.415	1.061
Other social security expenses	65	-54
Other staff expenses	1.831	1.282
	<b>18.773</b>	<b>15.221</b>
<b>Average number of employees</b>	<b>21</b>	<b>19</b>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
<b>2 Financial income</b>		
Interest received from group enterprises	810	489
Other financial income	0	3
Exchange gains	194	275
	<b>1.004</b>	<b>767</b>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	92	39
Other financial expenses	148	53
Exchange loss	130	232
	<b>370</b>	<b>324</b>
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	5.932	5.356
Deferred tax for the year	0	-1.904
Adjustment of tax concerning previous years	-3	42
	<b>5.929</b>	<b>3.494</b>

# Notes to the Financial Statements

## 5 Intangible assets

	Completed development projects kDKK	Goodwill kDKK	Development projects in progress kDKK
Cost at 1 January	0	12.500	761
Additions for the year	0	0	94
Transfers for the year	855	0	-855
Cost at 31 December	855	12.500	0
Impairment losses and amortisation at 1 January	0	11.875	0
Amortisation for the year	47	625	0
Impairment losses and amortisation at 31 December	47	12.500	0
<b>Carrying amount at 31 December</b>	<b>808</b>	<b>0</b>	<b>0</b>

Development activities comprise internal salaries as well as purchased goods and consultancy services. The development projects serve as a basis for forward-looking product deliveries to KK Wind Solutions Service A/S' customers.

## 6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment kDKK
Cost at 1 January	4.614
Cost at 31 December	4.614
Impairment losses and depreciation at 1 January	4.213
Depreciation for the year	67
Impairment losses and depreciation at 31 December	4.280
<b>Carrying amount at 31 December</b>	<b>334</b>



# Notes to the Financial Statements

	2021 kDKK	2020 kDKK
<b>7 Investments in subsidiaries</b>		
Cost at 1 January	1	1
Cost at 31 December	1	1
Value adjustments at 1 January	-1	-1
Value adjustments at 31 December	-1	-1
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>0</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
KK Wind Solutions Holding US Inc.	Delaware, USA	100%		

Equity and result for the year has not been stated since the company is not obliged to publish an Annual Report.

## 8 Inventories

Raw materials and consumables	177	125
	<b>177</b>	<b>125</b>

## 9 Contract work in progress

Selling price of work in progress	22.502	27.388
Payments received on account	-25.384	-26.706
	<b>-2.882</b>	<b>682</b>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	572	682
Prepayments received recognised in debt	-3.454	0
	<b>-2.882</b>	<b>682</b>

# Notes to the Financial Statements

	2021 kDKK	2020 kDKK
<b>10 Distribution of profit</b>		
Proposed dividend for the year	20.000	0
Retained earnings	1.035	12.193
	<b>21.035</b>	<b>12.193</b>

## 11 Deferred tax asset

Deferred tax asset at 1 January	786	117
Amounts recognised in the income statement for the year	0	1.904
Amounts recognised in equity for the year	0	-1.235
<b>Deferred tax asset at 31 December</b>	<b>786</b>	<b>786</b>

The recognised tax asset comprises of differences in the value of the Company's assets for accounting purposes and tax base, and is expected to be utilised within the next three to four years.

## 12 Other provisions

Other provisions includes provisions for expected liabilities on delivered products.

Other provisions	1.451	1.339
	<b>1.451</b>	<b>1.339</b>

# Notes to the Financial Statements

	2021 kDKK	2020 kDKK
--	--------------	--------------

## 13 Contingent assets, liabilities and other financial obligations

### Charges and security

KK Wind Solutions Service A/S has issued a joint and unlimited surety guarantee for all bank debt in KK-Group A/S. The net book value of bank debt amounts to DKK 0 million at 31 December 2021.

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:	779	687
--	-----	-----

### Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of A.P. MØLLER HOLDING A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 14 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

# Notes to the Financial Statements

## 15 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
A.P. MØLLER OG HUSTRU CHASTINE	Ultimate Parent Company
MCKINNEYMØLLERSFOND TIL ALMENE FORMAAL, Esplanaden 50, 1263 København K, Denmark	
KK-Group A/S, Bøgildvej 3, 7430 Ikast, Denmark	Parent Company

### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. Transactions between KK Wind Solutions Service A/S and related parties are on arm's length terms.

### Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
A.P. MØLLER HOLDING A/S, København K, Business Registration no. 25 67 92 88	Copenhagen, Denmark
KK Wind Solutions Holding A/S, Business Registration no. 39 06 70 48	Ikast, Denmark

# Notes to the Financial Statements

## 16 Accounting Policies

The Annual Report of KK Wind Solutions Service A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2021 are presented in kDKK.

Accounting policies are unchanged from last year.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of KK Wind Solutions Holding A/S, Business Registration No. 39 06 70 48, the Company has not prepared consolidated financial statements.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of KK Wind Solutions Holding A/S, Business Registration no. 39 06 70 48, the Company has not prepared a cash flow statement.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, cost of sales and other operating income.

### Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with A.P. MØLLER HOLDING A/S. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

#### *Development projects, patents and licences*

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 1-3 year.



# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### **Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If useful lives cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation period used is 5 years.

### **Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years
--	-----	-------

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

### **Impairment of fixed assets**

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-6 years. Provisions are measured and recognised based on experience with guarantee work.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

## Financial Highlights

### Explanation of financial ratios

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

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