KK Wind Solutions Holding A/S

Bøgildvej 3, DK-7430 Ikast

Annual Report for 1 January - 31 December 2021

CVR No 39 06 70 48

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

Allan Gabriel Zandberg
Chairman of the General Meeting

Contents

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 2021.

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 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2021.

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

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

Ikast, 20 April 2022

Executive Board

Mauricio Fernando Quintana CEO	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 2021 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 2021 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 2021, 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 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

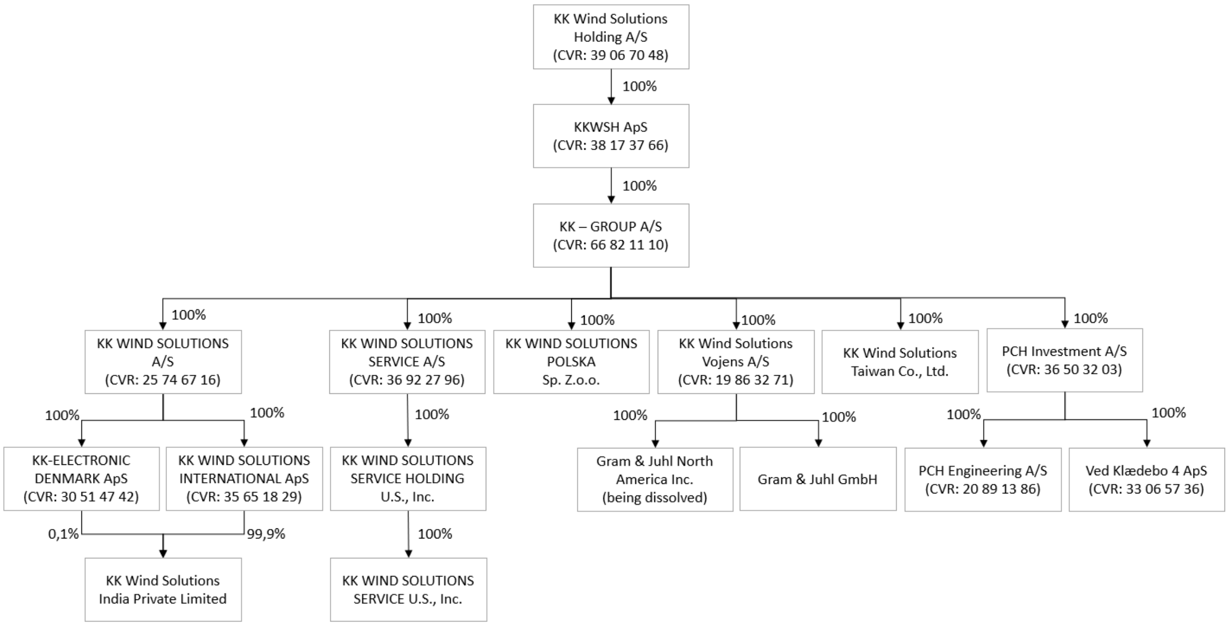
Mads Melgaard
State Authorised Public Accountant
mne34354

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	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 Vojens A/S (CVR: 19 86 32 71)
100%
KK Wind Solutions Taiwan Co., Ltd.
100%
PCH Investment A/S (CVR: 36 50 32 03)
100%
KK-ELECTRONIC DENMARK ApS (CVR: 30 51 47 42)
100%
KK WIND SOLUTIONS INTERNATIONAL ApS (CVR: 35 65 18 29)
100%
KK WIND SOLUTIONS SERVICE HOLDING U.S., Inc.
100%
Gram & Juhl North America Inc. (being dissolved)
100%
Gram & Juhl GmbH
100%
PCH Engineering A/S (CVR: 20 89 13 86)
100%
Ved Klædebo 4 ApS (CVR: 33 06 57 36)
0,1%
99,9%
KK Wind Solutions India Private Limited
100%
KK WIND SOLUTIONS SERVICE U.S., Inc.

Financial Highlights

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

	Group		
	2021	2020	2019
	kDKK	kDKK	kDKK
Key figures			
Profit/loss			
Revenue	2.550.148	2.579.690	671.551
Gross profit/loss	492.084	463.830	90.928
Operating profit/loss	93.330	114.822	-85.730
Net financials	-19.486	-40.301	-12.604
Net profit/loss for the year	28.307	34.804	-74.187
Balance sheet			
Balance sheet total	3.886.362	3.769.877	3.354.854
Equity	1.444.801	1.419.657	1.396.534
Cash flows			
Cash flows from:			
- operating activities	347.923	326.978	105.098
- investing activities	-465.690	-336.715	-1.808.944
including investment in property, plant and equipment	-48.143	-53.607	-16.130
- financing activities	171.405	147.267	1.826.268
Change in cash and cash equivalents for the year	53.638	137.530	122.422
Number of employees	1.526	1.394	1.139
Ratios			
Gross margin	19,3%	18,0%	13,5%
Net margin	1,1%	1,4%	-11,0%
Solvency ratio	37,2%	37,7%	41,6%
Return on equity	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 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, Gram & Juhl A/S and PCH Engineering A/S.

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 headquarters 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

The income statement of the Group for 2021 shows a profit of kDKK 28,307, and at 31 December 2021 the balance sheet of the Group shows equity of kDKK 1,444,801.

KK Group realized a turnover of 2.557 mDKK in 2021 representing a -1% decline compared to 2020 - in line with expectations. The profit after tax was 28,3 mDKK compared to 34,8 mDKK in 2020 negatively impacted by COVID-19 pandemic and component shortages. Despite the declining results, KK Group demonstrated strong resilience in a difficult business environment thanks to the efforts of our 1,500 colleagues along with our strong collaboration with our customers and strategic suppliers.

On 20 May 2021, KK Group acquired PCH Engineering, an industry-leading developer and supplier of vibration monitoring equipment, to further accelerate and strengthen the capabilities and offerings within digital solutions. Since the production of the first wind turbine protection monitor in 1998, PCH Engineering has been the leading provider of structural vibration systems equipment to wind turbine manufacturers worldwide. This acquisition further strengthens our position as a leading system supplier to the Wind Industry by complementing our existing digital product offering and enhancing KK Group's capabilities within real-time structural vibration monitoring; while expanding the opportunities in the aftermarket segment.

2021 was also the year where we established a new manufacturing facility in Taiwan to support our customers in delivering locally manufactured products to the growing offshore wind market.

In 2021 KK Group marked the start of an ambitious journey to expand our activities beyond the Wind Industry and into new industries. We launched our new strategy "Next Horizon" with the vision of Leading Sustainable Energy and the purpose of delivering positive Climate Impact and enabling the global green energy transition.

Management's Review

Operating risks

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

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 Krone, however, a large part of the KK Group's costs are in Polish Zloty.

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

The FX risk related to other currencies is considered low.

Interest rate risks

The KK Group is exposed to a limited interest rate risk, as the Group's mortgage loan has variable rates of interest.

The risk is monitored and hedging is applied when relevant.

Targets and expectations for the year ahead

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

Research and development

Research and Development (R&D) activities are carried out within the company and in some cases in corporation with our customers. R&D activities include improvements and changes to existing products as well as the development of new products.

Management's Review

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. The 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 our employees. It is also endeavored that employees are continuously trained via continued education and cooperation with universities, so that the latest knowledge is constantly present in the organization.

Statement of corporate social responsibility

KK Group is a leading supplier to the global renewable energy industry – and as such, sustainable technologies and solutions are at the core of our DNA and are reflected in how we operate and govern our company.

With a strong company purpose to deliver climate impact and a vision to lead sustainable energy, sustainability is deeply embedded in our business. Our core competencies, technology and solutions contribute to sustainable energy production, and together with the rest of the industry, we are innovating to lower the cost of renewable energy.

In KK Wind Solutions, we support and recognize that all the UN Sustainable Development Goals are essential for all people and our planet. We focus our efforts on those within our sphere of influence and where we can make the most significant impact.

We are committed to and focused on our corporate social responsibility in the areas of 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 labor 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 CO_2 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

Human rights are a precondition for freedom and for responsible and sustainable growth on which we depend as a business. Respect for human rights is rooted in our values and key to our license to operate. We are committed to protecting 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 2021 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 a strong supplier compliance setup that oversees supplier compliance and performance.
• 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 the same standards.

In 2022 we will focus on:
• Ensuring all employees understand and sign our Code of Conduct and establish a whistle-blower setup.
• Ensure supplier assessments follow-up and re-audit process to ensure that our key suppliers continue developing in line with our expectations, including safety practices.

With anticipated future growth and globalisation of our operations, we support effective and balanced regulation that promotes a global level playing field for responsible business conduct.
We are not aware of any breaches concerning human rights in KK Group in 2021.

Employees

Our employees are our greatest and most valuable asset. All our employees will be treated fairly in a safe and healthy working environment. We are committed to creating an inclusive working environment where each employee feels valued and can prosper.
We aspire to create an inclusive culture and diverse global workforce where all employees feel a sense of belonging and contribute to their fullest, regardless of gender, age, ethnicity, sexual orientation or religious beliefs.
Focusing even more on people development and diversity, we will tap into a significant pool of as yet unutilised resources and leverage the competitive advantage and talent that diverse teams and inclusive cultures can bring to our business.
In 2021 we focused on:
• Achieving less than 3 accidents per 1 million working hours.
In 2021, 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 3.5 in 2020 to 2.9 in 2021.
• Ensuring proactive measures to protect employees from the global pandemic.
• Launching the Vision Zero philosophy to advance the progress of safety, health and wellbeing.
• Maintaining a healthy psychological work environment, by offering lectures on stress and mental health in the workplace and using leadership tools to avoid excessive workload and build team resilience. We care for our employees and have a strong support system to help those in need.

In 2022 we will focus on:
• Achieving less than 2 accidents per 1 million working hours, working towards zero.
• Fully implement 'Vision Zero' to improve the health, safety and well-being of our employees.

Management's Review

• Fostering a culture that promotes and encourages people development to ensure strong careers paths.
• Increasing diversity in our company.

Environment

Decarbonisation is a strategic imperative for our industry and our company. We are intensifying our efforts to decarbonise our operations and become as energy efficient as possible, to support our customers to decarbonise their supply chains.

Being part of the renewable energy industry, we aim to maximise 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 increasingly sustainable manner.

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

In 2021 we focused on:
• Ensuring that our global electricity consumption was covered by renewable energy sources.
• Minimising waste and increase the share of recycled waste. In 2021, 90% of our waste was recyclable, and 98.8% was partially recyclable.
• Continuing our conversion of company cars from diesel to electric or hybrid vehicles and installed new car charging stations at our facilities to promote electric vehicles among our employees.
• Developing a localised manufacturing footprint in Taiwan to support our customers locally.
• Performing a CO_2e baseline calculation according to GHG protocol scope 1 and 2.
• Setting new ambitious targets on decarbonising our company. Reduce carbon emissions by 50% by 2025 and achieve carbon neutrality in our operation by 2030 on scope 1 & 2.

In 2022 we will focus on:
• Ensuring our global electricity consumption is covered by renewable energy sources.
• Further reducing the environmental impact of our operations. Our target for recyclable waste remains at the current high level.
• Supporting our customers on the journey in producing zero-waste turbines and creating a value chain that generates no waste and enables circularity.
• Continuing our conversion of company cars from diesel to electric or hybrid vehicles.
• Reducing our CO_2e emissions in scope 1 and scope 2 by 10% relative to our baseline year in 2019.
• Performing a CO_2e baseline calculation according to GHG protocol scope 3.

We believe that our activities in 2021 have made a positive contribution to our environment by the climate impact delivered by our solutions.

Anti-corruption

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

Management's Review

We direct our attention to ensuring that all employees fully understand the importance of following company ethical guidelines despite local culture and practices. To ensure commitment, we require that all new employees to sign our Code of Conduct.

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 our Code of Conduct.

In 2021, we have not registered any form of breach of our Code of Conduct in connection with corruption, extortion or bribery.

In 2022, we will set up a global whistle blower system with a range of options for our employees to communicate potential corruption cases, irresponsible business conduct or grievances in general.

As we advance, we will continue to seek out the best possible ways of maintaining 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 2021, published 01.03.2022 (https://www.kkwindsolutions.com/about-kk/sustainability).

Management's Review

Statement on gender composition

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 aims 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 2021 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 2021 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 2021 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 2021 on 19% (2020: 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.

Approach to data ethics

It is the company's assessment that it does not have data that has not been adequately handled via the GDPR legislation, which is why there is currently no need of a data ethics policy.

Uncertainty relating to recognition and measurement

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

Unusual events

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

Income Statement 1 January - 31 December

	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
		kDKK	kDKK	kDKK	kDKK
Revenue	1	**2.550.148**	**2.579.690**	**0**	**0**
Production costs	2	-2.058.064	-2.115.860	0	0
Gross profit/loss		**492.084**	**463.830**	**0**	**0**
Distribution expenses	2	-221.262	-198.535	0	0
Administrative expenses	2	-116.712	-107.696	-13.649	-11.104
Development expenditure		-60.780	-42.777	0	0
Operating profit/loss		**93.330**	**114.822**	**-13.649**	**-11.104**
Other operating income		6.547	0	5.931	5.282
Other operating expenses		-12.294	0	-2.392	0
Profit/loss before financial income and expenses		**87.583**	**114.822**	**-10.110**	**-5.822**
Income from investments in subsidiaries		0	0	15.000	10.000
Financial income	3	5.179	11	200	89
Financial expenses	4	-24.665	-40.312	-29	-40
Profit/loss before tax		**68.097**	**74.521**	**5.061**	**4.227**
Tax on profit/loss for the year	5	-39.790	-39.717	-76	1.381
Net profit/loss for the year		**28.307**	**34.804**	**4.985**	**5.608**

Balance Sheet 31 December

Assets

	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
		kDKK	kDKK	kDKK	kDKK
Completed development projects		6.924	7.309	0	0
Acquired intangible assets		1.184.679	1.215.580	0	0
Goodwill		1.390.920	1.218.655	0	0
Development projects in progress		114.672	60.427	0	0
Intangible assets	6	**2.697.195**	**2.501.971**	**0**	**0**
Land and buildings		47.852	42.027	0	0
Plant and machinery		69.602	35.494	0	0
Other fixtures and fittings, tools and equipment		43.670	34.051	0	0
Property, plant and equipment in progress		20.480	44.308	0	0
Property, plant and equipment	7	**181.604**	**155.880**	**0**	**0**
Investments in subsidiaries	8	0	0	1.463.316	1.463.316
Other investments	9	326	326	0	0
Deposits	9	5.471	4.378	0	0
Fixed asset investments		**5.797**	**4.704**	**1.463.316**	**1.463.316**
Fixed assets		**2.884.596**	**2.662.555**	**1.463.316**	**1.463.316**
Inventories	10	**351.604**	**329.731**	**0**	**0**
Trade receivables		274.832	415.942	0	0
Contract work in progress	11	7.088	21.880	0	0
Receivables from group enterprises		0	0	18.878	9.216
Other receivables		67.324	89.217	11	6
Deferred tax asset	15	2.021	2.606	0	0
Corporation tax		0	0	371	1.270
Prepayments	12	8.025	6.011	0	0
Receivables		**359.290**	**535.656**	**19.260**	**10.492**
Cash at bank and in hand		**290.872**	**241.935**	**488**	**821**
Currents assets		**1.001.766**	**1.107.322**	**19.748**	**11.313**
Assets		**3.886.362**	**3.769.877**	**1.483.064**	**1.474.629**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2021	2020	2021	2020
		kDKK	kDKK	kDKK	kDKK
Share capital	13	15.008	15.000	15.008	15.000
Reserve for hedging transactions		-3.604	-1.915	0	0
Reserve for exchange rate conversion		-5.050	-4.853	0	0
Retained earnings		1.438.447	1.411.425	1.459.642	1.455.942
Equity		**1.444.801**	**1.419.657**	**1.474.650**	**1.470.942**
Provision for deferred tax	15	274.233	280.033	0	0
Other provisions	16	45.798	64.859	0	0
Provisions		**320.031**	**344.892**	**0**	**0**
Credit institutions		1.448.373	1.248.150	0	0
Other payables		25.000	55.000	0	0
Long-term debt	17	**1.473.373**	**1.303.150**	**0**	**0**
Credit institutions	17	7.168	4.709	0	0
Trade payables		441.686	508.077	0	0
Contract work in progress, liabilities	11	4.925	4.083	0	0
Payables to group enterprises		0	0	6.031	0
Corporation tax		64.859	36.295	0	0
Other payables	17,18	129.519	149.014	2.383	3.687
Short-term debt		**648.157**	**702.178**	**8.414**	**3.687**
Debt		**2.121.530**	**2.005.328**	**8.414**	**3.687**
Liabilities and equity		**3.886.362**	**3.769.877**	**1.483.064**	**1.474.629**
Distribution of profit	14				
Contingent assets, liabilities and other financial obligations	21				
Subsequent events	22				
Related parties	23				
Accounting Policies	24				

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	15.000	-1.915	-4.853	1.411.425	1.419.657
Exchange adjustments	0	0	-197	0	-197
Cash capital increase	8	0	0	1.270	1.278
Purchase of treasury shares	0	0	0	-5.155	-5.155
Sale of treasury shares	0	0	0	2.600	2.600
Fair value adjustment of hedging instruments, end of year	0	-2.124	0	0	-2.124
Tax on adjustment of hedging instruments for the year	0	435	0	0	435
Net profit/loss for the year	0	0	0	28.307	28.307
Equity at 31 December	**15.008**	**-3.604**	**-5.050**	**1.438.447**	**1.444.801**

Parent Company

	Share capital	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Total
Equity at 1 January	15.000	0	0	1.455.942	1.470.942
Cash capital increase	8	0	0	1.270	1.278
Purchase of treasury shares	0	0	0	-5.155	-5.155
Sale of treasury shares	0	0	0	2.600	2.600
Net profit/loss for the year	0	0	0	4.985	4.985
Equity at 31 December	**15.008**	**0**	**0**	**1.459.642**	**1.474.650**

Cash Flow Statement 1 January - 31 December

	Note	Group 2021	Group 2020
		kDKK	kDKK
Net profit/loss for the year		28.307	34.804
Adjustments	19	311.401	293.716
Change in working capital	20	69.500	25.620
Cash flows from operating activities before financial items		**409.208**	**354.140**
Financial income		5.179	11
Financial expenses		-21.762	-21.543
Cash flows from ordinary activities		**392.625**	**332.608**
Corporation tax paid		-44.702	-5.630
Cash flows from operating activities		**347.923**	**326.978**
Purchase of intangible assets		-54.415	-42.162
Purchase of property, plant and equipment		-48.143	-53.607
Acquisition of enterprises		-368.742	-240.946
Sale of property, plant and equipment		1.401	0
Increase of deposits		-1.093	0
Cash, Acquired enterprises		5.302	0
Cash flows from investing activities		**-465.690**	**-336.715**
Repayment of other long-term debt		-30.000	0
Raising of loans from credit institutions		202.682	150.000
Purchase of treasury shares		-5.155	0
Sale of treasury shares		2.600	0
Cash capital increase		1.278	0
Dividend paid		0	-2.733
Cash flows from financing activities		**171.405**	**147.267**
Change in cash and cash equivalents		**53.638**	**137.530**
Cash and cash equivalents at 1 January		241.935	121.456
Effect of exchange gain/losses		-4.701	-17.051
Cash and cash equivalents at 31 December		**290.872**	**241.935**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		290.872	241.935
Cash and cash equivalents at 31 December		**290.872**	**241.935**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	kDKK	kDKK	kDKK	kDKK
1 Revenue				
Geographical segments				
Europe	2.058.363	2.128.397	0	0
Asia	357.698	300.084	0	0
North America	121.439	143.985	0	0
Other countries	12.648	7.224	0	0
	2.550.148	**2.579.690**	**0**	**0**
Business segments				
Products	2.364.821	2.459.558	0	0
Services	185.327	120.132	0	0
	2.550.148	**2.579.690**	**0**	**0**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	kDKK	kDKK	kDKK	kDKK
2 Staff				
Wages and Salaries	376.091	313.215	11.606	9.985
Pensions	13.225	9.316	5	5
Other social security expenses	21.321	20.356	47	30
	410.637	**342.887**	**11.658**	**10.020**
Including remuneration to the Executive Board	**11.658**	**10.020**	**1.166**	**1.002**
Average number of employees	**1.526**	**1.394**	**2**	**2**

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.

A.P. Møller Holding A/S has introduced a cash-settled co-investment programme which are determined by the development in the value creation of KK Wind Solutions 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	
	2021	2020	2021	2020
	kDKK	kDKK	kDKK	kDKK

3 Financial income

Interest received from group enterprises	0	0	192	0
Other financial income	5.179	11	8	89
	5.179	**11**	**200**	**89**

4 Financial expenses

Other interest expenses	21.762	21.543	17	22
Exchange loss	2.903	18.769	12	18
	24.665	**40.312**	**29**	**40**

5 Tax on profit/loss for the year

Current tax for the year	69.987	45.514	-371	-1.381
Deferred tax for the year	-30.770	-16.924	0	0
Adjustment of tax concerning previous years	138	2.210	447	0
Adjustment of deferred tax concerning previous years	0	8.917	0	0
	39.355	**39.717**	**76**	**-1.381**
which breaks down as follows:				
Tax on profit/loss for the year	39.790	39.717	76	-1.381
Tax on changes in equity	-435	0	0	0
	39.355	**39.717**	**76**	**-1.381**

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	24.057	1.422.827	1.282.484	60.427
Net effect from merger and acquisition	0	109.480	248.048	6.870
Additions for the year	0	0	0	54.415
Transfers for the year	7.040	0	0	-7.040
Cost at 31 December	31.097	1.532.307	1.530.532	114.672
Impairment losses and amortisation at 1 January	16.748	207.247	63.829	0
Impairment losses for the year	0	17.410	0	0
Amortisation for the year	7.425	122.971	75.783	0
Impairment losses and amortisation at 31 December	24.173	347.628	139.612	0
Carrying amount at 31 December	**6.924**	**1.184.679**	**1.390.920**	**114.672**

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	44.774	46.981	43.087	44.308
Exchange adjustment	-494	-337	376	106
Net effect from merger and acquisition	7.669	0	0	0
Additions for the year	1.205	23.748	21.256	1.934
Disposals for the year	0	-156	-1.245	0
Transfers for the year	0	25.868	0	-25.868
Cost at 31 December	53.154	96.104	63.474	20.480
Impairment losses and depreciation at 1 January	2.747	11.487	9.036	0
Exchange adjustment	-123	-313	239	0
Depreciation for the year	2.678	15.454	10.583	0
Reversal of impairment and depreciation of sold assets	0	-126	-54	0
Impairment losses and depreciation at 31 December	5.302	26.502	19.804	0
Carrying amount at 31 December	**47.852**	**69.602**	**43.670**	**20.480**
Including assets under finance leases amounting to	0	7	4.420	0

Notes to the Financial Statements

	Parent Company	
	2021	2020
	kDKK	kDKK

8 Investments in subsidiaries

	2021 kDKK	2020 kDKK
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%	313.846	2.347

9 Other fixed asset investments

	Group	
	Other investments	Deposits
	kDKK	kDKK
Cost at 1 January	326	4.378
Additions for the year	0	1.093
Cost at 31 December	326	5.471
Carrying amount at 31 December	**326**	**5.471**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	kDKK	kDKK	kDKK	kDKK
10 Inventories				
Raw materials and consumables	232.094	196.743	0	0
Work in progress	68.398	45.838	0	0
Finished goods and goods for resale	51.112	87.150	0	0
	351.604	**329.731**	**0**	**0**
11 Contract work in progress				
Selling price of work in progress	173.028	106.069	0	0
Payments received on account	-170.865	-88.272	0	0
	2.163	**17.797**	**0**	**0**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	7.088	21.880	0	0
Prepayments received recognised in debt	-4.925	-4.083	0	0
	2.163	**17.797**	**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:

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

	Group		Parent Company	
	2021	2020	2021	2020
	kDKK	kDKK	kDKK	kDKK

14 Distribution of profit

Retained earnings	28.307	34.804	4.985	5.608
	28.307	**34.804**	**4.985**	**5.608**

Notes to the Financial Statements

15 Provision for deferred tax

	Group		Parent Company	
	2021	2020	2021	2020
	kDKK	kDKK	kDKK	kDKK
Provision for deferred tax at 1 January	277.427	249.783	0	0
Net effect from merger and acquisition	25.555	35.651	0	0
Amounts recognised in the income statement for the year	-30.770	-8.007	0	0
Provision for deferred tax at 31 December	**272.212**	**277.427**	**0**	**0**
Deferred tax				
Calculated tax asset	2.021	2.606	0	0
Calculated tax liability	274.233	280.033	0	0
Carrying amount	**272.212**	**277.427**	**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		Parent Company	
	2021	2020	2021	2020
	kDKK	kDKK	kDKK	kDKK
Other provisions	45.798	64.859	0	0
	45.798	**64.859**	**0**	**0**

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

Notes to the Financial Statements

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		Parent Company	
	2021	2020	2021	2020
	kDKK	kDKK	kDKK	kDKK
Credit institutions				
Between 1 and 5 years	1.448.373	1.248.150	0	0
Long-term part	1.448.373	1.248.150	0	0
Within 1 year	2.844	4.709	0	0
Other short-term debt to credit institutions	4.324	0	0	0
Short-term part	7.168	4.709	0	0
	1.455.541	**1.252.859**	**0**	**0**
Other payables				
Between 1 and 5 years	25.000	55.000	0	0
Long-term part	25.000	55.000	0	0
Within 1 year	30.000	30.000	0	0
Other short-term payables	99.519	119.014	2.383	3.687
Short-term part	129.519	149.014	2.383	3.687
	154.519	**204.014**	**2.383**	**3.687**

Notes to the Financial Statements

18 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts and interest rate swaps have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Group	
	2021	2020
	kDKK	kDKK
Other payables	4.621	2.514

Forward exchange contracts have been concluded to hedge future purchase of goods in PLN. At the balance sheet date, the fair value of the forward exchange contracts amounts to kDKK -4.411. The forward exchange contracts have a term of 1-12 months for an amount of kPLN 144,000.

Interest rate swap contract has been concluded to hedge future interest payments on floating rate loans. The contract has a term of 5 years. The interest rate swap contract ensures a fixed interest rate on payables to mortgage credit institutions. The fair value of the interest rate swap contract amounts to kDKK -210.

Notes to the Financial Statements

	Group	
	2021	2020
	kDKK	kDKK
19 Cash flow statement - adjustments		
Financial income	-5.179	-11
Financial expenses	24.665	40.312
Depreciation, amortisation and impairment losses, including losses and gains on sales	252.125	213.698
Tax on profit/loss for the year	39.790	39.717
	311.401	**293.716**

20 Cash flow statement - change in working capital

	2021	2020
Change in inventories	-6.704	-5.793
Change in receivables	208.262	-44.112
Change in other provisions	-19.061	3
Change in trade payables, etc	-110.983	78.324
Other adjustments	-2.014	-2.802
	69.500	**25.620**

Notes to the Financial Statements

21 Contingent assets, liabilities and other financial obligations

	Group		Parent Company	
	2021	2020	2021	2020
	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	9.378	9.739	0	0
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:	121.447	119.469	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 amounts to kDKK 6,521 at 31. December 2021. 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.

22 Subsequent events

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

Notes to the Financial Statements

23 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

24 Accounting Policies

The Annual Report of KK Wind Solutions Holding A/S for 2021 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 2021 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.

Business combinations

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

Notes to the Financial Statements

24 Accounting Policies (continued)

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. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

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 value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

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.

Notes to the Financial Statements

24 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.

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.

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. The most significant conditions of the share option plans are disclosed in the notes.

Notes to the Financial Statements

24 Accounting Policies (continued)

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.

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

Notes to the Financial Statements

24 Accounting Policies (continued)

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.

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

24 Accounting Policies (continued)

costs.

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

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

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

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

Notes to the Financial Statements

24 Accounting Policies (continued)

Leasehold improvements	3-5 years

The fixed assets' residual values are determined at kDKK 2.339.

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.

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

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

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 indi-

Notes to the Financial Statements

24 Accounting Policies (continued)

rect 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 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.

Notes to the Financial Statements

24 Accounting Policies (continued)

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

24 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

24 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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