
KK Wind Solutions Holding A/S

Bøgildvej 3, DK-7430 Ikast

Annual Report for 1 January - 31 December 2023

CVR No 39 06 70 48

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/4 2024

Allan Gabriel Zandberg
Chair of the General
Meeting



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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 2023.

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 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2023.

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, 22 April 2024

Executive Board

Mauricio Fernando Quintana
CEO

Bjørn Reinhardt Mogensen
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 2023 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 2023 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 2023, 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 cash flow statement ("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 Financial Statements Act.

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 22 April 2024

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

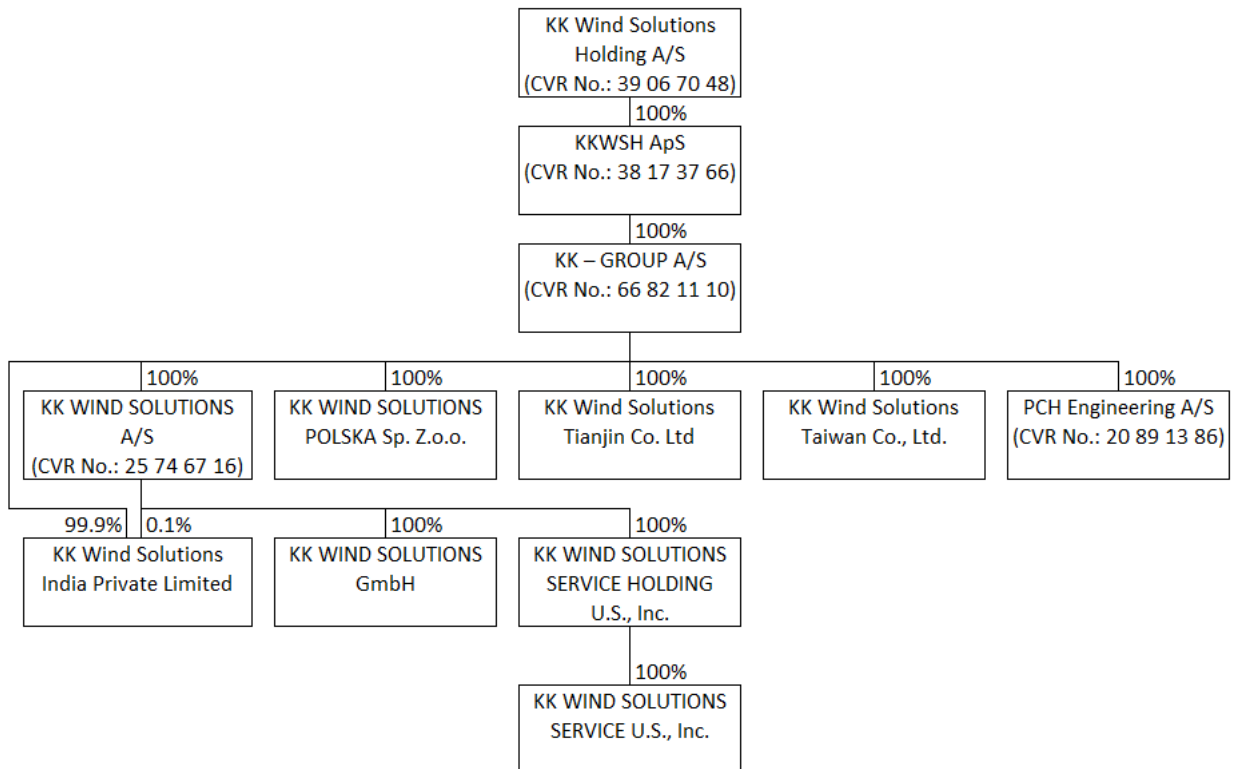
Executive Board

Mauricio Fernando Quintana
Bjørn Reinhardt Mogensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Group Chart



Financial Highlights

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

	Group				
	2023 kDKK	2022 kDKK	2021 kDKK	2020 kDKK	2019 kDKK
Key figures					
Profit/loss					
Revenue	5.486.054	2.581.240	2.550.148	2.579.690	671.551
Gross profit/loss	817.872	381.443	193.843	465.999	91.037
Operating profit/loss	-901	-95.192	95.428	117.346	-85.788
Net financials	-164.829	-67.697	-24.053	-45.203	-14.574
Net profit/loss for the year	-163.817	-142.542	26.166	32.991	-75.804
Balance sheet					
Balance sheet total	7.040.861	5.291.585	4.000.124	3.883.861	3.479.895
Equity	2.071.196	1.291.843	1.438.274	1.414.952	1.393.641
Cash flows					
Cash flows from:					
- operating activities	1.114.568	-88.809	362.908	340.982	109.760
- investing activities	-1.416.392	-1.291.882	-465.690	-336.715	-1.808.944
including investment in property, plant and equipment	-42.594	-60.105	-48.143	-53.607	-16.130
- financing activities	724.997	1.305.302	156.420	133.263	1.821.606
Change in cash and cash equivalents for the year	423.173	-75.389	53.638	137.530	122.422
Number of employees	2.312	1.655	1.526	1.394	1.139
Ratios					
Gross margin	14,9%	14,8%	7,6%	18,1%	13,6%
Net margin	-2,9%	-5,5%	1,1%	1,3%	-11,2%
Solvency ratio	29,4%	24,4%	36,0%	36,4%	40,0%
Return on equity	-9,7%	-10,4%	2,5%	2,3%	-5,4%

For definitions, see under accounting policies.

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

The financial highlights for all financial years have been updated to reflect the Group's implementation of IFRS 15: Revenue from contracts with customers and IFRS 16: Leases.

Management's Review

Key activities

KK Wind Solutions Holding A/S group's (KK Group) activities are managed from the headquarter in Ikast, Denmark and from the main sites in Poland, Germany, India, Taiwan, China and USA. The activities are supported by sales and engineering representation in all main markets.

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.

Development in the year

2023 was a busy year for KK Group with the acquisition of Vestas' converter and controls business, including three converter and controls factories located in Hammel (DK), Oragadam (IN) and Tianjin (CN). In addition, Vestas and KK Group have agreed to jointly develop converters with both companies' engineering teams fully dedicated to the partnership. In total, KK Wind Group took over 600 highly experienced and skilled employees when closing the acquisition.

Market conditions have stabilised during 2023, and KK Group has managed to increase the order book by 95% to 3.450 mDKK and revenue for the year by 113% to 5.486 mDKK. In the Annual Report for 2022, revenue for 2023 was expected to be around 5.000 mDKK, which was exceeded. However, increasing cost for financing of acquisitions resulted in a loss for the year of 164 mDKK, which is lower than the expected result beginning of the year around nil. Cash flows from operating activities increased to 1.115 mDKK, marking a significant improvement, while investments into long-term value creation continued with a cash outflow of 1,416 mDKK, primarily related to the Vestas acquisition.

Throughout the financial year 2023, KK Group improved its resilience in a difficult business environment, while further expanding the partnership with key customers, all thanks to the efforts of the +2.300 colleagues ensuring strong collaboration with customers and strategic suppliers.

Risks

KK Group is handling risk management in its corporate functions. This includes ERM processes, internal controls and governance structures.

Management's Review

Operating risks

KK Group's primary activities are within the Wind Industry which are characterised by a few large OEMs of wind turbines. In recent years, KK Group has increased the product portfolio including internally developed technology to de-risk the business model and reduce the levelized cost of energy of customer products.

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

KK Group has no specific risks besides what is common to the industry and the above mentioned operating risk.

Foreign exchange risks

KK Group operates in various international markets, exposing KK Group to foreign exchange risks arising from fluctuations in currency exchange rates. These risks may impact the financial performance and cash flows.

The reporting currency for KK Group is DKK. The majority of KK Group's sales are in DKK, EUR and CNY. The primary currencies exposing KK Group to foreign exchange risk related to purchases include PLN, USD and CNY. As KK Group also operates in Taiwan and India, FX exposure related to INR and TWD also exists.

KK Group employs hedging strategies defined in the Financial Policy to mitigate the FX exposure which mainly include the use of forward contracts for a term up to one year.

The currency exposure is continuously monitored and effectiveness of hedging strategies is evaluated to minimize potential risks.

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

Interest rate risks

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

The risk is monitored and hedging is applied when relevant.

Management's Review

Events after the balance sheet date

On 1 January 2024, the transaction to acquire Nissens Cooling Solutions from APMH INVEST XXI ApS was closed. Nissens Cooling Solutions is the market-leading supplier of customised cooling solutions for the wind industry and other industries. The acquisition expands the global manufacturing presence, adding more than 800 employees and sites in the Czech Republic, China, Denmark, Slovakia.

Expectations for 2024

Including the impact of the acquisition of Nissens Cooling Solutions, revenue for KK Wind Solutions is expected to land around 7,500 mDKK. Due to continued acquisition and restructuring costs related to Nissens Cooling Solutions, KK Group forecasts a negative result after tax slightly higher than in 2023.

Research and development

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

Intellectual capital resources

KK Group works within development, production and maintenance of advanced and reliable systems for wind turbines. This places high demands for knowledge resources and innovation within key domains. KK Group's scope of work requires attracting, sustaining and developing employees that have leading edge knowledge within wind turbines and advanced electromechanical solutions. KK Group has defined key competency areas within Electrical Power, Data & Analytics and Integrated Supply Chain Networks being the lighthouses for training and development of employees. The ambition is that employees are continuously trained via education and cooperation with universities, so that the most recent knowledge is constantly present in the organisation.

Statement on corporate social responsibility and on approach to data ethics, cf. sections 99a and 99d of the Danish Financial Statements Act

As a leading systems supplier to the renewable energy industry, KK Group recognises its responsibility to work actively with sustainability to benefit its customers, employees, and the societies in which it operates. Please refer to the ESG Report 2023, published on 22 April 2024 regarding the statement on corporate social responsibility and on approach to data ethics, cf. sections 99a and 99d of the Danish Financial Statements Act: <https://kkwindsolutions.com/Files/Files/Reports/ESG-Report-2023.pdf>

Management's Review

Statement on gender composition, cf. section 99b of the Danish Financial Statements Act

The workforce of the Group has a breakdown of approximately 65% males and 35% females. The industry has evolved to include more women and KK Group aims to increase their representation in years to come.

To obtain a more even gender split, and a more welcoming and inclusive workplace. KK Group has created a Diversity and Inclusion policy, with a number of actions. This is active for all companies within the group and was started in 2023 with focus on a more inclusive way of hiring talent, mentorship and career support programs, cultural sensitivity, leadership engagement, and setting and reporting goals.

In connection with the composition of the Board of Directors, KK Wind Solutions continuously works towards the ambition of having a more diverse gender composition. During 2023, the opportunities of meeting the 2024 target of 33% representation of the underrepresented gender have been discussed and at the coming general assembly the Board of Directors will present a suggested change to deliver on the agreed target by securing representation of one additional female in the Board of Directors.

Given a Senior Management team of 3 people and an equal 33% target for equal representation, no legal target is required.

Management's Review

Overview

	KK Group A/S¹	KK Wind Solutions Holding A/S
	2023	2023
Board of Directors²:		
Total number of members	5	3
Ratio of the underrepresented gender	20%	0%
Target figure	40%	33%
Target year	2024	2024
Senior management³:		
Total number of members	42	3
Ratio of the underrepresented gender	12%	33%
Target figure	20%	N/A
Target year	2027	N/A

¹ The Board of Directors in the subsidiary KK Group A/S is included in the group figures as this is the board that is actively engaged in setting the direction and strategy of the group.

² Board of Directors is reported at the end of the reporting period. Information has been sourced from the Central Business Register (CVR) and any employee-elected members have been excluded from the calculation.

³ Senior Management is based on headcount at the end of the reporting period. Senior Management is defined with reference to the guidance on "Targets and policy for the gender composition of management and for reporting on this" published by the Danish Business Authority and include top management and their direct reports, where these reports manage reports in the reporting legal entity.

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 2023 of KK Group and the results of the activities of KK Group for the financial year for 2023 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2023 kDKK	2022 kDKK	2023 kDKK	2022 kDKK
Revenue	1	5.486.054	2.581.240	0	0
Production costs	2	-4.668.182	-2.199.797	0	0
Gross profit/loss		817.872	381.443	0	0
Distribution expenses	2	-395.174	-241.408	0	0
Administrative expenses	2	-273.267	-116.211	-22.739	-9.044
Development expenditure	2	-150.332	-119.016	0	0
Operating profit/loss		-901	-95.192	-22.739	-9.044
Other operating income		0	4.603	6.712	8.727
Other operating expenses		-3.380	-8.500	0	0
Profit/loss before financial income and expenses		-4.281	-99.089	-16.027	-317
Income from investments in subsidiaries		0	0	25.000	25.000
Financial income	3	67.053	4.660	58.754	533
Financial expenses	4	-231.882	-72.357	-9.540	-34
Profit/loss before tax		-169.110	-166.786	58.187	25.182
Tax on profit/loss for the year	5	5.293	24.244	-7.275	1.249
Net profit/loss for the year		-163.817	-142.542	50.912	26.431

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2023 kDKK	2022 kDKK	2023 kDKK	2022 kDKK
Completed development projects		100.880	79.333	0	0
Acquired intangible assets		1.839.990	1.090.788	0	0
Goodwill		1.494.850	1.303.495	0	0
Development projects in progress		68.907	90.336	0	0
Intangible assets	6	3.504.627	2.563.952	0	0
Land and buildings		417.445	193.972	0	0
Plant and machinery		187.733	60.286	0	0
Other fixtures and fittings, tools and equipment		81.982	49.901	0	0
Property, plant and equipment in progress		24.397	5.866	0	0
Property, plant and equipment	7	711.557	310.025	0	0
Investments in subsidiaries	8	0	0	1.463.316	1.463.316
Other investments	9	326	326	0	0
Deposits	9	9.599	3.089	0	0
Fixed asset investments		9.925	3.415	1.463.316	1.463.316
Fixed assets		4.226.109	2.877.392	1.463.316	1.463.316
Inventories	10	1.351.459	601.965	0	0
Trade receivables		672.146	411.407	0	0
Contract work in progress	11	11.727	6.395	0	0
Receivables from group enterprises		0	0	1.567.930	47.033
Other receivables	18	93.381	1.151.746	0	0
Deferred tax asset	15	12.011	3.822	20	0
Corporation tax		29.270	0	0	0
Prepayments	12	24.879	37.530	213	0
Receivables		843.414	1.610.900	1.568.163	47.033
Cash at bank and in hand		619.879	201.328	0	5
Currents assets		2.814.752	2.414.193	1.568.163	47.038
Assets		7.040.861	5.291.585	3.031.479	1.510.354

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2023 kDKK	2022 kDKK	2023 kDKK	2022 kDKK
Share capital	13	20.553	15.008	20.553	15.008
Reserve for hedging transactions		5.833	2.948	0	0
Reserve for exchange rate conversion		-28.306	-7.856	0	0
Retained earnings		2.073.116	1.281.743	2.484.719	1.478.617
Equity		2.071.196	1.291.843	2.505.272	1.493.625
Provision for deferred tax	15	264.846	265.522	0	0
Other provisions	16	81.157	47.202	0	0
Provisions		346.003	312.724	0	0
Mortgage loans		26.251	27.692	0	0
Credit institutions		2.595.692	1.695.425	499.192	0
Lease obligations		100.384	84.196	0	0
Other payables		0	8.500	0	0
Long-term debt	17	2.722.327	1.815.813	499.192	0
Mortgage loans	17	1.240	1.133	0	0
Credit institutions	17	36.460	13.731	9.836	0
Lease obligations	17	40.400	24.053	0	0
Trade payables		1.627.520	547.402	1.702	236
Contract work in progress, liabilities	11	21.711	12.196	0	0
Payables to group enterprises		2.689	1.096.899	0	15.200
Corporation tax		0	2.638	7.337	42
Other payables	17	166.526	126.129	8.140	1.251
Deferred income	19	4.789	47.024	0	0
Short-term debt		1.901.335	1.871.205	27.015	16.729
Debt		4.623.662	3.687.018	526.207	16.729
Liabilities and equity		7.040.861	5.291.585	3.031.479	1.510.354
Distribution of profit	14				
Contingent assets, liabilities and other financial obligations	22				
Subsequent events	23				
Related parties	24				
Accounting Policies	25				

Statement of Changes in Equity

Group

	Share capital	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Total
	kDKK	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	15.008	2.948	-7.856	1.286.816	1.296.916
Net effect from change of accounting policy	0	0	0	-5.073	-5.073
Adjusted equity at 1 January	15.008	2.948	-7.856	1.281.743	1.291.843
Exchange adjustments	0	0	-20.450	0	-20.450
Capital increase	5.545	0	0	944.454	949.999
Purchase of treasury shares	0	0	0	-7.296	-7.296
Sale of treasury shares	0	0	0	18.032	18.032
Fair value adjustment of hedging instruments, end of year	0	3.699	0	0	3.699
Tax on adjustment of hedging instruments for the year	0	-814	0	0	-814
Net profit/loss for the year	0	0	0	-163.817	-163.817
Equity at 31 December	20.553	5.833	-28.306	2.073.116	2.071.196

Parent Company

Equity at 1 January	15.008	0	0	1.478.617	1.493.625
Capital increase	5.545	0	0	944.454	949.999
Purchase of treasury shares	0	0	0	-7.296	-7.296
Sale of treasury shares	0	0	0	18.032	18.032
Net profit/loss for the year	0	0	0	50.912	50.912
Equity at 31 December	20.553	0	0	2.484.719	2.505.272

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2023 kDKK	2022 kDKK
Net profit/loss for the year		-163.817	-142.542
Adjustments	20	638.147	364.303
Change in working capital	21	830.007	-220.493
Cash flows from operating activities before financial items		1.304.337	1.268
Financial income		56.425	4.660
Financial expenses		-210.178	-46.010
Cash flows from ordinary activities		1.150.584	-40.082
Corporation tax paid		-36.016	-48.727
Cash flows from operating activities		1.114.568	-88.809
Purchase of intangible assets		-56.076	-79.194
Purchase of property, plant and equipment		-42.594	-60.105
Acquisition of enterprises		-1.311.212	-58.066
Prepayment, enterprises		0	-1.096.899
Change in deposits		-6.510	2.382
Cash flows from investing activities		-1.416.392	-1.291.882
Repayment of loans from credit institutions		-601.067	-1.452.136
Repayment of lease obligations		-37.772	-23.635
Raising / repayment of payables to group enterprises		-1.096.899	1.096.899
Repayment of other long-term debt		0	-30.000
Raising of mortgage loans		0	26.205
Raising of loans from credit institutions		1.500.000	1.695.425
Purchase of treasury shares		-7.296	-9.556
Sale of treasury shares		18.032	2.100
Capital increase		949.999	0
Cash flows from financing activities		724.997	1.305.302
Change in cash and cash equivalents		423.173	-75.389
Cash and cash equivalents at 1 January		201.328	290.872
Effect of exchange gain/losses		-4.622	-14.155
Cash and cash equivalents at 31 December		619.879	201.328
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		619.879	201.328
Cash and cash equivalents at 31 December		619.879	201.328

Notes to the Financial Statements

1 Revenue	Group		Parent Company	
	2023	2022	2023	2022
	kDKK	kDKK	kDKK	kDKK
Geographical segments				
Europe	4.424.380	2.054.860	0	0
Asia	870.058	376.777	0	0
North America	148.494	100.238	0	0
Other countries	43.122	49.365	0	0
	5.486.054	2.581.240	0	0
Business segments				
Products	5.038.436	2.355.865	0	0
Services	447.618	225.375	0	0
	5.486.054	2.581.240	0	0

Notes to the Financial Statements

	Group		Parent Company	
	2023 kDKK	2022 kDKK	2023 kDKK	2022 kDKK
2 Staff				
Wages and Salaries	674.241	400.148	17.972	6.983
Pensions	34.453	14.864	143	4
Other social security expenses	43.360	29.688	84	134
	752.054	444.700	18.199	7.121
Including remuneration to the Executive Board	15.904	7.121	1.590	712
Average number of employees	2.312	1.655	3	2

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

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	
	2023 kDKK	2022 kDKK	2023 kDKK	2022 kDKK
3 Financial income				
Interest received from group enterprises	0	0	58.666	533
Other financial income	55.420	4.660	0	0
Exchange gains	11.633	0	88	0
	67.053	4.660	58.754	533
4 Financial expenses				
Interest paid to group enterprises	6.684	0	0	0
Other interest expenses	225.198	59.741	9.540	12
Exchange loss	0	12.616	0	22
	231.882	72.357	9.540	34
5 Tax on profit/loss for the year				
Current tax for the year	-7.167	-200	7.337	42
Deferred tax for the year	-10.250	-17.823	-20	0
Adjustment of tax concerning previous years	11.275	-11.362	-42	-1.291
Adjustment of deferred tax concerning previous years	1.663	6.989	0	0
	-4.479	-22.396	7.275	-1.249
which breaks down as follows:				
Tax on profit/loss for the year	-5.293	-24.244	7.275	-1.249
Tax on changes in equity	814	1.848	0	0
	-4.479	-22.396	7.275	-1.249

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	134.775	1.582.176	1.530.453	90.336
Exchange adjustment	0	-965	-421	0
Additions for the year - business combination	0	929.218	303.599	0
Additions for the year	0	552	0	55.524
Disposals for the year	-2.039	0	0	0
Transfers for the year	76.953	-1.813	0	-76.953
Cost at 31 December	<u>209.689</u>	<u>2.509.168</u>	<u>1.833.631</u>	<u>68.907</u>
Impairment losses and amortisation at 1 January	55.442	491.388	226.958	0
Exchange adjustment	0	93	-33	0
Amortisation for the year	54.666	178.938	111.856	0
Impairment and amortisation of sold assets for the year	-1.299	0	0	0
Transfers for the year	0	-1.241	0	0
Impairment losses and amortisation at 31 December	<u>108.809</u>	<u>669.178</u>	<u>338.781</u>	<u>0</u>
Carrying amount at 31 December	<u>100.880</u>	<u>1.839.990</u>	<u>1.494.850</u>	<u>68.907</u>

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	234.605	101.530	90.109	5.866
Exchange adjustment	-273	4.172	615	260
Additions for the year - business combination	227.785	160.227	49.476	914
Additions for the year	42.839	11.039	27.832	18.070
Disposals for the year	-341	-10.497	-60.640	0
Transfers for the year	467	6.828	-4.770	-713
Cost at 31 December	<u>505.082</u>	<u>273.299</u>	<u>102.622</u>	<u>24.397</u>
Impairment losses and depreciation at 1 January	40.633	41.244	40.208	0
Exchange adjustment	1.533	4.936	1.233	0
Depreciation for the year	45.326	49.867	35.754	0
Impairment and depreciation of sold assets for the year	-263	-10.073	-57.796	0
Transfers for the year	408	-408	1.241	0
Impairment losses and depreciation at 31 December	<u>87.637</u>	<u>85.566</u>	<u>20.640</u>	<u>0</u>
Carrying amount at 31 December	<u>417.445</u>	<u>187.733</u>	<u>81.982</u>	<u>24.397</u>
Including assets under finance leases amounting to	<u>114.130</u>	<u>6.495</u>	<u>14.148</u>	<u>0</u>

Notes to the Financial Statements

	Parent Company	
	2023	2022
	kDKK	kDKK
8 Investments in subsidiaries		
Cost at 1 January	1.463.316	1.463.316
Carrying amount at 31 December	1.463.316	1.463.316

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
KKWSH ApS	Ikast, Denmark	100%	292.452	-6.753

9 Other fixed asset investments

	Group	
	Other investments	Deposits
	kDKK	kDKK
Cost at 1 January	326	3.089
Additions for the year	0	6.510
Cost at 31 December	326	9.599
Carrying amount at 31 December	326	9.599

Notes to the Financial Statements

	Group		Parent Company	
	2023 kDKK	2022 kDKK	2023 kDKK	2022 kDKK
10 Inventories				
Raw materials and consumables	1.062.346	424.956	0	0
Work in progress	145.359	111.041	0	0
Finished goods and goods for resale	143.754	65.968	0	0
	1.351.459	601.965	0	0
11 Contract work in progress				
Selling price of work in progress	174.216	180.039	0	0
Payments received on account	-184.200	-185.840	0	0
	-9.984	-5.801	0	0
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	11.727	6.395	0	0
Prepayments received recognised in debt	-21.711	-12.196	0	0
	-9.984	-5.801	0	0
12 Prepayments				

Prepayments consist of prepaid costs relating to rent, insurance, subscriptions and leases.

Notes to the Financial Statements

13 Equity

The share capital is broken down as follow:

	Number	Nominal value kDKK
A-shares	2.019.149	2.019
B-shares	170.118	170
C-shares	18.363.494	18.364
		20.553

The share capital has developed as follows:

	2023 kDKK	2022 kDKK	2021 kDKK	2020 kDKK	2019 kDKK
Share capital at 1 January	15.008	15.008	15.000	17.733	17.733
Capital increase	5.545	0	8	0	0
Capital decrease	0	0	0	-2.733	0
Share capital at 31 December	20.553	15.008	15.008	15.000	17.733

14 Distribution of profit

	Group		Parent Company	
	2023 kDKK	2022 kDKK	2023 kDKK	2022 kDKK
Retained earnings	-163.817	-142.542	50.912	26.431
	-163.817	-142.542	50.912	26.431

Notes to the Financial Statements

	Group		Parent Company	
	2023 kDKK	2022 kDKK	2023 kDKK	2022 kDKK
15 Provision for deferred tax				
Provision for deferred tax at 1 January	261.700	272.534	0	0
Exchange rate adjustment	-278	0	0	0
Amounts recognised in the income statement for the year	-9.401	-12.682	-20	0
Amounts recognised in equity for the year	814	1.848	0	0
Provision for deferred tax at 31 December	252.835	261.700	-20	0
Deferred tax				
Calculated tax asset	12.011	3.822	20	0
Calculated tax liability	264.846	265.522	0	0
Carrying amount	252.835	261.700	20	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. KK Wind Solutions Holding A/S Group also has an unrecognized deferred tax asset of kDKK 16.605 related to tax loss carry-forwards, that can be carried forward without time limitations.

The Parent Company has an unrecognized deferred tax asset of kDKK 432 related to tax loss carry-forwards, that can be carried forward without time limitations.

16 Other provisions

Other provisions	81.157	47.202	0	0
	81.157	47.202	0	0

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

Notes to the Financial Statements

17 Long-term debt

	Group		Parent Company	
	2023 kDKK	2022 kDKK	2023 kDKK	2022 kDKK
Mortgage loans				
After 5 years	21.122	22.076	0	0
Between 1 and 5 years	5.129	5.616	0	0
Long-term part	26.251	27.692	0	0
Within 1 year	1.240	1.133	0	0
	27.491	28.825	0	0
Credit institutions				
Between 1 and 5 years	2.595.692	1.695.425	499.192	0
Long-term part	2.595.692	1.695.425	499.192	0
Within 1 year	36.460	13.731	9.836	0
	2.632.152	1.709.156	509.028	0
Lease obligations				
After 5 years	19.717	27.910	0	0
Between 1 and 5 years	80.667	56.286	0	0
Long-term part	100.384	84.196	0	0
Within 1 year	40.400	24.053	0	0
	140.784	108.249	0	0
Other payables				
Between 1 and 5 years	0	8.500	0	0
Long-term part	0	8.500	0	0
Within 1 year	33.500	25.000	0	0
Other short-term payables	133.026	101.129	8.140	1.251
Short-term part	166.526	126.129	8.140	1.251
	166.526	134.629	8.140	1.251

Notes to the Financial Statements

18 Derivative financial instruments

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

	Group	
	<u>2023</u>	<u>2022</u>
	kDKK	kDKK
Other receivables	10.244	5.539

Forward exchange contracts have been concluded to hedge future purchase of goods in PLN and USD. At the balance sheet date, the fair value of the forward exchange contracts amounts to kDKK 10.244. The forward exchange contracts have a term of 1-12 months for an amount of kPLN 145.000 and an amount of kUSD 5.500.

19 Deferred income

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

Notes to the Financial Statements

	Group	
	<u>2023</u>	<u>2022</u>
	kDKK	kDKK
20 Cash flow statement - adjustments		
Financial income	-67.053	-4.660
Financial expenses	231.882	72.357
Depreciation, amortisation and impairment losses, including losses and gains on sales	478.611	320.850
Tax on profit/loss for the year	-5.293	-24.244
	<u>638.147</u>	<u>364.303</u>
21 Cash flow statement - change in working capital		
Change in inventories	1.876	-250.361
Change in receivables	-250.189	-138.009
Change in other provisions	33.955	1.404
Change in trade payables, etc	1.044.365	157.973
Other adjustments	0	8.500
	<u>830.007</u>	<u>-220.493</u>

Notes to the Financial Statements

22 Contingent assets, liabilities and other financial obligations

	Group		Parent Company	
	2023 kDKK	2022 kDKK	2023 kDKK	2022 kDKK

Charges and security

The following assets have been placed as security with mortgage credit institutes:

Land and buildings with a carrying amount of	50.984	52.800	0	0
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Other contingent liabilities

The Parent Company has issued a joint surety guarantee limited to DKK 650 million for selected bank facilities with Danske Bank in KKWSH ApS. The net book value of the related bank debt amount to DKK 500 million at 31 December 2023.

The Parent Company has also issued a joint surety guarantee limited to DKK 500 million for selected bank facilities with Danske Bank in KK-Group A/S. The net book value of the related bank debt amount to DKK 200 million at 31 December 2023.

The Parent Company has issued a joint and unlimited surety guarantee for all bank facilities with Nykredit in KKWSH ApS. The net book value of the related bank debt amount to DKK 500 million at 31 December 2023.

The Parent Company has also issued a joint and unlimited surety guarantee for all facilities with Nordea in KKWSH ApS. The net book value of the related debt amount to DKK 500 million at 31 December 2023.

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 8.001 at 31. December 2023. 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. 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.

Notes to the Financial Statements

22 Contingent assets, liabilities and other financial obligations (continued)

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.

23 Subsequent events

On 1 January 2024 the Group acquired Nissens Cooling Solutions which includes production facilities in Denmark, Czech Republic, Slovakia and China and with a total workforce of around 800 employees.

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

24 Related parties

	<u>Basis</u>
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:

<u>Name</u>	<u>Place of registered office</u>
A.P. MØLLER HOLDING A/S, København K, business registration no. 25 67 92 88	Copenhagen, Denmark

Notes to the Financial Statements

25 Accounting Policies

The Annual Report of KK Wind Solutions Holding A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Consolidated and Parent Company Financial Statements for 2023 are presented in kDKK.

Changes in accounting policies

With effect for the financial year 2023, KK Wind Solutions Holding A/S group has chosen to implement the Danish Financial Statements Act's option to apply the recognition and measurement principles in IFRS 15: Revenue from contracts with customers, and IFRS 16: Leases, within the framework of the Act, and the accounting policies are changed accordingly.

The Group's accounting policies have changed, as it is the assessment that the changed accounting policies better lead to a true and fair view of the Group's assets, liabilities, financial position and results.

The changed accounting policies has resulted in following impact to the numbers:

kDKK	2023	2022
Net profit/loss for the year	133	1.633
Assets	134.444	101.235
Equity	-4.940	-5.073

Apart from the above changes, the Annual Report have been prepared using the same accounting policies as last year. The comparative figures have been adjusted to reflect the changed accounting policies.

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

Notes to the Financial Statements

25 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

25 Accounting Policies (continued)

Leases

Leased assets are recognised in the balance sheet equal to the value of the associated lease liability. The lease liability is measured at the present value of the lease payments, calculated using the internal rate of return referred to in the lease or the Group's marginal borrowing rate as the discount rate if the internal rate of return is not available. Leased assets are depreciated and impaired, if relevant, in accordance with the same practice as established for the Group's other fixed assets.

The Group has chosen to apply the exemptions for short-term and low value leases. These lease assets are therefore not recognised in the balance sheet as assets and liabilities. The costs, if any, related to short-term and low value leases are thus recognised in a linear basis in the income statement over the lease period.

The lease liability is recognised in the balance sheet as a debt and is adjusted on an ongoing basis with instalments paid. At the same time, interest is attributed to the debt. Interest costs are recognised in the profit and loss account on an ongoing basis.

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.

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.

Notes to the Financial Statements

25 Accounting Policies (continued)

Hedge accounting

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

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in a separate line for "reserve for hedging transactions" 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 out-flow 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.

Income Statement

Revenue

Revenue from contracts with customers is recognised when the performance obligation has been satisfied, which happens upon the transfer of control to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods and services.

Revenue from the sale of goods is recognised upon the transfer of control to the buyer, which occurs at a point in time.

Revenue from construction contracts and services is recognised based on the transition of control, which

Notes to the Financial Statements

25 Accounting Policies (continued)

occurs over time.

Contract work in progress (construction contracts) and services are included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed and service completed in the financial year (the percentage-of-completion method). This method is used when the total income and costs of the construction contract and the degree of completion at the balance sheet date can be reliably calculated and it is likely that the financial benefits, including payments, will accrue to the Group. The completion rate is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract or the service.

Revenue is recognised net of VAT and less discounts in connection with 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.

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.

Notes to the Financial Statements

25 Accounting Policies (continued)

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, acquired intangible assets, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

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

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 1 - 5 year.

Acquired intangible assets are measured at cost less accumulated amortisation and less any accumulated

Notes to the Financial Statements

25 Accounting Policies (continued)

impairment losses or at a lower value in use.

Acquired intangible assets are amortised over the remaining patent period or a shorter useful life. The amortisation period is 10-20 years.

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

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

Notes to the Financial Statements

25 Accounting Policies (continued)

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

Investments in subsidiaries

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

Other fixed asset investments

Other fixed asset investments consist of deposits and other investments.

Inventories

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

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

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

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

Receivables

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

Contract work in progress

Contract work in progress regarding contracts and services is measured at the selling price of the work performed calculated based on the stage of completion. The completion rate is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract or the service.

Any amounts invoiced to the customers are set off against the selling price of the work performed. The individual contracts are classified as contract assets when the net value is positive and as contract liabilities when the net value is negative.

In situations where it is probable that total contract expenses will exceed total revenue from the contract,

Notes to the Financial Statements

25 Accounting Policies (continued)

the expected loss is recognised as an expense in the income statement.

Expenses relating to sales work and the winning of contracts, that would have been incurred regardless of whether the contracts was won, are recognised in the income statement as incurred.

Prepayments

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-6 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

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

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

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

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

25 Accounting Policies (continued)

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.

Deferred income

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

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.

Notes to the Financial Statements

25 Accounting Policies (continued)

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

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