KK Wind Solutions Holding A/S

Bøgildvej 3, DK-7430 Ikast

Annual Report for 1 January - 31 December 2020

CVR No 39 06 70 48

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 21/04 2021

Allan Gabriel Zandberg
Chairman of the General Meeting

Contents

	Page
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Group Chart	6
Financial Highlights	7
Management's Review	8
Consolidated and Parent Company Financial Statements	
Income Statement 1 January - 31 December	14
Balance Sheet 31 December	15
Statement of Changes in Equity	17
Cash Flow Statement 1 January - 31 December	18
Notes to the Financial Statements	19

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of KK Wind Solutions Holding A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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, 21 April 2021

Executive Board

Chlinton Arendahl Nielsen CEO	Søren Bæk Just

Board of Directors

Jan Thorsgaard Nielsen Chairman	Morten Stakroge	Simon Krogsgaard Ibsen

Independent Auditor's Report

To the Shareholders of KK Wind Solutions Holding A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of KK Wind Solutions Holding A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows (”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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or 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 and the Group'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 Group's and 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

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

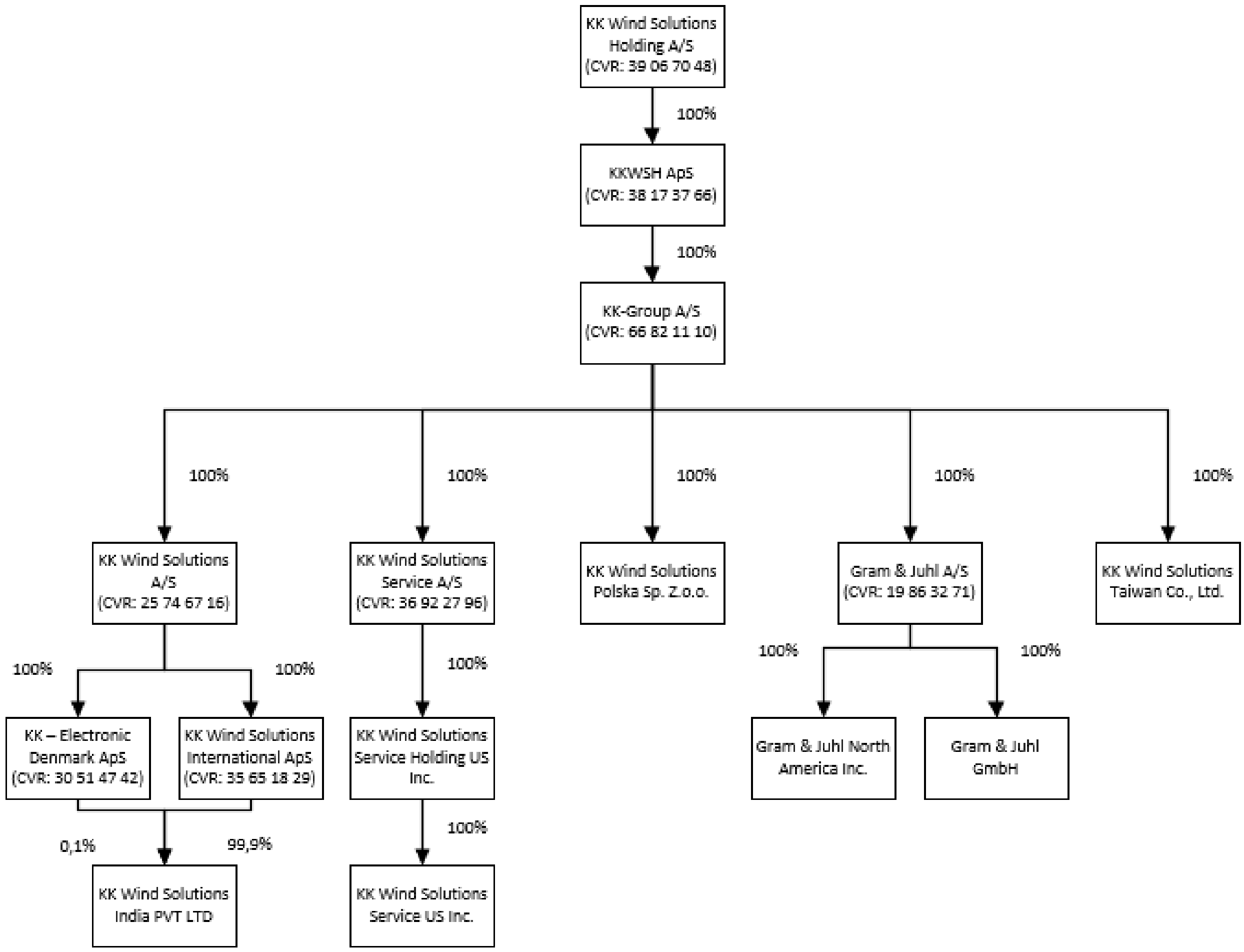
Aarhus, 21 April 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mads Melgaard State Authorised Public Accountant mne34354	Claus Lyngsø Sørensen State Authorised Public Accountant mne34539

Company Information

The Company	KK Wind Solutions Holding A/S Bøgildvej 3 DK-7430 Ikast CVR No: 39 06 70 48 Financial period: 1 January - 31 December Municipality of reg. office: Ikast-Brande
Board of Directors	Jan Thorsgaard Nielsen, Chairman Morten Stakroge Simon Krogsgaard Ibsen
Executive Board	Chlinton Arendahl Nielsen Søren Bæk Just
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Group Chart



KK Wind Solutions Holding A/S (CVR: 39 06 70 48)
100%
KKWSH ApS (CVR: 38 17 37 66)
100%
KK-Group A/S (CVR: 66 82 11 10)
100%
100%
100%
100%
100%
KK Wind Solutions A/S (CVR: 25 74 67 16)
KK Wind Solutions Service A/S (CVR: 36 92 27 96)
KK Wind Solutions Polska Sp. Z.o.o.
Gram & Juhl A/S (CVR: 19 86 32 71)
KK Wind Solutions Taiwan Co., Ltd.
100%
100%
100%
100%
100%
KK – Electronic Denmark ApS (CVR: 30 51 47 42)
KK Wind Solutions International ApS (CVR: 35 65 18 29)
KK Wind Solutions Service Holding US Inc.
Gram & Juhl North America Inc.
Gram & Juhl GmbH
0,1%
99,9%
100%
KK Wind Solutions India PVT LTD
KK Wind Solutions Service US Inc.

Financial Highlights

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

	Group	
	2020	2019
	kDKK	kDKK
Key figures		
Profit/loss		
Revenue	2.579.690	671.551
Gross profit/loss	463.830	90.928
Operating profit/loss	114.822	-85.730
Net financials	-40.301	-12.604
Net profit/loss for the year	34.804	-74.187
Balance sheet		
Balance sheet total	3.769.877	3.354.854
Equity	1.419.657	1.396.534
Cash flows		
Cash flows from:		
- operating activities	326.978	105.098
- investing activities	-336.715	-1.808.944
including investment in property, plant and equipment	-53.607	-16.130
- financing activities	147.267	1.826.268
Change in cash and cash equivalents for the year	137.530	122.422
Number of employees	1.394	1.139
Ratios		
Gross margin	18,0%	13,5%
Net margin	1,4%	(11,0)%
Solvency ratio	37,7%	41,6%
Return on equity	2,5%	-5,3%

The financial year 2019 for the group covers the period 5 September - 31 December 2019.

Management's Review

Key activities

KK Group's main activities are primarily conducted in the companies, KK Wind Solutions A/S, KK Wind Solutions Service A/S, KK Wind Solutions Polska Sp. Z.o.o, KK Wind Solutions India Pvt. Ltd and Gram & Juhl A/S.

KK Group is a market leading system manufacturer and developer of electromechanical systems, condition monitoring and advanced technology solutions for on- and offshore wind turbines including full range services across supply chain, manufacturing, installation, operations and maintenance.

KK Group's activities are driven from the headquarters in Ikast, Denmark as well from the main sites in Poland, Germany, India and USA. The activities are supported by sales and engineering representation in all main markets.

Development in the year

KK Wind Solutions Holding A/S realised in 2020 a profit after tax of 34,8 mDKK positively impacted by a strong increase in sales. As a result of A.P. Moeller Holding A/S acquisition of KK Group in September 2019, the comparison figures for 2019 only includes consolidated figures reported in the 4 month period following the acquisition.

For the 12 months of 2020, KK Group delivered a record revenue of DKK 2.6bn (DKK 2.3bn for 12 months in 2019) continuing taking market share with a Year on Year organic growth of 14% exceeding the expectations of a single digit growth for 2020. The growth was driven by high demand on existing products as well as introduction of new technologies and products. All business units contributed to the growth.

The strong growth in 2020 is especially remarkable considering this comes on top of the significant growth in 2019 and in a year where an outbreak of a global pandemic have put many activities on hold for shorter or longer term.

Profit for the year after tax increased to 34,8 mDKK from -74,2 mDKK in 2019. The 2019 results covered 4 months of activity and was negatively impacted by acquisition and integration costs. The results in 2020 were positively impacted by an increase in sales. The result for the year was exceeding the expectations given an environment with a global COVID pandemic.

On 1 October 2020 KK Group acquired Gram & Juhl, an industry leader within Turbine Condition Monitoring, to further accelerate and strengthen the capabilities and offerings within digital solutions. Building on more than 20 years of experience and having equipped +23,000 turbines worldwide, Gram & Juhl has cemented its position as a true pioneer within condition monitoring and the acquisition offers significant strategic value, as it will add a broader digital product offering and enhance KK Group's capabilities within condition monitoring, sensors and cloud-based services, while expanding the opportunities in the aftermarket segment.

Management's Review

The acquisition of Gram & Juhl is a supplement to the existing product portfolio delivered by the group and further positions KK Group as a leading system supplier within the Wind Industry.

Operating risks

The group's primary activities are within the Wind Industry which is characterised by few large Original Equipment Manufacturers of wind turbines. KK Group has during the last years increased the customer and product portfolio including own developed products and hereby reduced the dependency on single customers or products.

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

Targets and expectations for the year ahead

On the back of the COVID-19 pandemic, the global installations are expected to decline in the coming 12-18 month period and as a result the short-term growth is expected to be flat with earnings continued under pressure as the value chain of the Wind Industry adapts to lower prices. As a result, the group forecasts 0-5% lower turnover compared to 2020 and earnings on par with 2020.

Research and development

Development activities are carried out within the company and in some cases in corporation with a number of clients. Development activities both includes improvements and changes to existing products as well as development of new products.

Intellectual capital resources

KK Group works with development, production and maintenance of advanced and reliable systems for wind turbines. This generates high demands for knowledge resources and innovation within key domains. The group works dedicated on attracting, sustaining and developing employees that have leading edge knowledge within wind turbines and advanced electro-mechanical solutions. KK Group has defined key competency areas that are the lighthouses for training and development of our employees. It is also endeavoured 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

Statement of corporate social responsibility according to the Danish Financial Statements Act, section 99a

KK Group is a dedicated wind company in the renewable energy industry – and as such, sustainability is the core of our company.

With a strong company vision of 'Enable a Wind Powered Future', sustainability and dedication towards the UN Sustainable Development Goals is fundamental in the way we operate and govern our company. We support and recognise that all the UN Sustainable Development Goals are essential for everyone and our planet, but choose to focus our efforts on those within our sphere of influence and where we can make the greatest impact and most positive effect.

Developing and manufacturing solutions for the Wind Industry, the most positive impact we have on sustainability is obtained through our own and our customers' solutions. Our core competencies, technology, and solutions contribute to sustainable energy production. Together with the rest of the Wind Industry, we innovate to lower the cost of wind energy, making it even more competitive than fossil fuels.

It is in our DNA that we continuously assess and improve the environmental impact of our operations. We do this through a product lifetime approach to development, continuous waste reduction in our supply chain and innovative logistics solutions that are better for the environment and our customers.

We remain committed to and focused on our corporate social responsibility – both when it comes to human rights, employees, the environment, anti-corruption and society in general. Regarding human rights and employees, the primary risks KK Group addresses are related to forced and compulsory labour and discrimination and the risk of work-related accidents of our employees. As KK Group is doing business in multiple countries where bribery or corruption is more customary, the primary risks related to corruption are considered in these countries. KK Group manufactures and distributes products across the globe, and the impact of this on the environment in terms of waste and Co2 emissions are the primary risks to be addressed.

Below we have listed our four focus areas within corporate social responsibility, KK Group's risk mitigation activities, results for the past year and goals for the coming period.

Human rights

We are committed to the protection of human rights and support the United Nations universal declaration of human rights and the International Labour Organization's declaration on fundamental principles and rights at work.

In 2020 we focused on:

• Ensuring all employees understand and sign our Code of Conduct.
• Reinforcing our Code of Conduct towards suppliers to ensure human rights are protected, and decent work conditions are provided throughout our supply chain.

• Ensuring all suppliers in the medium to high-risk category sign our Code of Conduct or prove similar standards during their own programs, audits or self-assessments.
• Continuing our efforts emphasising the importance of safe working conditions and sound processes in our operations, and expect our suppliers and their sub-suppliers to follow and ensure the same level of standards.

In 2021 we will focus on:

• Ensuring all employees understand and sign our Code of Conduct.
• Ensuring all suppliers in the medium to high-risk category sign our Code of Conduct or prove similar standards during their own programs, audits or self-assessments.
• Introducing a complete follow-up and re-audit process to ensure that our key suppliers continue developing in line with our expectations.

As we continue and expect future growth and globalisation, we persistently focus on safety and human rights, both in regards to our own and collaboration partners’ employees. We are not aware of any breaches concerning human rights in KK Group in 2020.

Employees

It is our goal to remain a company that encourages and supports the development of our employees and creates attractive jobs. Furthermore, we are dedicated to ensuring a safe and healthy working environment that meets the highest standards.

In 2020 we focused on:

• Achieving less than 3 accidents per 1 million working hours. In 2020, we continued our risk analysis to prevent accidents; many corrective actions were implemented, and safety awareness further intensified. As a result, we reduced working accidents per million working hours from 7.2 in 2019 to 3.5 in 2020.
• Launching new initiatives to stimulate stronger preventive safety awareness in all employees.
• Building team resilience as a part of our leadership development programme to reduce employee absence and increase employee well-being.

In 2021 we will focus on:

• Achieving less than 3 accidents per 1 million working hours, working towards zero.
• Implementing ‘Vision Zero’ to improve the health, safety and well-being of our employees.
• Continuously improving our health and safety culture and launch new initiatives to stimulate stronger preventive safety awareness in all employees.

Environment

As part of the renewable energy industry, we aim at maximising our positive impact on the environment, not only through the products we develop but also through our actions aimed at managing the business

in an ever more responsible manner.
Our production facilities are certified according to the international environmental standard ISO14001, which ensures a systematic organisation and documentation of internal environmental procedures.

For wind to be a viable alternative to traditional fossil fuels, it has to be competitive. At KK Group, we contribute to advancing the wind industry by continuously improving our products and developing new innovative solutions that contribute to the optimisation of wind energy. Furthermore, we are working in partnership to extend lifetime and reduce the cost of wind turbines.

In 2020 we focused on:

• Ensuring that 100% of our global electricity consumption was covered by wind power or other renewable energy sources. We entered into renewable electricity purchase agreements directly with local utilities. In countries where local utilities could not provide these contracts, we purchased certificates to ensure that our electricity consumption was covered by sustainable sources. In 2020 100% of our global electricity consumption was covered by wind power and other renewable energy sources.
• Minimising waste and increase the share of recycled waste to 92%. In 2020, we succeeded in recycling 98,5% of our waste. Moreover, we made an advanced sewage treatment plant for wastewater recycling at our location in India.
• Improving our products and operations across the product lifecycle and the supply chain.We believe that our activities in 2020 have contributed to minimising our environmental impact.

In 2021 we will focus on:

• Ensuring that 100% of our global electricity consumption is covered by wind power or other renewable energy sources.
• Further reducing the environmental impact of our operations. Our target for recyclable waste remains at the current high level.
• Developing localised supply chain solutions and footprint to support our customers locally in a more sustainable manner and bring growth to societies.
• Strive to increase wind turbine lifetime and performance by offering repowering and control system retrofit solutions together with leading condition monitoring.
• Continuing our conversion of company cars from diesel to electric or hybrid cars.
• Performing a CO_2 baseline calculation according to GHG protocol scope 1 and 2 in order to set targets on reducing our carbon footprint. Further, prepare for scope 3 initiatives.

We believe that our activities in 2020 have contributed to minimising our environmental impact.

Anti-corruption

We are committed never to engage in any form of bribery, corruption, extortion or embezzlement, or any illegal method to influence public officials, the judiciary or private parties.

In 2020, we focused on securing that all employees understand the importance of following company

ethical guidelines and ensuring zero corruption incidents. We did not register any form of breach on our Code of Conduct in connection with corruption, extortion or bribery.
In 2021, we will continue to investigate the best possible ways of keeping a culture with very high ethical standards and zero tolerance towards corruption.

For more information about KK Wind Solutions' progress within corporate social responsibility, we refer to the Sustainability Report 2020, published 20 February 2021:

https://ungc-production.s3.us-west-2.amazonaws.com/attachments/cop_2021/493608/original/Sustainability%20Report%202020.pdf?1613855923

Statement on gender composition according to the Danish Financial Statements Act, section 99b

KK Group want to be an inclusive workplace without discrimination. We hire new employees solely based our best evaluation of their competencies and experiences. Gender, belief, age, nationality, ethnicity or sexual orientation are not relevant criteria's when recruiting and KK Group aim to have a balanced split between genders.

In the Board of Directors in KK Wind Solutions Holding A/S, the target is that a minimum of 33 % of the shareholder elected board members should be female by the annual general assembly 2024. By the end of 2020 the actual number of shareholder elected female board members was 0 out of 3 in total elected board members and therefore the target was not met. The composition of genders in the Board of Directors is unchanged in 2020 due to no changes in shareholder elected members.

In the Board of Directors in KK Group A/S (which are actively engaged in setting the direction and strategy of the group) the target is that minimum 20% of the shareholder elected board members should be female by the annual general assembly 2021. By the end of 2020 the actual number of shareholder elected female board members were 1 and there was 1 female board member out of the three employee elected board members, hence meeting the minimum target.

The female share on management levels from 1st line managers up to CXO level is by end 2020 on 18%. The target is to seek to improve the female share via internal promotions and when recruiting. To bring more females into managerial positions, a mandate and focus to always include qualified female candidates in managerial recruitments has been put in place.

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 2020 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
		kDKK	kDKK	kDKK	kDKK
Revenue	1	**2.579.690**	**671.551**	**0**	**0**
Production costs	2	-2.115.860	-580.623	0	0
Gross profit/loss		**463.830**	**90.928**	**0**	**0**
Distribution expenses	2	-198.535	-134.321	0	0
Administrative expenses	2	-107.696	-32.710	-11.104	-300
Development expenditure		-42.777	-9.627	0	0
Operating profit/loss		**114.822**	**-85.730**	**-11.104**	**-300**
Other operating income		0	0	5.282	0
Profit/loss before financial income and expenses		**114.822**	**-85.730**	**-5.822**	**-300**
Income from investments in subsidiaries		0	0	10.000	0
Financial income	3	11	50	89	0
Financial expenses	4	-40.312	-12.654	-40	-11
Profit/loss before tax		**74.521**	**-98.334**	**4.227**	**-311**
Tax on profit/loss for the year	5	-39.717	24.147	1.381	-68
Net profit/loss for the year		**34.804**	**-74.187**	**5.608**	**-379**

Balance Sheet 31 December

Assets

	Note	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
		kDKK	kDKK	kDKK	kDKK
Completed development projects		7.309	10.744	0	0
Acquired intangible assets		1.215.580	1.184.500	0	0
Goodwill		1.218.655	1.092.761	0	0
Development projects in progress		60.427	23.436	0	0
Intangible assets	6	**2.501.971**	**2.311.441**	**0**	**0**
Land and buildings		42.027	47.475	0	0
Plant and machinery		35.494	40.204	0	0
Other fixtures and fittings, tools and equipment		34.051	25.072	0	0
Property, plant and equipment in progress		44.308	8.427	0	0
Property, plant and equipment	7	**155.880**	**121.178**	**0**	**0**
Investments in subsidiaries	8	0	0	1.463.316	1.463.316
Other investments	9	326	326	0	0
Deposits	9	4.378	4.751	0	0
Fixed asset investments		**4.704**	**5.077**	**1.463.316**	**1.463.316**
Fixed assets		**2.662.555**	**2.437.696**	**1.463.316**	**1.463.316**
Inventories	10	**329.731**	**315.694**	**0**	**0**
Trade receivables		415.942	348.294	0	0
Contract work in progress	11	21.880	23.867	0	0
Receivables from group enterprises		0	0	9.216	0
Other receivables		89.217	84.578	6	0
Deferred tax asset	15	2.606	2.110	0	0
Corporation tax		0	5.877	1.270	0
Prepayments	12	6.011	6.856	0	0
Receivables		**535.656**	**471.582**	**10.492**	**0**
Cash at bank and in hand		**241.935**	**129.882**	**821**	**5.119**
Currents assets		**1.107.322**	**917.158**	**11.313**	**5.119**
Assets		**3.769.877**	**3.354.854**	**1.474.629**	**1.468.435**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
		kDKK	kDKK	kDKK	kDKK
Share capital	13	15.000	17.733	15.000	17.733
Reserve for hedging transactions		-1.915	0	0	0
Reserve for exchange rate conversion		-4.853	0	0	0
Other reserves		0	4.065	0	0
Retained earnings		1.411.425	1.374.736	1.455.942	1.450.334
Equity		**1.419.657**	**1.396.534**	**1.470.942**	**1.468.067**
Provision for deferred tax	15	280.033	251.893	0	0
Other provisions	16	64.859	61.424	0	0
Provisions		**344.892**	**313.317**	**0**	**0**
Credit institutions		1.248.150	1.098.288	0	0
Other payables		55.000	0	0	0
Long-term debt	17	**1.303.150**	**1.098.288**	**0**	**0**
Credit institutions	17	4.709	8.426	0	0
Trade payables		508.077	467.800	0	0
Contract work in progress, liabilities	11	4.083	6.553	0	0
Corporation tax		36.295	0	0	68
Other payables	17	149.014	63.936	3.687	300
Short-term debt		**702.178**	**546.715**	**3.687**	**368**
Debt		**2.005.328**	**1.645.003**	**3.687**	**368**
Liabilities and equity		**3.769.877**	**3.354.854**	**1.474.629**	**1.468.435**

	Note
Distribution of profit	14
Contingent assets, liabilities and other financial obligations	20
Subsequent events	21
Related parties	22
Accounting Policies	23

Statement of Changes in Equity

Group

	Share capital	Reserve for hedging transactions	Reserve for exchange rate conversion	Other reserves	Retained earnings	Total
	kDKK	kDKK	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	17.733	0	0	4.065	1.374.736	1.396.534
Transfers, reserves	0	2.180	0	-4.065	1.885	0
Exchange adjustments	0	0	-4.853	0	0	-4.853
Cash capital reduction	-2.733	0	0	0	0	-2.733
Fair value adjustment of hedging instruments, end of year	0	-4.095	0	0	0	-4.095
Net profit/loss for the year	0	0	0	0	34.804	34.804
Equity at 31 December	**15.000**	**-1.915**	**-4.853**	**0**	**1.411.425**	**1.419.657**

Parent Company

	Share capital	Reserve for hedging transactions	Reserve for exchange rate conversion	Other reserves	Retained earnings	Total
Equity at 1 January	17.733	0	0	0	1.450.334	1.468.067
Cash capital reduction	-2.733	0	0	0	0	-2.733
Net profit/loss for the year	0	0	0	0	5.608	5.608
Equity at 31 December	**15.000**	**0**	**0**	**0**	**1.455.942**	**1.470.942**

Cash Flow Statement 1 January - 31 December

	Note	Group 2020	Group 2019
		kDKK	kDKK
Net profit/loss for the year		34.804	-74.187
Adjustments	18	293.716	84.785
Change in working capital	19	25.620	143.722
Cash flows from operating activities before financial income and expenses		**354.140**	**154.320**
Financial income		11	50
Financial expenses		-21.543	-7.802
Cash flows from ordinary activities		**332.608**	**146.568**
Corporation tax paid		-5.630	-41.470
Cash flows from operating activities		**326.978**	**105.098**
Purchase of intangible assets		-42.162	-24.497
Purchase of property, plant and equipment		-53.607	-16.130
Acquisition of enterprises		-240.946	-1.768.317
Cash flows from investing activities		**-336.715**	**-1.808.944**
Repayment of loans from credit institutions		0	-1.742.049
Raising of loans from credit institutions		150.000	2.100.000
Dividend paid		-2.733	-300.000
Other adjustments		0	1.768.317
Cash flows from financing activities		**147.267**	**1.826.268**
Change in cash and cash equivalents		**137.530**	**122.422**
Cash and cash equivalents at 1 January		121.456	140
Effect of exchange gain/losses		-17.051	-1.106
Cash and cash equivalents at 31 December		**241.935**	**121.456**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		241.935	129.882
Overdraft facility		0	-8.426
Cash and cash equivalents at 31 December		**241.935**	**121.456**

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	kDKK	kDKK	kDKK	kDKK
1 Revenue				
Geographical segments				
Europe	2.128.397	476.619	0	0
Asia	300.084	31.185	0	0
North America	143.985	160.437	0	0
Other countries	7.224	3.310	0	0
	2.579.690	**671.551**	**0**	**0**
Business segments				
Products	2.459.558	639.089	0	0
Services	120.132	32.462	0	0
	2.579.690	**671.551**	**0**	**0**

2 Staff

	Group 2020 kDKK	Group 2019 kDKK	Parent Company 2020 kDKK	Parent Company 2019 kDKK
Wages and Salaries	313.215	92.205	9.985	0
Pensions	9.316	2.662	5	0
Other social security expenses	20.356	6.412	30	0
	342.887	**101.279**	**10.020**	**0**
Including remuneration to the Executive Board	**10.020**	**2.140**	**1.002**	**0**
Average number of employees	**1.394**	**1.139**	**2**	**0**

The Board of Directors has not received any remuneration. Bonus incentive agreements for the executive management and other management has been granted, and can be triggered by achievement of a split between the groups financial performance, and personal KPI.

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	kDKK	kDKK	kDKK	kDKK
3 Financial income				
Other financial income	11	50	89	0
	11	**50**	**89**	**0**
4 Financial expenses				
Other interest expenses	21.543	11.523	22	11
Exchange loss	18.769	1.131	18	0
	40.312	**12.654**	**40**	**11**
5 Tax on profit/loss for the year				
Current tax for the year	45.514	-4.458	-1.381	68
Deferred tax for the year	-16.924	-18.742	0	0
Adjustment of tax concerning previous years	2.210	-947	0	0
Adjustment of deferred tax concerning previous years	8.917	0	0	0
	39.717	**-24.147**	**-1.381**	**68**

Notes to the Financial Statements

6 Intangible assets

Group

	Completed development projects	Acquired intangible assets	Goodwill	Development projects in progress
	kDKK	kDKK	kDKK	kDKK
Cost at 1 January	18.886	1.258.246	1.107.602	23.436
Net effect from merger and acquisition	0	164.581	174.882	0
Additions for the year	0	0	0	42.162
Transfers for the year	5.171	0	0	-5.171
Cost at 31 December	24.057	1.422.827	1.282.484	60.427
Impairment losses and amortisation at 1 January	8.142	73.746	14.841	0
Exchange adjustment	0	148	0	0
Amortisation for the year	8.606	133.353	48.988	0
Impairment losses and amortisation at 31 December	16.748	207.247	63.829	0
Carrying amount at 31 December	**7.309**	**1.215.580**	**1.218.655**	**60.427**

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 the Group's customers.

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	kDKK	kDKK	kDKK	kDKK
Cost at 1 January	48.590	44.244	26.495	8.427
Exchange adjustment	-4.011	-5.238	-2.011	-908
Net effect from merger and acquisition	0	0	9.815	0
Additions for the year	195	7.975	11.393	42.614
Disposals for the year	0	0	-2.605	-5.825
Cost at 31 December	44.774	46.981	43.087	44.308
Impairment losses and depreciation at 1 January	1.116	4.040	1.423	0
Exchange adjustment	-764	-2.756	-1.175	0
Depreciation for the year	2.395	10.203	10.151	0
Reversal of impairment and depreciation of sold assets	0	0	-1.363	0
Impairment losses and depreciation at 31 December	2.747	11.487	9.036	0
Carrying amount at 31 December	**42.027**	**35.494**	**34.051**	**44.308**
Including assets under finance leases amounting to	0	363	5.398	0

Notes to the Financial Statements

		Parent Company	
		2020	2019
		kDKK	kDKK
8	**Investments in subsidiaries**		
	Cost at 1 January	1.463.316	0
	Additions for the year	0	1.768.316
	Disposals for the year	0	-305.000
	Carrying amount at 31 December	**1.463.316**	**1.463.316**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
KKWSH ApS	Ikast, Denmark	100%	326.499	112.615

9 Other fixed asset investments

	Group	
	Other investments	Deposits
	kDKK	kDKK
Cost at 1 January	326	4.751
Disposals for the year	0	-373
Cost at 31 December	326	4.378
Carrying amount at 31 December	**326**	**4.378**

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	kDKK	kDKK	kDKK	kDKK

10 Inventories

Raw materials and consumables	196.743	155.792	0	0
Work in progress	45.838	69.116	0	0
Finished goods and goods for resale	87.150	90.786	0	0
	329.731	**315.694**	**0**	**0**

11 Contract work in progress

Selling price of work in progress	106.069	118.804	0	0
Payments received on account	-88.272	-101.490	0	0
	17.797	**17.314**	**0**	**0**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	21.880	23.867	0	0
Prepayments received recognised in debt	-4.083	-6.553	0	0
	17.797	**17.314**	**0**	**0**

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a postitive fair value.

Notes to the Financial Statements

13 Equity

The share capital is broken down as follow:

	Number	Nominal value
		kDKK
A-shares	1.474.450	1.474.450
B-shares	120.155	120.155
C-shares	13.405.395	13.405.395
		15.000.000

14 Distribution of profit

	Group		Parent Company	
	2020	2019	2020	2019
	kDKK	kDKK	kDKK	kDKK
Retained earnings	34.804	-74.187	5.608	-379
	34.804	**-74.187**	**5.608**	**-379**

15 Provision for deferred tax

	Group 2020 kDKK	Group 2019 kDKK	Parent Company 2020 kDKK	Parent Company 2019 kDKK
Provision for deferred tax at 1 January	249.783	0	0	0
Net effect from merger and acquisition	35.651	268.525	0	0
Amounts recognised in the income statement for the year	-8.007	-18.742	0	0
Provision for deferred tax at 31 December	**277.427**	**249.783**	**0**	**0**
Deferred tax				
Calculated tax asset	2.606	2.110	0	0
Calculated tax liability	280.033	249.783	0	0
Carrying amount	**277.427**	**249.783**	**0**	**0**

The recognised tax asset comprises tax loss carry-forwards expected to be utilised within the next three to four years.

Notes to the Financial Statements

	Group		Parent Company	
	2020	2019	2020	2019
	kDKK	kDKK	kDKK	kDKK
16 Other provisions				
Other provisions	64.859	61.424	0	0
	64.859	**61.424**	**0**	**0**

Other Provision comprise provisions for anticipated commitments on product deliverables etc.

17 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group 2020 kDKK	Group 2019 kDKK	Parent Company 2020 kDKK	Parent Company 2019 kDKK
Credit institutions				
Between 1 and 5 years	1.248.150	1.098.288	0	0
Long-term part	1.248.150	1.098.288	0	0
Within 1 year	4.709	8.426	0	0
	1.252.859	**1.106.714**	**0**	**0**
Other payables				
Between 1 and 5 years	55.000	0	0	0
Long-term part	55.000	0	0	0
Within 1 year	30.000	0	0	0
Other short-term payables	119.014	63.936	3.687	300
Short-term part	149.014	63.936	3.687	300
	204.014	**63.936**	**3.687**	**300**

Notes to the Financial Statements

	Group	
	2020	2019
	kDKK	kDKK
18 Cash flow statement - adjustments		
Financial income	-11	-50
Financial expenses	40.312	12.654
Depreciation, amortisation and impairment losses, including losses and gains on sales	213.698	96.328
Tax on profit/loss for the year	39.717	-24.147
	293.716	**84.785**

	Group	
	2020	2019
	kDKK	kDKK
19 Cash flow statement - change in working capital		
Change in inventories	-5.793	-49.894
Change in receivables	-44.112	213.792
Change in other provisions	3	13.526
Change in trade payables, etc	78.324	-4.924
Other adjustments	-2.802	-28.778
	25.620	**143.722**

Notes to the Financial Statements

20 Contingent assets, liabilities and other financial obligations

	Group		Parent Company	
	2020	2019	2020	2019
	kDKK	kDKK	kDKK	kDKK
Charges and security				
The following assets have been placed as security with mortgage credit institutes:				
Land and buildings with a carrying amount of	9.739	0	0	0
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:	119.469	127.267	0	0

Other contingent liabilities

The Group is party to a tax case relating to transfer pricing, which is unsettled at 31 December 2020. A settlement of the case is expected within one year. The Group disagrees on the views taken by the Danish Tax Administration. The case is fully provided for in the consolidated financial statements and awaits the Danish and Polish authorities' mutual agreement procedure.

The Group is a partner in Middelgrundens Vindmøllelaug I/S, in which the partners are jointly and severally liable. The partnership's equity amounts to kDKK 3,296 at 31. December 2020. The carrying amount thereof is kDKK 11 recognised under other investments.

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 unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

The Group is party to a small number of disputes, lawsuits and legal actions, including tax disputes. It is the view of management that the outcome of these legal actions will have no other significant impact on the Group's financial position beyond what has been recognized and stated in the consolidated financial statements.

Notes to the Financial Statements

21 Subsequent events

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

22 Related parties

	Basis
Controlling interest	
A.P. MØLLER OG HUSTRU CHASTINE MC-KINNEY MØLLERS FOND TIL ALMENE FORMAAL, Esplanaden 50, 1263 København K	Ultimate Parent Company
APMH Invest IX ApS, Esplanaden 50, 1263 København K	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 Holding 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 the smallest group:

Name	Place of registered office
A.P. MØLLER OG HUSTRU CHASTINE MC-KINNEY MØLLERS FOND TIL ALMENE FORMAAL, København K, Business Registration No. 11666779.	Copenhagen, Denmark
A.P. Møller Holding A/S, København K, business registration no. 25679288.	Copenhagen, Denmark

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of KK Wind Solutions Holding A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Consolidated and Parent Company Financial Statements for 2020 are presented in kDKK.

Accounting policies are unchanged from last year.

Changes in classification in the income statement

Comparative figures in the income statement and other items have been restated to match this year's presentation. The adjustment of comparative figures have no effect on operating profit.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, KK Wind Solutions Holding A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company’s investments in the consolidated subsidiaries are set off against the Parent Compa-

Notes to the Financial Statements

23 Accounting Policies (continued)

ny's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

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.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in a seperate reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an

Notes to the Financial Statements

23 Accounting Policies (continued)

income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised as financial income or expenses.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

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 Group.

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 Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service 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 Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Production costs

Production costs 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. Amortisation of goodwill is also included to the extent that goodwill relates to production activities.

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.

Development expenditure

Development expenditure comprises indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

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 Group.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish subsidiaries and other group related entities. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Acquired intangible assets etc.

Acquired intangible assets etc. comprise acquired intangible assets, completed and development projects in progress.

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 Group 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.

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

23 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 estimeted reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 10-25 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:

Buildings	22-40	years
Plant and machinery	3-10	years
Other fixtures and fittings, tools and equipment	3-7	years
Leasehold improvements	3-5	years

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

23 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.

Fixed asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposits and other investments.

Inventories

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

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

The cost of goods for resale, raw materials and consumables equals landed cost.

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

Receivables

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

Contract work in progress

Contract work in progress regarding service 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 expen-

Notes to the Financial Statements

23 Accounting Policies (continued)

ses 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.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group 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.

Notes to the Financial Statements

23 Accounting Policies (continued)

Current tax receivables and liabilities

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

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

23 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Net margin	$\frac{\text{Net profit for the year x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$