Sjølund Management ApS

Skamlingvejen 146, DK-6093 Sjølund

Annual Report for 1 October 2019 - 30 September 2020

CVR No 39 13 85 65

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 22/12 2020

Finn Mortensen
Chairman of the General Meeting

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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Sjølund Management ApS for the financial year 1 October 2019 - 30 September 2020.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 September 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019/20.

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.

Kolding, 22 December 2020

Executive Board

Zoran Aleksi CEO	Finn Mortensen Executive Officer	Christian Østergaard Executive Officer

Independent Auditor's Report

To the Shareholder of Sjølund Management ApS

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 30 September 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 October 2019 - 30 September 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Sjølund Management ApS for the financial year 1 October 2019 - 30 September 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows (”the Financial Statements”).

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the 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.

Trekantområdet, 22 December 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen
State Authorised Public Accountant
mne30224

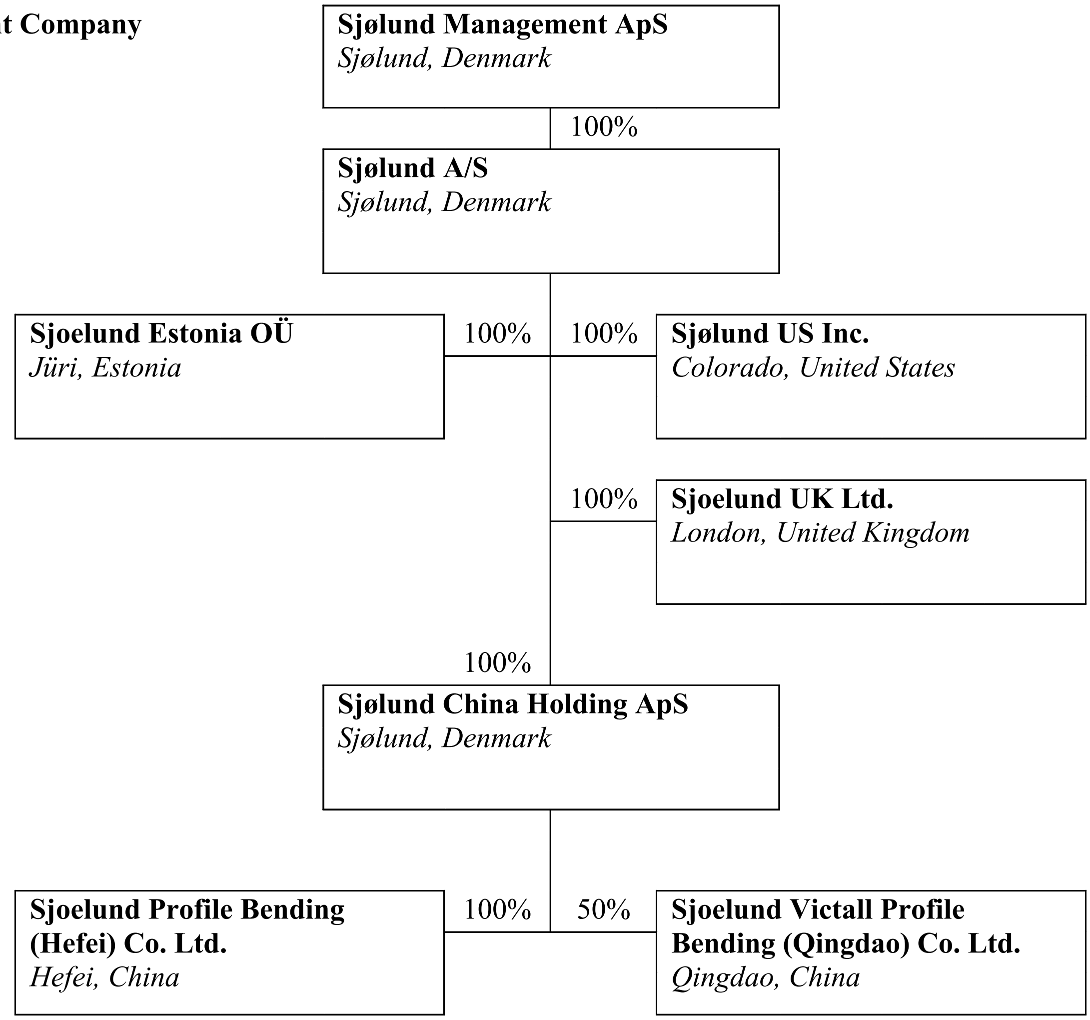
Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Company Information

The Company	Sjølund Management ApS Skamlingvejen 146 DK-6093 Sjølund CVR No: 39 13 85 65 Financial period: 1 October - 30 September Municipality of reg. office: Kolding
Executive Board	Zoran Aleksi Finn Mortensen Christian Østergaard
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Group Chart

Parent Company



Financial Highlights

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

	Group		
	2019/20	2018/19	2017/18
	TDKK	TDKK	TDKK
Key figures			
Profit/loss			
Gross profit/loss	97.579	106.300	60.962
Profit/loss before financial income and expenses	-4.292	8.178	9.639
Net financials	-9.457	-14.930	-7.999
Net profit/loss for the year	-15.495	-9.845	-1.641
Balance sheet			
Balance sheet total	302.163	322.963	334.834
Equity	6.094	21.421	34.561
Cash flows			
Cash flows from:			
- operating activities	-9.344	34.694	9.197
- investing activities	-4.546	-6.656	-244.266
including investment in property, plant and equipment	-4.253	0	-970
- financing activities	-5.640	-4.357	273.812
Change in cash and cash equivalents for the year	-19.530	23.681	38.743
Number of employees	205	220	124
Ratios			
Return on assets	-1,4%	2,5%	2,9%
Solvency ratio	2,0%	6,6%	10,3%
Return on equity	-112,6%	-35,2%	-9,5%

For definitions, see under accounting policies.

Management’s Review

Key activities

Sjølund Management ApS group's main activity is profile bending, machining and welding of steel and aluminum profiles. We drive to create value for our customers with delivering quality products andinnovative solutions.

Development in the year

The income statement of the Group for 2019/20 shows a loss of TDKK 15,495, and at 30 September 2020 the balance sheet of the Group shows equity of TDKK 6,094.

The main reasons for the decrease in result is:

- Continued long sale-in period in 2 of the segments/markets highly effected by COVID-19. The cost to develop the sales as been incurred in the financial year but the increase in activity/sales has been materializing fare slower than excepted.

- High competition in wind segment resulting in reduced margin and continued under utilization of facility in Estonia.

The result of the group is by management evaluated as unsatisfactory considering the marked development.

The past year and follow-up on development expectations from last year

The expectation going into this financial year was that the result would be at a significantly higher levelthan the year before. The result for 2019/20 is realized at TDKK -15,495 compared to TDKK -9,845 last year which is below expectations as per last financial report. This is due to decrease in activity anddevelopment of segments as mentioned above.

Capital resources

With the presented balance sheet and the expectations for 2020/21 we believe that the company has sufficient capital resources available.

Special risks - operating risks and financial risks

Foreign exchange risks

As per business model of the company there are no special risks neither commercially nor financially.

The group has a currency exposure with regards to fluctuation in USD and due to business activities in the US market.

Management's Review

Targets and expectations for the year ahead

For the year 2020/21 the result is expected to be at the same level as 2018/19. This is based on a highorderbook and very promising sales-pipeline going into the financial year 2020/21.

External environment

It is the valuation of the management that the environment impact of the activities of the Sjølund Groupare limited. All production processes are powered by electricity with rec-certification. The productionfacility it heated with gas or electricity. Water is only used for sanitary purposes.

Furthermore, the group is certified in accordance with ISO 14001 standard and consequently monitoringand focusing on reduction and optimizing on the environment impact of the activities.

Income Statement 1 October - 30 September

		Group		Parent company	
	Note	2019/20	2018/19	2019/20	2018/19
		TDKK	TDKK	TDKK	TDKK
Gross profit/loss		**97.579**	**106.300**	**6.025**	**6.879**
Staff expenses	2	-75.385	-70.258	-5.728	-6.553
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-26.486	-27.864	0	0
Profit/loss before financial income and expenses		**-4.292**	**8.178**	**297**	**326**
Income from investments in subsidiaries		0	0	-10.750	-2.426
Financial income	3	1.388	452	1.153	752
Financial expenses	4	-10.845	-15.382	-7.366	-10.589
Profit/loss before tax		**-13.749**	**-6.752**	**-16.666**	**-11.937**
Tax on profit/loss for the year	5	-1.746	-3.093	1.171	2.092
Net profit/loss for the year		**-15.495**	**-9.845**	**-15.495**	**-9.845**

Balance Sheet 30 September

Assets

		Group		Parent company	
	Note	2019/20	2018/19	2019/20	2018/19
		TDKK	TDKK	TDKK	TDKK
Technology based assets		7.300	8.300	0	0
Costumer related assets		25.900	29.400	0	0
Goodwill		109.587	124.262	0	0
Intangible assets	6	**142.787**	**161.962**	**0**	**0**
Plant and machinery		21.109	22.920	0	0
Other fixtures and fittings, tools and equipment		12	34	0	0
Property, plant and equipment in progress		0	1.508	0	0
Property, plant and equipment	7	**21.121**	**24.462**	**0**	**0**
Investments in subsidiaries	8	0	0	173.717	184.631
Deposits	9	296	0	0	0
Fixed asset investments		**296**	**0**	**173.717**	**184.631**
Fixed assets		**164.204**	**186.424**	**173.717**	**184.631**
Raw materials and consumables		4.478	5.805	0	0
Work in progress		9.971	6.884	0	0
Finished goods and goods for resale		21.551	2.883	0	0
Inventories		**36.000**	**15.572**	**0**	**0**
Trade receivables		53.990	53.196	0	0
Receivables from group enterprises		0	0	22.501	31.873
Other receivables		865	1.318	0	0
Deferred tax asset	10	4.210	4.029	3.875	2.960
Receivables		**59.065**	**58.543**	**26.376**	**34.833**
Cash at bank and in hand		**42.894**	**62.424**	**1.438**	**454**
Currents assets		**137.959**	**136.539**	**27.814**	**35.287**
Assets		**302.163**	**322.963**	**201.531**	**219.918**

Balance Sheet 30 September

Liabilities and equity

	Note	Group 2019/20 TDKK	Group 2018/19 TDKK	Parent company 2019/20 TDKK	Parent company 2018/19 TDKK
Share capital		745	745	745	745
Retained earnings		5.349	20.676	5.349	20.676
Equity		**6.094**	**21.421**	**6.094**	**21.421**
Credit institutions		107.403	116.434	59.684	64.707
Lease obligations		1.349	1.152	0	0
Payables to group enterprises		122.199	118.184	122.199	118.184
Other payables		4.151	0	645	0
Long-term debt	12	**235.102**	**235.770**	**182.528**	**182.891**
Credit institutions	12	9.339	9.247	4.977	4.977
Lease obligations	12	1.425	2.338	0	0
Trade payables		26.544	15.239	0	0
Payables to group enterprises	12	0	0	0	70
Corporation tax		4.539	6.321	4.517	6.248
Other payables	12	19.120	32.627	3.415	4.311
Short-term debt		**60.967**	**65.772**	**12.909**	**15.606**
Debt		**296.069**	**301.542**	**195.437**	**198.497**
Liabilities and equity		**302.163**	**322.963**	**201.531**	**219.918**

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Statement of Changes in Equity

Group

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 October	745	20.676	21.421
Exchange adjustments	0	-612	-612
Fair value adjustment of hedging instruments, beginning of year	0	4.921	4.921
Fair value adjustment of hedging instruments, end of year	0	-3.925	-3.925
Tax on adjustment of hedging instruments for the year	0	-216	-216
Net profit/loss for the year	0	-15.495	-15.495
Equity at 30 September	**745**	**5.349**	**6.094**

Parent company

	Share capital	Retained earnings	Total
Equity at 1 October	745	20.676	21.421
Exchange adjustments	0	-612	-612
Fair value adjustment of hedging instruments, beginning of year	0	4.921	4.921
Fair value adjustment of hedging instruments, end of year	0	-3.925	-3.925
Tax on adjustment of hedging instruments for the year	0	-216	-216
Net profit/loss for the year	0	-15.495	-15.495
Equity at 30 September	**745**	**5.349**	**6.094**

Cash Flow Statement 1 October - 30 September

	Note	Group 2019/20	Group 2018/19
		TDKK	TDKK
Net profit/loss for the year		-15.495	-9.845
Adjustments	13	37.077	46.430
Change in working capital	14	-17.824	13.616
Cash flows from operating activities before financial income and expenses		**3.758**	**50.201**
Financial income		1.388	451
Financial expenses		-10.846	-12.538
Cash flows from ordinary activities		**-5.700**	**38.114**
Corporation tax		-3.644	-3.420
Cash flows from operating activities		**-9.344**	**34.694**
Purchase of intangible assets		0	-6.656
Purchase of property, plant and equipment		-4.253	0
Fixed asset investments made etc		-293	0
Cash flows from investing activities		**-4.546**	**-6.656**
Repayment of loans from credit institutions		-8.939	-8.534
Reduction of lease obligations		-716	-3.426
Repayment of payables to group enterprises		4.015	7.603
Cash flows from financing activities		**-5.640**	**-4.357**
Change in cash and cash equivalents		**-19.530**	**23.681**
Cash and cash equivalents at 1 October		62.424	38.743
Cash and cash equivalents at 30 September		**42.894**	**62.424**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		42.894	62.424
Cash and cash equivalents at 30 September		**42.894**	**62.424**

Notes to the Financial Statements

1 Subsequent events

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

2 Staff expenses

	Group		Parent company	
	2019/20	2018/19	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK
Wages and salaries	64.210	58.772	4.797	5.613
Pensions	3.431	3.195	915	927
Other social security expenses	7.728	8.278	0	0
Other staff expenses	16	13	16	13
	75.385	**70.258**	**5.728**	**6.553**
Including remuneration to the Executive Board of:				
Executive Board	5.712	7.290	0	0
	5.712	**7.290**	**0**	**0**
Average number of employees	**205**	**220**	**4**	**4**

3 Financial income

	Group 2019/20	Group 2018/19	Parent company 2019/20	Parent company 2018/19
Interest received from group enterprises	0	0	716	752
Other financial income	1.388	452	437	0
	1.388	**452**	**1.153**	**752**

4 Financial expenses

	Group 2019/20	Group 2018/19	Parent company 2019/20	Parent company 2018/19
Interest paid to group enterprises	4.332	7.603	4.332	7.603
Other financial expenses	6.513	7.779	3.034	2.986
	10.845	**15.382**	**7.366**	**10.589**

Notes to the Financial Statements

	Group		Parent company	
	2019/20	2018/19	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK
5 Tax on profit/loss for the year				
Current tax for the year	2.143	3.362	-40	-877
Deferred tax for the year	-181	-1.351	-915	-1.672
	1.962	**2.011**	**-955**	**-2.549**
which breaks down as follows:				
Tax on profit/loss for the year	1.746	3.093	-1.171	-2.092
Tax on changes in equity	216	-1.082	216	-457
	1.962	**2.011**	**-955**	**-2.549**

6 Intangible assets

Group

	Technology based assets	Costumer related assets	Goodwill
	TDKK	TDKK	TDKK
Cost at 1 October	10.000	35.000	146.967
Cost at 30 September	10.000	35.000	146.967
Impairment losses and amortisation at 1 October	1.700	5.600	22.705
Amortisation for the year	1.000	3.500	14.675
Impairment losses and amortisation at 30 September	2.700	9.100	37.380
Carrying amount at 30 September	**7.300**	**25.900**	**109.587**
Amortised over	10 years	10 years	10 years

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK
Cost at 1 October	35.363	112	1.508
Exchange adjustment	-514	0	0
Additions for the year	5.761	0	0
Disposals for the year	-2.320	0	0
Transfers for the year	1.508	0	-1.508
Cost at 30 September	39.798	112	0
Impairment losses and depreciation at 1 October	12.443	78	0
Exchange adjustment	-308	0	0
Depreciation for the year	7.366	22	0
Reversal of impairment and depreciation of sold assets	-812	0	0
Impairment losses and depreciation at 30 September	18.689	100	0
Carrying amount at 30 September	**21.109**	**12**	**0**
Including assets under finance leases amounting to	989	0	0

Notes to the Financial Statements

	Parent company	
	2019/20	2018/19
	TDKK	TDKK

8 Investments in subsidiaries

	2019/20 TDKK	2018/19 TDKK
Cost at 1 October	214.479	214.479
Cost at 30 September	214.479	214.479
Value adjustments at 1 October	-29.848	4.253
Exchange adjustment	-612	543
Net profit/loss for the year	6.352	14.676
Dividend to the Parent Company	0	-30.000
Amortisation of goodwill	-17.102	-17.102
Other adjustments	448	-2.218
Value adjustments at 30 September	-40.762	-29.848
Carrying amount at 30 September	**173.717**	**184.631**
Positive differences arising on initial measurement of subsidiaries at net asset value	118.176	164.351

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Sjølund A/S	Kolding	500.000	100%

9 Other fixed asset investments

	Group
	Deposits
	TDKK
Additions for the year	296
Cost at 30 September	296
Carrying amount at 30 September	**296**

Notes to the Financial Statements

10 Deferred tax asset

	Group 2019/20 TDKK	Group 2018/19 TDKK	Parent company 2019/20 TDKK	Parent company 2018/19 TDKK
Deferred tax asset at 1 October	4.029	2.678	2.960	1.288
Amounts recognised in the income statement for the year	181	1.351	915	1.672
Deferred tax asset at 30 September	**4.210**	**4.029**	**3.875**	**2.960**

The recognised tax asset comprises mainly on deferred tax on interest expenses which is expected to be utilised in four years.

11 Distribution of profit

	Parent company 2019/20 TDKK	Parent company 2018/19 TDKK
Reserve for net revaluation under the equity method	0	-2.578
Retained earnings	-15.495	-7.267
	-15.495	**-9.845**

12 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 2019/20 TDKK	Group 2018/19 TDKK	Parent company 2019/20 TDKK	Parent company 2018/19 TDKK
Credit institutions				
Between 1 and 5 years	107.403	116.434	59.684	64.707
Long-term part	107.403	116.434	59.684	64.707
Within 1 year	9.339	9.247	4.977	4.977
	116.742	**125.681**	**64.661**	**69.684**

Notes to the Financial Statements

12 Long-term debt (continued)

	Group		Parent company	
	2019/20	2018/19	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK
Lease obligations				
Between 1 and 5 years	1.349	1.152	0	0
Long-term part	1.349	1.152	0	0
Within 1 year	1.425	2.338	0	0
	2.774	**3.490**	**0**	**0**
Payables to group enterprises				
After 5 years	122.199	118.184	122.199	118.184
Long-term part	122.199	118.184	122.199	118.184
Other short-term debt to group enterprises	0	0	0	70
	122.199	**118.184**	**122.199**	**118.254**
Other payables				
Between 1 and 5 years	4.151	0	645	0
Long-term part	4.151	0	645	0
Other short-term payables	19.120	32.627	3.418	4.310
	23.271	**32.627**	**4.063**	**4.310**

Notes to the Financial Statements

	Group	
	2019/20	2018/19
	TDKK	TDKK

13 Cash flow statement - adjustments

Financial income	-1.388	-452
Financial expenses	10.845	15.382
Depreciation, amortisation and impairment losses, including losses and gains on sales	26.486	27.864
Tax on profit/loss for the year	1.746	3.093
Other adjustments	-612	543
	37.077	**46.430**

14 Cash flow statement - change in working capital

Change in inventories	-20.428	10.031
Change in receivables	-341	5.623
Change in trade payables, etc	1.949	2.882
Fair value adjustments of hedging instruments	996	-4.920
	-17.824	**13.616**

Notes to the Financial Statements

15 Contingent assets, liabilities and other financial obligations

	Group		Parent company	
	2019/20	2018/19	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	1.387	1.289	0	0
Between 1 and 5 years	301	56	0	0
	1.688	**1.345**	**0**	**0**
Lease commitments, non-cancellation period up to 123 months (2018/2019: 135 months)	33.526	36.573	0	0

Other contingent liabilities

The company has issued gurantee to bank as part of the group finance facility agreement in Sjølund A/S which is limited to DKK 138,920k

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 by the Group amounts to DKK 4,539k. 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.

16 Related parties

	Basis
Controlling interest	
DBAG CELERO Invest S.á.rl. 8 Rue Lou Hemmer 1748 Findel Luxembourg	Ultimate Parent Company

Notes to the Financial Statements

16 Related parties (continued)

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.

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Sjølund Management ApS for 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2019/20 are presented in TDKK.

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, Sjølund Management ApS, 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

17 Accounting Policies (continued)

Business combinations

Business acquisitions carried through on or after 1 July 2018

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

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

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

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.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.

- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance

17 **Accounting Policies** (continued)

sheet.

- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.

- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.

- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Leases

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

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

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

Translation policies

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

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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

Hedge accounting

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.

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.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Notes to the Financial Statements

17 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

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. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Costumer related assets and technology based assets are measured at the lower of cost less accumulatedamortisation and recoverableamount. Client relationships are amortised on a straight-line basis over itsuseful life, which is assessed at 10 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

Notes to the Financial Statements

17 Accounting Policies (continued)

are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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:

Plant and machinery	5-10	years
Other fixtures and fittings, tools and equipment	3-10	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial debts

Loans, such as 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.

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.

Financial Highlights

Explanation of financial ratios

Notes to the Financial Statements

17 **Accounting Policies** (continued)

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