

HAWE Energy Solutions A/S

Roskildevej 8, 2620 Albertslund

CVR no. 46 05 93 28

Annual report for 2022

This annual report has been adopted at the
annual general meeting on 30.06.23

Stefan Schmid

Chairman of the meeting

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The company

HAWE Energy Solutions A/S
Roskildevej 8
2620 Albertslund
CVR no.: 46 05 93 28
Financial year: 01.01 - 31.12

Executive Board

Stefan Schmid

Board of Directors

Robert Axel Schullan, chairman
Karl Alexander Haeusgen
Wolfgang Dieter Sochor

Auditors

EY Godkendt Revisionspartnerselskab

Parent company

HAWE Holding GmbH

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.22 - 31.12.22 for HAWE Energy Solutions A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities and cash flows for the financial year 01.01.22 - 31.12.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Albertslund, June 8, 2023

Executive Board

Stefan Schmid

Board of Directors

Robert Axel Schullan
Chairman

Karl Alexander Haeusgen

Wolfgang Dieter Sochor

To the Shareholder of HAWE Energy Solutions A/S**Opinion**

We have audited the financial statements of HAWE Energy Solutions A/S for the financial year 01.01.22 - 31.12.22, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.22 and of the results of the company's operations and cash flows for the financial year 01.01.22 - 31.12.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

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

Statement regarding the management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Frederiksberg, June 8, 2023

EY Godkendt Revisionspartnerselskab

CVR no. 30700228

Claus Tanggaard Jacobsen

State Authorized Public Accountant

MNE-no. mne23314

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2022	2021	2020	2019	2018
<i>Profit/loss</i>					
Operating profit/loss	-79,190	500	5,505	-15,612	830
Index	-9,541	60	663	-1,881	100
Total net financials	4,328	3,367	-1,555	-1,408	320
Profit/loss for the year	-78,653	1,779	3,066	-13,526	970

Balance

Total assets	103,729	130,576	227,743	138,524	156,357
Investments in property, plant and equipment	550	758	488	516	156
Equity	19,180	61,980	61,503	58,276	44,912

Ratios

	2022	2021	2020	2019	2018
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Equity ratio

Solvency ratio	18%	47%	27%	42%	29%
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Ratios definitions

Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$				
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Primary activities

The company is a leading provider of highly-profiled products and solutions that drive the development of sustainable solutions for our customers. The company's primary activities are engineering, trade and production.

Development in activities and financial affairs

The company achieved a profit loss tax of th. DKK -78.653, which is at a lower level than expected at the beginning of the year. 2022 has been characterized by the very low activity in the worldwide Wind market and challenges in the supply chain. The result for the year is overall considered not satisfactory.

The equity of the company amounted to th. DKK 19.180 at the end of the financial year.

The company was as per 15th of March acquired by HAWE SE.

Outlook

With the short-term outlook for sustainable/Wind Energy in a global perspective, the company considers 2023 to be a transition year, in which the result is expected to be a deficit between th. DKK -25.000 and th. DKK -30.000.

There are still some uncertainties in connection with pandemics that might have an impact on the markets where the company operates. Also the war in Ukraine or other places might have some negative effects, primarily in high prices on goods and freight.

HAWE Holdings GmbH, which is the sole shareholder of HAWE Energy Solutions A/S, has declared that it is committed to make financial resources available to HAWE Energy Solutions A/S to an extent that ensures the company's continued operation, including capital increase to be implemented in 2023.

The letter of support is valid up to and including 31 December 2023.

Knowledge resources

To secure the continued competitiveness of the company, the resources necessary for the maintenance and development of the competencies of the company are applied. Also, the company has access to knowledge and resources from HAWE Group.

Financial risks

The company is affected by a range of commercial, operational, and financial risks, managed and mitigated through comprehensive risk management and insurance setup.

Research and development activities

The company continuously applies resources for developing and improving products and systems. This work is done internally as well as in collaboration with customers and suppliers.

Subsequent events

In the first month of 2023, the company has demerged into two companies called HAWE Energy Solutions A/S and HAWE Hydraulik Denmark A/S.

The new ownership is expected to have a positive effect on the development of the company in the coming years.

Income statement

Note	2022 DKK '000	2021 DKK '000
Gross result	-28,202	76,628
1 Staff costs	-50,271	-75,496
Profit/loss before depreciation, amortisation, write-downs and impairment losses	-78,473	1,132
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-655	-632
Other operating expenses	-62	0
Operating profit/loss	-79,190	500
2 Income from equity investments in group enterprises	10,104	4,191
3 Financial income	2,909	63
4 Financial expenses	-8,685	-887
Profit/loss before tax	-74,862	3,867
5 Tax on profit or loss for the year	-3,791	-2,088
Profit/loss for the year	-78,653	1,779
6 Proposed appropriation account		

ASSETS		31.12.22	31.12.21
Note		DKK '000	DKK '000
	Acquired rights	0	9
7	Total intangible assets	0	9
	Leasehold improvements	179	343
	Plant and machinery	640	294
	Other fixtures and fittings, tools and equipment	231	685
8	Total property, plant and equipment	1,050	1,322
9	Equity investments in group enterprises	19,422	9,064
10	Deposits	187	954
	Total investments	19,609	10,018
	Total non-current assets	20,659	11,349
	Raw materials and consumables	10,604	13,863
	Manufactured goods and goods for resale	29,951	27,190
	Total inventories	40,555	41,053
	Trade receivables	15,841	23,119
	Receivables from group enterprises	12,471	40,725
13	Deferred tax asset	0	4,797
	Other receivables	543	142
11	Prepayments	210	786
	Total receivables	29,065	69,569
	Cash	13,450	8,605
	Total current assets	83,070	119,227
	Total assets	103,729	130,576

EQUITY AND LIABILITIES		31.12.22	31.12.21
Note		DKK '000	DKK '000
12	Share capital	605	600
	Reserve for net revaluation according to the equity method	12,100	1,742
	Cash flow hedging reserve	0	-2,127
	Retained earnings	6,475	61,765
Total equity		19,180	61,980
14	Other provisions	28,102	5,835
Total provisions		28,102	5,835
15	Payables to group enterprises	26,028	0
15	Other payables	5,963	8,102
Total long-term payables		31,991	8,102
	Trade payables	10,805	15,521
	Payables to group enterprises	4,571	21,347
	Other payables	8,870	14,854
16	Deferred income	210	2,937
Total short-term payables		24,456	54,659
Total payables		56,447	62,761
Total equity and liabilities		103,729	130,576
17	Contingent liabilities		
18	Related parties		

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Foreign currency translation reserve	Cash flow hedging reserve	Retained earnings	Total equity
Statement of changes in equity for 01.01.21 - 31.12.21						
Balance as at 01.01.21	600	0	161	0	60,742	61,503
Foreign currency translation adjustment of foreign enterprises	0	826	-161	0	161	826
Fair value adjustment of hedging instruments	0	0	0	-2,727	0	-2,727
Tax on changes in equity	0	0	0	600	0	600
Net profit/loss for the year	0	916	0	0	862	1,778
Balance as at 31.12.21	600	1,742	0	-2,127	61,765	61,980
Statement of changes in equity for 01.01.22 - 31.12.22						
Balance as at 01.01.22	600	1,742	0	-2,127	61,765	61,980
Foreign currency translation adjustment of foreign enterprises	0	254	0	0	0	254
Capital increase	5	0	0	0	33,467	33,472
Dissolution of fair value reserve on realization	0	0	0	2,127	0	2,127
Fair value adjustment of hedging instruments	0	0	0	0	2,127	2,127
Net profit/loss for the year	0	10,104	0	0	-90,884	-80,780
Balance as at 31.12.22	605	12,100	0	0	6,475	19,180

Cash flow statement

Note	2022 DKK '000	2021 DKK '000
Profit/loss for the year	-78,653	1,779
19 Adjustments	2,907	-2,795
Change in working capital:		
Inventories	498	49,581
Receivables	8,777	24,055
Trade payables	-4,715	-38,742
Other payables relating to operating activities	11,416	5,401
Cash flows from operating activities before net financials	-59,770	39,279
Interest income and similar income received	2,909	63
Interest expenses and similar expenses paid	-8,685	-887
Income tax paid / received	406	-2,841
Cash flows from operating activities	-65,140	35,614
Purchase of property, plant and equipment	-550	-758
Sale of property, plant and equipment	113	20
Loans	767	341
Cash flows from investing activities	330	-397
Raising of additional capital	33,472	0
Arrangement of payables to group enterprises	36,183	0
Repayment of payables to group enterprises	0	-13,169
Cash flows from financing activities	69,655	-13,169
Total cash flows for the year	4,845	22,048
Cash, beginning of year	8,605	3,155
Short-term payables to credit institutions, beginning of year	0	-16,598
Cash, end of year	13,450	8,605
Cash, end of year, comprises:		
Cash	13,450	8,605
Total	13,450	8,605

	2022 DKK '000	2021 DKK '000
1. Staff costs		
Wages and salaries	43,809	65,438
Pensions	3,863	5,779
Other social security costs	844	1,371
Other staff costs	1,755	2,908
Total	50,271	75,496
Average number of employees during the year	74	123
Remuneration for the management:		
Salaries for the Executive Board	267	
Pension for the Executive Board	487	
Total remuneration for the Executive Board	754	
2. Income from equity investments in group enterprises		
Share of profit or loss of group enterprises	10,104	4,191
Total	10,104	4,191
3. Financial income		
Interest, group enterprises	0	63
Other interest income	266	0
Other financial income	2,643	0
Total	2,909	63

	2022 DKK '000	2021 DKK '000
4. Financial expenses		
Interest, group enterprises	1,039	0
Other interest expenses	230	813
Other financial expenses	7,416	74
Total	8,685	887

5. Tax on profit or loss for the year

Adjustment of deferred tax for the year	3,791	-64
Adjustment of tax in respect of previous years	0	2,152
Total	3,791	2,088

6. Proposed appropriation account

Reserve for net revaluation according to the equity method	10,104	916
Other reserves	2,127	0
Retained earnings	-90,884	863
Total	-78,653	1,779

7. Intangible assets

Figures in DKK '000	Acquired rights
Cost as at 01.01.22	6,631
Cost as at 31.12.22	6,631
Amortisation and impairment losses as at 01.01.22	-6,623
Amortisation during the year	-8
Amortisation and impairment losses as at 31.12.22	-6,631
Carrying amount as at 31.12.22	0
Carrying amount of assets held under finance leases as at 31.12.22	0

8. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.01.22	4,432	11,926	1,877
Additions during the year	0	550	0
Disposals during the year	-3,992	-6,059	-546
Cost as at 31.12.22	440	6,417	1,331
Depreciation and impairment losses as at 01.01.22	-4,089	-11,633	-1,193
Depreciation during the year	-164	-157	-324
Reversal of impairment losses in respect of previous years	3,992	6,013	417
Depreciation and impairment losses as at 31.12.22	-261	-5,777	-1,100
Carrying amount as at 31.12.22	179	640	231

9. Equity investments in group enterprises

Figures in DKK '000	Equity invest- ments in group enterprises
Cost as at 01.01.22	7,322
Cost as at 31.12.22	7,322
Revaluations as at 01.01.22	1,742
Foreign currency translation adjustment of foreign enterprises	254
Net profit/loss from equity investments	10,104
Revaluations as at 31.12.22	12,100
Carrying amount as at 31.12.22	19,422
Name and registered office:	Ownership interest
Subsidiaries:	
Sirodan China ApS, Copenhagen	100%
Sirodan India 1 ApS under frivillig likvidation, Copenhagen	100%
Sirodan USA ApS under frivillig likvidation, Copenhagen	100%

10. Other non-current financial assets

Figures in DKK '000	Deposits
Cost as at 01.01.22	954
Additions during the year	37
Disposals during the year	-804
Cost as at 31.12.22	187
Carrying amount as at 31.12.22	187

31.12.22	31.12.21
DKK '000	DKK '000

11. Prepayments

Prepaid insurance premiums	125	0
Prepaid administrative costs	53	757
Other prepayments	32	29
Total	210	786

12. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK'000
Share capital	605	605
Capital increase during the financial year	5	5

	31.12.22	31.12.21
	DKK '000	DKK '000

13. Deferred tax

Provisions for deferred tax as at 01.01.22	4,797	4,133
Deferred tax recognised in the income statement	-4,197	64
Deferred tax recognised in equity	-600	600
Provisions for deferred tax as at 31.12.22	0	4,797

14. Other provisions

Figures in DKK '000	Other provisions
Provisions as at 01.01.22	5,835
Provisions during the year	22,267
Provisions as at 31.12.22	28,102
	31.12.22
	DKK '000
	31.12.21
	DKK '000

Other provisions are expected to be distributed as follows:

Current liabilities	28,102	5,835
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15. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.22	Total payables at 31.12.21
Payables to group enterprises	0	21,605	26,028	0
Other payables	0	5,963	5,963	8,102
Total	0	27,568	31,991	8,102

	31.12.22 DKK '000	31.12.21 DKK '000
	210	210
	0	2,727
Total	210	2,937

16. Deferred income

Deferred income	210	210
Currency swap	0	2,727
Total	210	2,937

17. Contingent liabilities*Lease commitments*

The company has concluded lease agreements with terms to maturity of 1-24 months and average lease payments of th.DKK 48, a total of th.DKK 557.

The company has entered into rent obligations with a period of non-terminability until 31.03.23 - 01.02.2026 with a total payment of th.DKK 3,639.

17. Contingent liabilities - continued -

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and serves as the administration company. The company has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

The company makes on going provisions for any product claims that may arise.

18. Related parties

Controlling influence	Basis of influence
HAWE Holding GmbH	Ownership
HAWE Hydraulik SE	Ownership

Transactions	Relation	2022 DKK '000
Purchase of goods	Group enterprises	-8,367
Sale of goods	Group enterprises	24,272
Purchase of services	Group enterprises	-483
Sale of service	Group enterprises	8,051
Reimbursements	Group enterprises	120

Remuneration for the management is specified in note 1. Staff costs.

Balances	31.12.22 DKK '000
Receivables from group enterprises	12,471
Payables to group enterprises	-30,599

The company is included in the consolidated financial statements of the parent HAWE Hydraulik SE.

	2022	2021
	DKK '000	DKK '000
19. Adjustments for the cash flow statement		
Other operating income	0	-20
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	655	632
Other operating expenses	62	0
Income from equity investments in group enterprises	-10,104	-4,191
Financial income	-2,909	-63
Financial expenses	8,685	887
Tax on profit or loss for the year	3,791	2,088
Other adjustments	2,727	-2,128
Total	2,907	-2,795

20. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of HAWE Hydraulik SE, CVR no. DE180016108, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

20. Accounting policies - continued -**DERIVATIVE FINANCIAL INSTRUMENTS**

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

20. Accounting policies - continued -**INCOME STATEMENT****Gross result**

Gross result comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

The company has chosen ISA 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

20. Accounting policies - continued -**Depreciation, amortisation and impairment losses**

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK '000
Acquired rights	3-5	0
Leasehold improvements	3-5	0
Plant and machinery	5-8	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Income from equity investments in group enterprises

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

20. Accounting policies - continued -**Other net financials**

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Intangible assets***Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated

20. Accounting policies - continued -

depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income

20. Accounting policies - continued -

from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

20. Accounting policies - continued -**Receivables**

The company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. The reserve is measured less deferred tax. The reserve is dissolved when the hedged transaction occurs, or it is no longer expected to occur.

Provisions

Other provisions comprise expected expenses incidental to restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

20. Accounting policies - continued -**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

20. Accounting policies - continued -**CASH FLOW STATEMENT**

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash.