KK Wind Solutions Holding A/S

Bøgildvej 3, DK-7430 Ikast

Annual Report for 1 January - 31 December 2022

CVR No 39 06 70 48

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 20/4 2023

Allan Gabriel Zandberg
Chairman of the General Meeting

Contents

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 2022.

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 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

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 2023

Executive Board

Mauricio Fernando Quintana CEO	Søren Bæk Just CFO

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 2022 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 2022 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 2022, 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' 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 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 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.

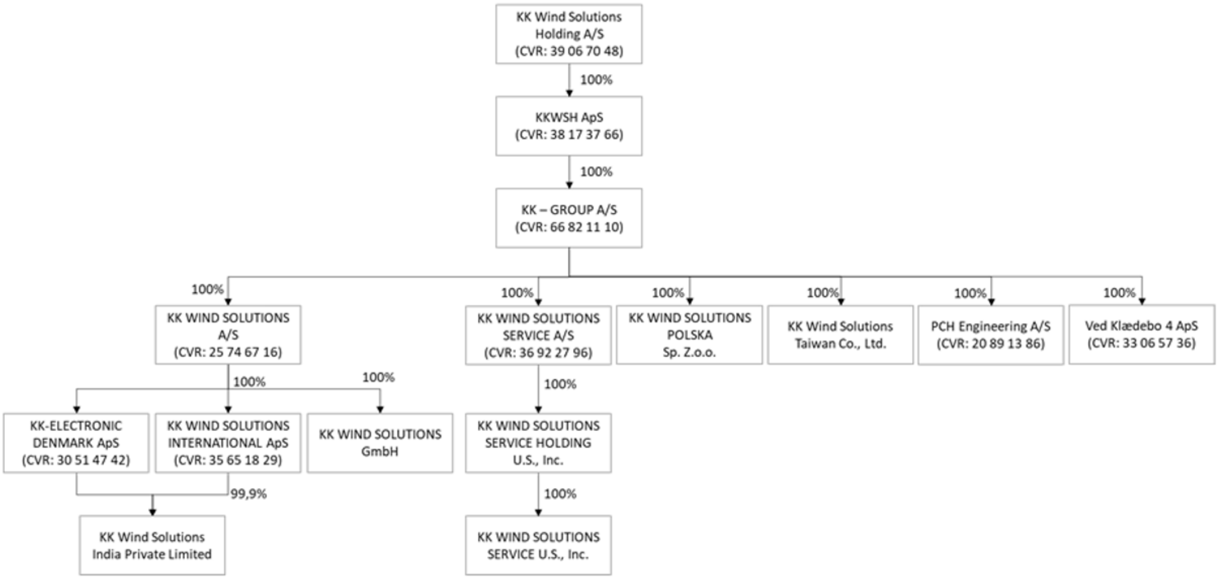
Aarhus, 20 April 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mads Melgaard	Claus Lyngsø Sørensen
State Authorised Public Accountant	State Authorised Public Accountant
mne34354	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	Mauricio Fernando Quintana 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%
KK WIND SOLUTIONS A/S (CVR: 25 74 67 16)
100%
KK WIND SOLUTIONS SERVICE A/S (CVR: 36 92 27 96)
100%
KK WIND SOLUTIONS POLSKA Sp. Z.o.o.
100%
KK Wind Solutions Taiwan Co., Ltd.
100%
PCH Engineering A/S (CVR: 20 89 13 86)
100%
Ved Klædebo 4 ApS (CVR: 33 06 57 36)
100%
100%
KK-ELECTRONIC DENMARK ApS (CVR: 30 51 47 42)
KK WIND SOLUTIONS INTERNATIONAL ApS (CVR: 35 65 18 29)
KK WIND SOLUTIONS GmbH
100%
KK WIND SOLUTIONS SERVICE HOLDING U.S., Inc.
99,9%
KK Wind Solutions India Private Limited
100%
KK WIND SOLUTIONS SERVICE U.S., Inc.

Financial Highlights

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

	Group			
	2022	2021	2020	2019
	kDKK	kDKK	kDKK	kDKK
Key figures				
Profit/loss				
Revenue	2.581.240	2.550.148	2.579.690	671.551
Gross profit/loss	374.216	492.084	463.830	90.928
Operating profit/loss	-103.845	93.330	114.822	-85.730
Net financials	-61.047	-19.486	-40.301	-12.604
Net profit/loss for the year	-144.175	28.307	34.804	-74.187
Balance sheet				
Balance sheet total	5.190.350	3.886.733	3.769.877	3.354.854
Equity	1.296.916	1.444.801	1.419.657	1.396.534
Cash flows				
Cash flows from:				
- operating activities	-112.444	347.923	326.978	105.098
- investing activities	-1.291.882	-465.690	-336.715	-1.808.944
including investment in property, plant and equipment	-60.105	-48.143	-53.607	-16.130
- financing activities	1.328.937	171.405	147.267	1.826.268
Change in cash and cash equivalents for the year	-75.389	53.638	137.530	122.422
Number of employees	1.655	1.526	1.394	1.139
Ratios				
Gross margin	14,5%	19,3%	18,0%	13,5%
Net margin	-5,6%	1,1%	1,4%	-11,0%
Solvency ratio	25,0%	37,2%	37,7%	41,6%
Return on equity	-10,5%	2,0%	2,5%	-5,3%

For definitions, see under accounting policies.

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

Management's Review

Key activities

KK Wind Solutions Holding A/S group's (KK Group) 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, PCH Engineering A/S, KK Wind Solutions Taiwan Co. Ltd. and KK Wind Solutions GmbH.

KK Group is a market leading system manufacturer and developer of electromechanical systems, condition and vibration 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 headquarter in Ikast, Denmark as well from the main sites in Poland, Germany, India, Taiwan and USA. The activities are supported by sales and engineering representation in all main markets.

Development in the year

2022 was a difficult year for KK Group with short-term market declines and severe supply chain issues negatively impacting the production cost and postponing deliveries. Despite the current market conditions, KK Group managed to increase the order book by 35% and revenue for the year by 1.2% to 2,581 mDKK in line with expectations. However, rapidly increasing cost levels on freight, electricity and heating, transaction costs related to acquisitions and costs to mitigate supply chain issues resulted in a loss for the year of 144.2 mDKK. Extraordinary efforts were made to keep the customers operational which the increased order book is a testament to and KK Group continued investing in the future with the acquisition of the R&D department and IP portfolio of ConverterTec Deutchland GmbH further strengthening the offerings within power conversion in June 2022 and signing an agreement to acquire Vestas' converter and controls business in August 2022 (transaction closed 28 February 2023).

Throughout the financial year 2022, KK Group demonstrated strong resilience in a difficult business environment, while further expanding the partnership with key customers, all thanks to the efforts of the +1,600 colleagues ensuring strong collaboration with customers and strategic suppliers.

Management's Review

Operational risks

The group's primary activities are within the Wind Industry which are characterized by a few large Original Equipment Manufacturers (OEMs) of wind turbines. KK Group has during the last years increased the product portfolio including internally developed technology to improve the levelized cost of energy of customer products and de-risked the business model.

KK Group's products contain a number of electronic or mechanical components from pre-qualified suppliers that during the last two years have seen increasing material shortages. To reduce this risk, KK Group has together with customers and suppliers expanded the list of alternative components, materials and prequalified suppliers as well as engaged in longer-term commitments.

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

Foreign exchange risks

The reporting currency is Danish Kroner, however, a large part of the KK Group's costs are in Polish Zloty (PLN).

The expected net PLN exposure for the upcoming 12 months is evaluated on an ongoing basis and hedged according to a pre-defined treasury policy.

The foreign exchange risk related to other currencies is considered low.

Interest rate risks

The KK Group is exposed to an interest rate risk, as the Group's mortgage and bank financing has variable rates of interest.

The risk is monitored and hedging is applied when relevant.

Events after the balance sheet date

On 28 February 2023, the transaction with Vestas to acquire their converter and controls business was closed. With the transaction, KK Group takes over production facilities in Denmark, China and India with a total of around 600 new colleagues.

Management's Review

Targets and expectations for the year ahead

The market outlook for 2023 includes an expected lower number of installed turbines from KK Group's key customers which combined with customers preparing for next generation of off-shore platforms will have an overall short-term negative impact on the activity level.

Including the impact of the acquisition of Vestas Converter & Controls business, KK Group expects a revenue in 2023 of around 5,000 mDKK. Gross profits are expected to improve in 2023, however offset by increasing cost levels, depreciation and amortization and as a result the group forecasts an operating result before integration cost and impact of the Vestas Converter & Controls business of around nil.

Research and development

Development activities are carried out within the KK Group and in some cases in corporation with customers. Development activities both includes improvements and changes to existing products as well as development of new products.

Intellectual capital resources

KK Group works in the development, production and maintenance of advanced and reliable systems for wind turbines. This places high demand for knowledge resources and innovation within key domains. KK Group's scope of work requires 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 within Electrical Power, Data & Analytics and Integrated Supply Chain Networks that are the lighthouses for training and development of employees. It is also endeavored that employees are continuously trained via education and cooperation with universities, so that the latest knowledge is constantly present in the organization.

Management's Review

Statement of corporate social responsibility

As a leading systems supplier to the renewable energy industry, KK Group recognises its responsibility to work actively with sustainability to benefit its customers, employees, and the societies in which it operates.

For more than 40 years, KK Group has delivered products and solutions that enable a future powered by renewable energy and has made it an integral part of its purpose to deliver a positive climate impact. As such, sustainability is deeply ingrained in the organisational culture and reflected in operations and governance.

KK Group has introduced an Environment, Social and Governance (ESG) framework for reporting to ensure all stakeholders understand how the group seek opportunities and mitigate risk around corporate social responsibilities. Furthermore, the group continues its commitment to working with the United Nations Global Compact's ten principles regarding human rights, labour, environment, and anti-corruption, embedding these into policies, operations, and work with sustainability.

Regarding human rights and employees, the primary risks addressed are related to forced and compulsory labour and discrimination and the risk of work-related accidents for the employees. Regarding anti-corruption, KK Group conducts business in multiple countries where bribery or corruption is more customary, and the primary risks related to corruption are considered in these countries. Regarding the environment, KK Group manufactures and distributes products across the globe, and the impact of this on the environment in terms of waste and CO_2 emissions are the primary risks to be addressed.

Below, the three areas within corporate social responsibility are listed: Environment, Social, and Governance. Here is listed the focus areas whereby the group has initiated risk mitigation activities, results for the past year and new objectives for the coming year and beyond.

Environment

Decarbonisation is a strategic imperative for the industry and KK Group. The group is intensifying the efforts to decarbonise operations and become as energy efficient as possible, to support customers in decarbonising their supply chains.

Being part of the renewable energy industry, KK Group aims to maximise positive impact on the environment, not only through the products developed but also through actions aimed at managing the business in an increasingly sustainable manner. KK Group believes that the activities in 2022 have made a positive contribution to the environment through the climate impact delivered by products and solutions.

KK Group is certified under the ISO14001 international environmental standard, establishing a systematic and documented approach to internal environmental procedures.

Management’s Review

Progress and results in 2022 – the group focused on:

- Reaching the goal of a 10% reduction in CO_2 emissions in 2022 (Scope 1 & 2) compared to the 2019 baseline. KK Group reached a 33% reduction of CO_2 emissions, compared to the 2019 baseline.
- Finalizing the baseline calculations for Scope 3. The baseline is recorded in 2020 as 110.681 tonnes of CO_2e and accounts for 98.7% of the total CO_2 emissions (market-based).
- Reusing and recycling materials and eliminating materials that will end up as landfill waste. Moreover, KK Group has started informing customers about the waste generated.
- Defining KPIs to help ensure progress within waste reductions in operations, recycling and reuse of products, engagement of suppliers to comply with the GHG Protocol, supplier waste reduction, and supplier commitment to science-based targets.
- Mapped initiatives across the entire business to help achieve carbon neutrality in KK Group's own operations. This resulted in four specific initiatives.
- Developing a framework for identifying and planning how to reduce carbon emissions concerning acquired businesses.
- Working with the Supply Chain Engagement Strategy outlined by the GHG Protocol. This work includes selecting suppliers, engaging procurement staff, and developing a method for managing supplier data.

New objectives - the group will focus on:

- Achieving carbon neutrality in operations (Scope 1 & 2) by 2030.
- Establishing a new baseline for Scope 1 & 2 in response to the M&A activities.
- Establishing key performance indicators within waste reduction in operations, recycling and reuse of the products, engagement of suppliers to calculate their Scope 1 & 2 according to the GHG Protocol, and supplier waste reduction and supplier commitment to science-based targets.
- Creating a roadmap with a timeline for achieving carbon neutrality by 2030.
- Scoping suppliers that cover most of the Scope 3 emissions. After defining key suppliers, KK Group will initiate an engagement program to support them to start calculating their Scope 1 & 2.
- Educating and supporting the supply chain for the next steps, including calculating and defining reduction targets aligned with science-based targets.

Calculation methods

For the CO_2 emissions method of calculation, KK Group has applied the marked-based method according to the Greenhouse Gas (GHG) Protocol. Here, emissions are divided into three groups, also known as ‘scopes’. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, heating, and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in the value chain.

Social

Employees are KK Group’s greatest and most valuable asset. KK Group will continue to foster a strong culture centred around diversity, safety and teamwork, creating an environment where the employees can thrive and, above all, return to their loved ones safely every day.

The group is committed to build a diverse and inclusive workplace where people are hired based on their skills and competencies and advance in their job, irrespective of gender, age, ethnicity, sexual orientation, or religious beliefs.

Management’s Review

Human rights are a precondition for freedom and for responsible and sustainable growth on which KK Group depend as a business. Respect for human rights is rooted in the values and key to KK Group’s license to operate. KK Group is committed to protect human rights and supports the United Nations’ universal declaration of human rights and the International Labour Organization’s declaration on fundamental principles and rights at work. KK Group’s policy for human rights is based on the UN Global Compact’s ten principles and is translated into the group’s Code of Conduct. KK Group is not aware of any breaches concerning human rights in 2022.

Progress and results in 2022 – the group focused on:

- Reducing the lost-time frequency rate (LTFR) – defined as the number of work accidents per one million working hours – from 2.9 in 2021 to 1.3 in 2022.
- Further developing and implementing preventative initiatives defined as leading indicators.
- Reducing absenteeism across the group, continuing to maintain absence targets of 4.5% for blue-collar workers and 2.5% for white-collar workers. In 2022, blue-collar worker absence declined to totalling 5.5%. This is a 1.0%-point reduction compared to 2021. White-collar worker absences increased slightly to 2.6% in 2022, an increase of 0.3%-point compared to 2021.
- Conducting an internal investigation of the work environment, focusing on how to reduce stress and illness. Based on the findings from this investigation, KK Group performed training of managers to recognise stress, established wellbeing guidelines and set up a system for conducting dialogues between managers and employees on the topic of wellbeing.
- Improving the annual employee engagement survey to incorporate the employee’s views on their health and wellbeing.

New objectives – the group will focus on:

- Continuing the work to embed the Vision Zero framework and philosophy further into the organisation.
- Defining and implementing leading indicators that increase awareness and help prevent accidents from happening.
- Working towards the goal of reaching our LTFR target of 1.0.
- Establishing KPIs to guide the efforts towards improving health and wellbeing.
- Building upon the wellbeing initiatives introduced in 2022, ensuring that managers and employees know the guidelines and take advantage of the opportunities for wellbeing dialogues.
- Establishing KPIs to monitor progress towards greater diversity and inclusiveness across the group, enabling KK Group to continue the work towards creating a diverse and inclusive workplace.
- Nurturing a culture that supports growth and development for all employees, which supports the 50% aim of all senior specialist/manager roles filled through internal recruitment by 2030.
- Continuing the work to achieve the objective of 40% of women in managerial roles by 2030. Currently, only 16% of managerial roles in the organisation are held by women.

Calculation methods

Regarding the lost-time frequency rate (LTFR), this is defined as the number of lost time incidents per one million working hours.

Regarding the calculation of absence, the method of calculation is: absence hours/norm hours * 100 = XX%

Management's Review

Regarding the method for calculating females in managerial positions, this is calculated as follows:
The number of female managers (M1-M8) / Total number of managers (M1-M8) * 100 = XX%.
M=managerial roles in the career framework.

Governance

Corruption undermines development and destabilises the business environment. KK Group is committed never to engaging in any form of corruption, bribery, extortion, embezzlement or any illegal method to influence public officials, the judiciary or any other private parties.

KK Group dedicated to ensuring responsible business conduct, which entails ensuring full compliance with tax regulations and compliance with legislation on anti-corruption and responsible tax practices in all countries where the group operates.

A substantial portion of the risk originates from the supply chain, in which KK Group remains committed to ensuring that suppliers adhere to the same standards. An important part of ensuring responsible business practices is the Code of Conduct, which directly reflects the commitments to the UN Global Compact's ten principles.

KK Group directs the attention to ensure that all employees fully understand the importance of following company ethical guidelines despite local culture and practices. To ensure commitment, KK Group requires that all new employees sign the Code of Conduct and that suppliers understand this document and are committed to adhering to it.

All contracts with suppliers, agents, intermediaries and consultants include a section on anti-corruption. The contract holder must comply with all applicable laws and regulations along with the Code of Conduct.

In 2022, the group did not register any form of breach of the Code of Conduct in connection with corruption, extortion or bribery.

Progress and results in 2022 – the group focused on:
- Ensuring zero incidents of corruption. KK Group did not registered any breach of our Code of Conduct concerning corruption, extortion or bribery.
- Requiring new employees to read and sign the Code of Conduct as part of their onboarding, ensuring that employees understand the objectives of the Code of Conduct and our commitments.
- Continual emphasis on safe working conditions and effective processes with suppliers and their respective sub-suppliers, ensuring they abide by and maintain these standards.
- Securing a commitment from suppliers to the Code of Conduct, ensuring compliance and quality assurance of the values and requirements.
- Continuously monitoring and following up with a re-audit process to ensure that suppliers stay in line with our expectations - and keep the focus on our principle aspects.
- Establishing a global whistleblower system accessible via KK Group's website that brings attention to potential corruption, irresponsible business behaviour, and non-compliance with regulations or internal policies.

Management's Review

New objectives – the group will focus on:

- In 2023, KK Group will continue to reinforce, assess and ensure compliance on human and labour rights, health and safety, and environmental impacts of suppliers and their sub-suppliers.
- Persistently striving to cultivate a culture with the highest moral standards and an unwavering intolerance towards corruption and unethical business conduct.

For more information about KK Group's progress within corporate social responsibility, please refer to the Sustainability Report 2022, published 14.03.2023. (https://www.kkwindsolutions.com/about-kk/sustainability)

Statement on gender composition

KK Wind Solutions Holding A/S and all its subsidiaries aim for diversity in the workforce and want to be an inclusive workplace without discrimination. New employees are hired based on an evaluation of their competencies and experiences while gender, belief, age, nationality, ethnicity or sexual orientation are not relevant criteria.

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 2022 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 2022 due to no changes in shareholder elected members.

In the Board of Directors in the subsidiary 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 2022. By the end of 2022, 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 KK Group's share of females on management levels from 1st line managers up to Executive Management was by end 2022 at 16% (2021: 19%), with the composition of 26 females out of 160 managers in total. The target is 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. In 2022, KK Group strived at having both genders represented in all new recruitment processes.

Approach to data ethics

KK Group is not using advanced technologies such as artificial intelligence or machine learning. The group is handling normal data related to customers and employees in accordance with the GDPR legislation, the privacy policy and procedures for classification and management of documents and data. With the limited data processing it is the group's assessment that it does not need to have a data ethics policy. The group will continuously monitor the need of such a policy.

Income Statement 1 January - 31 December

	Note	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
		kDKK	kDKK	kDKK	kDKK
Revenue	1	**2.581.240**	**2.550.148**	**0**	**0**
Production costs	2	-2.207.024	-2.058.064	0	0
Gross profit/loss		**374.216**	**492.084**	**0**	**0**
Distribution expenses	2	-242.198	-221.262	0	0
Administrative expenses	2	-116.591	-116.712	-9.044	-13.649
Development expenditure		-119.272	-60.780	0	0
Operating profit/loss		**-103.845**	**93.330**	**-9.044**	**-13.649**
Other operating income		4.603	6.547	8.727	5.931
Other operating expenses		-8.500	-12.294	0	-2.392
Profit/loss before financial income and expenses		**-107.742**	**87.583**	**-317**	**-10.110**
Income from investments in subsidiaries		0	0	25.000	15.000
Financial income	3	4.660	5.179	533	200
Financial expenses	4	-65.707	-24.665	-34	-29
Profit/loss before tax		**-168.789**	**68.097**	**25.182**	**5.061**
Tax on profit/loss for the year	5	24.614	-39.790	1.249	-76
Net profit/loss for the year		**-144.175**	**28.307**	**26.431**	**4.985**

Balance Sheet 31 December

Assets

	Note	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
		kDKK	kDKK	kDKK	kDKK
Completed development projects		79.333	6.924	0	0
Acquired intangible assets		1.090.788	1.184.679	0	0
Goodwill		1.303.495	1.390.920	0	0
Development projects in progress		90.336	114.672	0	0
Intangible assets	6	**2.563.952**	**2.697.195**	**0**	**0**
Land and buildings		99.950	47.852	0	0
Plant and machinery		59.157	69.602	0	0
Other fixtures and fittings, tools and equipment		43.817	43.670	0	0
Property, plant and equipment in progress		5.866	20.480	0	0
Property, plant and equipment	7	**208.790**	**181.604**	**0**	**0**
Investments in subsidiaries	8	0	0	1.463.316	1.463.316
Other investments	9	326	326	0	0
Deposits	9	3.089	5.471	0	0
Fixed asset investments		**3.415**	**5.797**	**1.463.316**	**1.463.316**
Fixed assets		**2.776.157**	**2.884.596**	**1.463.316**	**1.463.316**
Inventories	10	**601.965**	**351.604**	**0**	**0**
Trade receivables		411.407	274.832	0	0
Contract work in progress	11	6.395	7.088	0	0
Receivables from group enterprises		0	0	47.033	18.878
Other receivables	18	1.151.746	67.324	0	11
Deferred tax asset	15	3.822	2.021	0	0
Corporation tax		0	371	0	371
Prepayments	12	37.530	8.025	0	0
Receivables		**1.610.900**	**359.661**	**47.033**	**19.260**
Cash at bank and in hand		**201.328**	**290.872**	**5**	**488**
Currents assets		**2.414.193**	**1.002.137**	**47.038**	**19.748**
Assets		**5.190.350**	**3.886.733**	**1.510.354**	**1.483.064**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
		kDKK	kDKK	kDKK	kDKK
Share capital	13	15.008	15.008	15.008	15.008
Reserve for hedging transactions		2.948	-3.604	0	0
Reserve for exchange rate conversion		-7.856	-5.050	0	0
Retained earnings		1.286.816	1.438.447	1.478.617	1.459.642
Equity		**1.296.916**	**1.444.801**	**1.493.625**	**1.474.650**
Provision for deferred tax	15	266.678	274.233	0	0
Other provisions	16	47.202	45.798	0	0
Provisions		**313.880**	**320.031**	**0**	**0**
Mortgage loans		27.692	0	0	0
Credit institutions		1.695.425	1.448.373	0	0
Lease obligations		297	0	0	0
Other payables		8.500	25.000	0	0
Long-term debt	17	**1.731.914**	**1.473.373**	**0**	**0**
Mortgage loans	17	1.133	0	0	0
Credit institutions	17	13.731	7.168	0	0
Lease obligations	17	488	0	0	0
Trade payables		547.402	441.686	236	0
Contract work in progress, liabilities	11	12.196	4.925	0	0
Payables to group enterprises		1.096.899	0	15.200	6.031
Corporation tax		2.638	65.230	42	0
Other payables	17,18	126.129	129.519	1.251	2.383
Deferred income	19	47.024	0	0	0
Short-term debt		**1.847.640**	**648.528**	**16.729**	**8.414**
Debt		**3.579.554**	**2.121.901**	**16.729**	**8.414**
Liabilities and equity		**5.190.350**	**3.886.733**	**1.510.354**	**1.483.064**
Distribution of profit/loss	14				
Contingent assets, liabilities and other financial obligations	22				
Subsequent events	23				
Related parties	24				
Accounting Policies	25				

Statement of Changes in Equity

Group

	Share capital	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Total
	kDKK	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	15.008	-3.604	-5.050	1.438.447	1.444.801
Exchange adjustments	0	0	-2.806	0	-2.806
Purchase of treasury shares	0	0	0	-9.556	-9.556
Sale of treasury shares	0	0	0	2.100	2.100
Fair value adjustment of hedging instruments	0	8.400	0	0	8.400
Tax on adjustment of hedging instruments	0	-1.848	0	0	-1.848
Net profit/loss for the year	0	0	0	-144.175	-144.175
Equity at 31 December	**15.008**	**2.948**	**-7.856**	**1.286.816**	**1.296.916**

Parent Company

	Share capital	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Total
Equity at 1 January	15.008	0	0	1.459.642	1.474.650
Purchase of treasury shares	0	0	0	-9.556	-9.556
Sale of treasury shares	0	0	0	2.100	2.100
Net profit/loss for the year	0	0	0	26.431	26.431
Equity at 31 December	**15.008**	**0**	**0**	**1.478.617**	**1.493.625**

Cash Flow Statement 1 January - 31 December

	Note	Group 2022	Group 2021
		kDKK	kDKK
Net profit/loss for the year		-144.175	28.307
Adjustments	20	335.651	311.401
Change in working capital	21	-220.493	69.500
Cash flows from operating activities before financial items		**-29.017**	**409.208**
Financial income		4.660	5.179
Financial expenses		-39.360	-21.762
Cash flows from ordinary activities		**-63.717**	**392.625**
Corporation tax paid		-48.727	-44.702
Cash flows from operating activities		**-112.444**	**347.923**
Purchase of intangible assets		-79.194	-54.415
Purchase of property, plant and equipment		-60.105	-48.143
Acquisition of enterprises		-58.066	-363.440
Sale of property, plant and equipment		0	1.401
Change in deposits		2.382	-1.093
Prepayment, business acquisition		-1.096.899	0
Cash flows from investing activities		**-1.291.882**	**-465.690**
Repayment of loans from credit institutions		-1.452.136	0
Repayment of other long-term debt		-30.000	-30.000
Raising of mortgage loans		26.205	0
Raising of loans from credit institutions		1.695.425	202.682
Raising of loans from group enterprises		1.096.899	0
Purchase of treasury shares		-9.556	-5.155
Sale of treasury shares		2.100	2.600
Cash capital increase		0	1.278
Cash flows from financing activities		**1.328.937**	**171.405**
Change in cash and cash equivalents		**-75.389**	**53.638**
Cash and cash equivalents at 1 January		290.872	241.935
Effect of exchange gain/losses		-14.155	-4.701
Cash and cash equivalents at 31 December		**201.328**	**290.872**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		201.328	290.872
Cash and cash equivalents at 31 December		**201.328**	**290.872**

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	kDKK	kDKK	kDKK	kDKK
1 Revenue				
Geographical segments				
Europe	2.054.860	2.058.363	0	0
Asia	376.777	357.698	0	0
North America	100.238	121.439	0	0
Other countries	49.365	12.648	0	0
	2.581.240	**2.550.148**	**0**	**0**
Business segments				
Products	2.355.865	2.364.821	0	0
Services	225.375	185.327	0	0
	2.581.240	**2.550.148**	**0**	**0**

2 Staff

Wages and Salaries	400.148	376.091	6.983	11.606
Pensions	14.864	13.225	4	5
Other social security expenses	29.688	21.321	134	47
	444.700	**410.637**	**7.121**	**11.658**
Including remuneration to the Executive Board	**7.121**	**11.658**	**712**	**1.166**
Average number of employees	**1.655**	**1.526**	**2**	**2**

The Board of Directors has not received any remuneration. Bonus incentive agreements for the Executive Board and other management can be triggered by achievement of a split between financial performance and personal KPI's. A.P. Møller Holding A/S has introduced a co-investment programme which are determined by the development in the value creation of KK Group. The Executive Board as well as other senior management levels are part of the programme. The purchase price corresponds to fair value for the shares on the grant day.

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	kDKK	kDKK	kDKK	kDKK
3 Financial income				
Interest received from group enterprises	0	0	533	192
Other financial income	4.660	5.179	0	8
	4.660	**5.179**	**533**	**200**
4 Financial expenses				
Other interest expenses	53.091	21.762	12	17
Exchange loss	12.616	2.903	22	12
	65.707	**24.665**	**34**	**29**
5 Tax on profit/loss for the year				
Current tax for the year	-200	69.987	42	-371
Deferred tax for the year	-18.193	-30.770	0	0
Adjustment of tax concerning previous years	-4.373	138	-1.291	447
	-22.766	**39.355**	**-1.249**	**76**
which breaks down as follows:				
Tax on profit/loss for the year	-24.614	39.790	-1.249	76
Tax on changes in equity	1.848	-435	0	0
	-22.766	**39.355**	**-1.249**	**76**

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	31.097	1.532.307	1.530.532	114.672
Exchange rate adjustment	0	-21	-79	0
Net effect from merger and acquisition	0	49.324	0	0
Additions for the year	6.173	528	0	72.493
Transfers for the year	97.505	38	0	-96.829
Cost at 31 December	134.775	1.582.176	1.530.453	90.336
Impairment losses and amortisation at 1 January	24.173	347.628	139.612	0
Exchange rate adjustment	0	-20	-34	0
Impairment losses for the year	0	13.359	0	0
Amortisation for the year	31.269	130.421	87.380	0
Impairment losses and amortisation at 31 December	55.442	491.388	226.958	0
Carrying amount at 31 December	**79.333**	**1.090.788**	**1.303.495**	**90.336**

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 KK 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	53.154	96.104	63.474	20.480
Exchange rate adjustment	-1.026	-2.555	-947	-238
Net effect from merger and acquisitions	0	0	7.439	0
Additions for the year	45.340	5.209	4.163	5.394
Disposals for the year	-696	-93	-10.411	0
Transfers for the year	14.760	-1.303	14.727	-19.770
Cost at 31 December	111.532	97.362	78.445	5.866
Depreciation at 1 January	5.302	26.502	19.804	0
Exchange rate adjustment	-255	-1.104	-548	0
Depreciation for the year	3.006	12.563	16.414	0
Reversal of depreciation of sold assets	0	0	-6.394	0
Transfers for the year	3.529	244	5.352	0
Depreciation at 31 December	11.582	38.205	34.628	0
Carrying amount at 31 December	**99.950**	**59.157**	**43.817**	**5.866**
Including assets under finance leases amounting to	0	0	941	0

Notes to the Financial Statements

	Parent Company	
	2022	2021
	kDKK	kDKK
8 Investments in subsidiaries		
Cost at 1 January	1.463.316	1.463.316
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%	324.206	35.360

9 Other fixed asset investments

	Group	
	Other investments	Deposits
	kDKK	kDKK
Cost at 1 January	326	5.471
Disposals for the year	0	-2.382
Cost at 31 December	326	3.089
Carrying amount at 31 December	**326**	**3.089**

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	kDKK	kDKK	kDKK	kDKK

10 Inventories

Raw materials and consumables	424.956	232.094	0	0
Work in progress	111.041	68.398	0	0
Finished goods and goods for resale	65.968	51.112	0	0
	601.965	**351.604**	**0**	**0**

11 Contract work in progress

Selling price of work in progress	180.039	173.028	0	0
Payments received on account	-185.840	-170.865	0	0
	-5.801	**2.163**	**0**	**0**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	6.395	7.088	0	0
Prepayments received recognised in debt	-12.196	-4.925	0	0
	-5.801	**2.163**	**0**	**0**

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interests.

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
B-shares	124.226	124
C-shares	13.409.631	13.410
		15.008

The share capital has developed as follows:

	2022	2021	2020	2019
	kDKK	kDKK	kDKK	kDKK
Share capital at 1 January	15.008	15.000	17.733	17.733
Capital increase	0	8	0	0
Capital decrease	0	0	-2.733	0
Share capital at 31 December	**15.008**	**15.008**	**15.000**	**17.733**

14 Distribution of profit/loss

	Group		Parent Company	
	2022	2021	2022	2021
	kDKK	kDKK	kDKK	kDKK
Retained earnings	-144.175	28.307	26.431	4.985
	-144.175	**28.307**	**26.431**	**4.985**

Notes to the Financial Statements

15 Provision for deferred tax

	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
	kDKK	kDKK	kDKK	kDKK
Provision for deferred tax at 1 January	272.212	277.427	0	0
Net effect from merger and acquistions	0	25.555	0	0
Amounts recognised in the income statement for the year	-11.204	-435	0	0
Amounts recognised in equity for the year	1.848	-30.335	0	0
Provision for deferred tax at 31 December	**262.856**	**272.212**	**0**	**0**
Deferred tax				
Calculated tax asset	3.822	2.021	0	0
Calculated tax liability	266.678	274.233	0	0
Carrying amount	**262.856**	**272.212**	**0**	**0**

The recognised tax asset comprises tax loss carry-forwards and temporary differences between the value of assets for accounting purposes and tax base, and is expected to be utilised within the near future.

16 Other provisions

	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
	kDKK	kDKK	kDKK	kDKK
Other provisions	47.202	45.798	0	0
	47.202	**45.798**	**0**	**0**

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

Notes to the Financial Statements

17 Long-term debt

	Group		Parent Company	
	2022	2021	2022	2021
	kDKK	kDKK	kDKK	kDKK
Mortgage loans				
After 5 years	22.076	0	0	0
Between 1 and 5 years	5.616	0	0	0
Long-term part	27.692	0	0	0
Within 1 year	1.133	0	0	0
	28.825	**0**	**0**	**0**
Credit institutions				
Between 1 and 5 years	1.695.425	1.448.373	0	0
Long-term part	1.695.425	1.448.373	0	0
Within 1 year	13.731	2.844	0	0
Other short-term debt to credit institutions	0	4.324	0	0
Short-term part	13.731	7.168	0	0
	1.709.156	**1.455.541**	**0**	**0**
Lease obligations				
Between 1 and 5 years	297	0	0	0
Long-term part	297	0	0	0
Within 1 year	488	0	0	0
	785	**0**	**0**	**0**
Other payables				
Between 1 and 5 years	8.500	25.000	0	0
Long-term part	8.500	25.000	0	0
Within 1 year	25.000	30.000	0	0
Other short-term payables	101.129	99.519	1.251	2.383
Short-term part	126.129	129.519	1.251	2.383
	134.629	**154.519**	**1.251**	**2.383**

Notes to the Financial Statements

18 Other receivables

Other receivables comprise prepayments for business combination of kDKK 1.096.899 and various other receivables of kDKK 54.847, including fair value of derivative financial instruments of kDKK 5.539.

Derivative financial instruments in the form of forward exchange contracts and interest rate swaps have fair values the balance sheet date as follows:

	Group	
	2022	2021
	kDKK	kDKK
Other receivables	5.539	0
Other payables	0	4.621

Forward exchange contracts have been concluded to hedge future purchase of goods in PLN with a term of 1-9 months for an amount of kPLN 108,000.

19 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

	Group 2022	Group 2021
	kDKK	kDKK
20 Cash flow statement - adjustments		
Financial income	-4.660	-5.179
Financial expenses	65.707	24.665
Depreciation, amortisation and impairment losses, including losses and gains on sales	299.218	252.125
Tax on profit/loss for the year	-24.614	39.790
	335.651	**311.401**

21 Cash flow statement - change in working capital

	2022	2021
Change in inventories	-250.361	-6.704
Change in receivables	-138.009	208.262
Change in other provisions	1.404	-19.061
Change in trade payables, etc	157.973	-110.983
Other adjustments	8.500	-2.014
	-220.493	**69.500**

Notes to the Financial Statements

22 Contingent assets, liabilities and other financial obligations

	Group		Parent Company	
	2022	2021	2022	2021
	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	52.800	9.378	0	0
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	23.565	21.068	0	0
Between 1 and 5 years	55.989	60.350	0	0
After 5 years	27.911	40.029	0	0
	107.465	**121.447**	**0**	**0**

Other contingent liabilities

The Group is a partner in Middelgrundens Vindmøllelaug I/S, in which the partners are jointly and severally liable. The partnership's equity amounted to kDKK 7,665 at 31. December 2022. The carrying amount thereof kDKK 11 is 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

23 Subsequent events

On 28 February 2023, the KK Group acquired Vestas' converter & controls business which includes production facilities in Denmark, India and China and with a total workforce of around 600 employees.

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

24 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 HOLDING A/S, København K, business registration no. 25 67 92 88	Copenhagen, Denmark

Notes to the Financial Statements

25 Accounting Policies

The Annual Report of KK Wind Solutions Holding A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2022 are presented in kDKK.

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

Notes to the Financial Statements

25 **Accounting Policies** (continued)

Business combinations

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.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any subsequent value adjustments are recognised in the income statement.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange rate 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.

Notes to the Financial Statements

25 Accounting Policies (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

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 retained earnings 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 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 in the same item as the hedged transaction.

Segment information on revenue

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

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement as the purchase price reflects fair value at grant date.

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.

Notes to the Financial Statements

25 Accounting Policies (continued)

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.

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. that are not fulfilling the criteria for capitalization in the balance sheet.

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.

Notes to the Financial Statements

25 Accounting Policies (continued)

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.

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

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 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.

Notes to the Financial Statements

25 Accounting Policies (continued)

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 1-5 year.

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 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	22-50	years
Plant and machinery	3-10	years
Other fixtures and fittings, tools and equipment	3-7	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.

Notes to the Financial Statements

25 Accounting Policies (continued)

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

Investments in subsidiaries

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

Other fixed asset investments

Other fixed asset investments consist of deposits and other investments which are measured at the lower of cost and recoverable amount.

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.

Notes to the Financial Statements

25 Accounting Policies (continued)

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.

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

25 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.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

25 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

25 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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