

**Babcock & Wilcox Renewable Service A/S**

**Energivej 16, 6670 Holsted**

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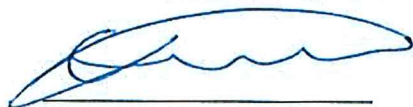
**Annual report**

**1 January - 31 December 2021**

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**Company reg. no. 39 13 42 68**

The annual report was submitted and approved by the general meeting on the 24 May 2022.



**Christopher Nysted Sørensen**  
Chairman of the meeting

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**Notes:**

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

## Management's statement

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Today, the Board of Directors and the Managing Director have approved the annual report of Babcock & Wilcox Renewable Service A/S for the financial year 1 January - 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

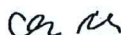
Holsted, 24 May 2022

Managing Director



Christopher Nysted Sørensen

Board of directors



Chris Riker  
cn=Chris Riker, o=Babcock  
& Wilcox, ou  
email=csriker@babcock.co  
m, c=US  
2022.06.08 07:18:45 -0500

Christopher Stephan Riker  
Chairman



Christopher Nysted Sørensen



Cameron Michael Frymyer

## **Independent auditor's report**

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To the shareholders of Babcock & Wilcox Renewable Service A/S

### **Opinion**

We have audited the financial statements of Babcock & Wilcox Renewable Service A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies,, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

### **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 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.

### **Management's Responsibilities for the Financial Statements**

Management is responsible for the preparation of 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 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 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.

## Independent auditor's report

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As part of an audit conducted in accordance with ISAs 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.

### 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.

## Independent auditor's report

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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 Statement Act. We did not identify any material misstatement of Management's Review.

Kolding, 24 May 2022

**Martinsen**  
State Authorised Public Accountants  
Company reg. no. 32 28 52 01

**Jørn Dam Jensen**  
State Authorised Public Accountant  
mne33686



## Company information

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<b>The company</b>	Babcock & Wilcox Renewable Service A/S Energivej 16 6670 Holsted
	Company reg. no. 39 13 42 68 Established: 4 December 2017 Domicile: Vejen Financial year: 1 January - 31 December 4th financial year
<b>Board of directors</b>	Christopher Stephan Riker, Chairman Christopher Nysted Sørensen Cameron Michael Frymyer
<b>Managing Director</b>	Christopher Nysted Sørensen
<b>Auditors</b>	Martinsen Statsautoriseret Revisionspartnerselskab Jupitervej 4 6000 Kolding
<b>Parent company</b>	B&W PGG Luxemburg Finance
<b>Subsidiary</b>	Voda AB, Sverige

## **Management´s review**

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### **The principal activities of the company**

The company's most important activity is servicing and maintenance in the energy sector and related business.

### **Development in activities and financial matters**

The gross profit for the year totals DKK 69.093.012 against DKK 40.763.774 last year. Income or loss from ordinary activities after tax totals DKK 15.568.794 against DKK 3.904.909 last year. Management considers the net profit or loss for the year satisfactory.

### **The expected development**

A continued stable development is expected for the company in the coming year, where strategy has growth and earnings as its main focus.

**Income statement 1 January - 31 December**

All amounts in DKK.

<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Gross profit</b>	<b>69.093.012</b>	<b>40.763.774</b>
2 <b>Staff costs</b>	-45.920.685	-33.969.848
Depreciation and writedown relating to tangible fixed assets	-1.738.148	-1.589.960
<b>Operating profit</b>	<b>21.434.179</b>	<b>5.203.966</b>
Income from investments in subsidiaries	86.362	84.083
Other financial income	11.759	75.761
3 <b>Other financial expenses</b>	-1.559.270	-337.369
<b>Pre-tax net profit or loss</b>	<b>19.973.030</b>	<b>5.026.441</b>
Tax on ordinary results	-4.404.236	-1.121.532
<b>Net profit or loss for the year</b>	<b>15.568.794</b>	<b>3.904.909</b>
<b>Proposed appropriation of net profit:</b>		
Reserves for net revaluation according to the equity method	86.362	84.083
Transferred to retained earnings	15.482.432	3.820.826
<b>Total allocations and transfers</b>	<b>15.568.794</b>	<b>3.904.909</b>

**Balance sheet at 31 December**

All amounts in DKK.

<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Non-current assets</b>		
4 Plant and machinery	1.236.688	2.243.271
5 Other fixtures and fittings, tools and equipment	331.104	619.601
Total property, plant, and equipment	<u>1.567.792</u>	<u>2.862.872</u>
6 Investments in subsidiaries	188.949	102.587
7 Other financial investments	1.000.000	0
8 Other receivables	259.167	259.167
9 Deposits	242.819	217.389
Total investments	<u>1.690.935</u>	<u>579.143</u>
<b>Total non-current assets</b>	<b><u>3.258.727</u></b>	<b><u>3.442.015</u></b>
<b>Current assets</b>		
Raw materials and consumables	4.539.864	3.591.202
Prepayments for goods	2.234.849	0
Total inventories	<u>6.774.713</u>	<u>3.591.202</u>
Trade debtors	11.417.722	7.936.877
Work in progress for the account of others	630.000	1.377.409
Receivables from subsidiaries	20.762.486	3.538.721
Deferred tax assets	74.000	112.000
Other debtors	1.957.799	432.007
Prepayments	442.300	450.150
Total receivables	<u>35.284.307</u>	<u>13.847.164</u>
Cash and cash equivalents	<u>28.470.493</u>	<u>22.798.871</u>
<b>Total current assets</b>	<b><u>70.529.513</u></b>	<b><u>40.237.237</u></b>
<b>Total assets</b>	<b><u>73.788.240</u></b>	<b><u>43.679.252</u></b>

**Balance sheet at 31 December**

All amounts in DKK.

<b>Equity and liabilities</b>		<b>2021</b>	<b>2020</b>
<u>Note</u>		<u>2021</u>	<u>2020</u>
<b>Equity</b>			
Contributed capital		769.231	769.231
Reserve for net revaluation according to the equity method		170.445	84.083
Results brought forward		34.133.265	18.650.833
<b>Total equity</b>		<b>35.072.941</b>	<b>19.504.147</b>
<b>Provisions</b>			
10 Other provisions		1.347.998	4.110.738
<b>Total provisions</b>		<b>1.347.998</b>	<b>4.110.738</b>
<b>Long term liabilities other than provisions</b>			
Leasing liabilities		0	174.391
11 Total long term liabilities other than provisions		0	174.391
11 Current portion of long term liabilities		174.391	354.017
Bank debts		144.567	142.395
Prepayments received from customers		13.610.920	0
Trade creditors		8.327.829	6.029.542
Payables to subsidiaries		0	18.504
Income tax payable		4.366.236	1.277.432
Other debts		10.743.358	12.068.086
<b>Total short term liabilities other than provisions</b>		<b>37.367.301</b>	<b>19.889.976</b>
<b>Total liabilities other than provisions</b>		<b>37.367.301</b>	<b>20.064.367</b>
<b>Total equity and liabilities</b>		<b>73.788.240</b>	<b>43.679.252</b>
<b>1 Special items</b>			
<b>12 Charges and security</b>			
<b>13 Contingencies</b>			
<b>14 Related parties</b>			

## Statement of changes in equity

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All amounts in DKK.

	Contributed capital	Reserve for net revalua-tion according to the eq-uity method	Retained earnings	Total
Equity 1 January 2020	769.231	0	14.330.007	15.099.238
Share of results	0	84.083	3.820.826	3.904.909
Group Grants	0	0	500.000	500.000
Equity 1 January 2021	769.231	84.083	18.650.833	19.504.147
Share of results	0	86.362	15.482.432	15.568.794
	<u>769.231</u>	<u>170.445</u>	<u>34.133.265</u>	<u>35.072.941</u>

## Notes

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All amounts in DKK.

### 1. Special items

Special items include significant income and expenses of a special nature relative to the enterprise's ordinary operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments and any related gains on disposal and losses which, over time, have a significant impact. Special items also include other significant amounts of a nonrecurring nature.

Special items for the year are specified below, indicating where they are recognised in the income statement.

Income:	
Reversal of impairment of non-current assets	2.762.740
	<u>2.762.740</u>
Special items are recognised in the following items in the financial statements:	
Adjustment guarantee provision	2.762.740
Profit of special items, net	<u>2.762.740</u>

	<u>2021</u>	<u>2020</u>
<b>2. Staff costs</b>		
Salaries and wages	40.094.350	29.643.396
Pension costs	5.162.748	3.777.774
Other costs for social security	553.006	342.019
Other staff costs	110.581	206.659
	<u>45.920.685</u>	<u>33.969.848</u>
Average number of employees	<u>61</u>	<u>45</u>
<b>3. Other financial expenses</b>		
Other financial costs	1.559.270	337.369
	<u>1.559.270</u>	<u>337.369</u>

## Notes

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All amounts in DKK.

	<u>31/12 2021</u>	<u>31/12 2020</u>
<b>4. Plant and machinery</b>		
Cost opening balance	4.211.993	2.543.965
Additions during the year	<u>198.969</u>	<u>1.668.029</u>
Cost end of period	<u>4.410.962</u>	<u>4.211.994</u>
Depreciation and writedown opening balance	-1.968.723	-881.237
Depreciation for the year	<u>-1.205.551</u>	<u>-1.087.486</u>
Depreciation and writedown end of period	<u>-3.174.274</u>	<u>-1.968.723</u>
Carrying amount, end of period	<u>1.236.688</u>	<u>2.243.271</u>
Lease assets are recognised at a carrying amount of	<u>170.272</u>	<u>338.257</u>
<b>5. Other fixtures and fittings, tools and equipment</b>		
Cost opening balance	1.726.798	1.621.602
Additions during the year	300.989	105.196
Disposals during the year	<u>-399.000</u>	<u>0</u>
Cost end of period	<u>1.628.787</u>	<u>1.726.798</u>
Depreciation and writedown opening balance	-1.107.197	-644.637
Depreciation for the year	-464.776	-462.560
Reversal of depreciation, amortisation and writedown, assets disposed of	<u>274.290</u>	<u>0</u>
Depreciation and writedown end of period	<u>-1.297.683</u>	<u>-1.107.197</u>
Carrying amount, end of period	<u>331.104</u>	<u>619.601</u>
Lease assets are recognised at a carrying amount of	<u>35.398</u>	<u>77.876</u>

## Notes

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All amounts in DKK.

	<u>31/12 2021</u>	<u>31/12 2020</u>
<b>6. Investments in subsidiaries</b>		
Acquisition sum, opening balance opening balance	18.504	0
Additions during the year	<u>0</u>	<u>18.504</u>
<b>Cost end of period</b>	<u><b>18.504</b></u>	<u><b>18.504</b></u>
Revaluations, opening balance opening balance	84.083	0
Results for the year before goodwill amortisation	<u>86.362</u>	<u>84.083</u>
<b>Revaluation end of period</b>	<u><b>170.445</b></u>	<u><b>84.083</b></u>
<b>Carrying amount, end of period</b>	<u><b>188.949</b></u>	<u><b>102.587</b></u>
<b>Subsidiaries:</b>		
	<b>Domicile</b>	<b>Equity interest</b>
Voda AB	Sverige	100 %
<b>7. Other financial investments</b>		
Additions during the year	<u>1.000.000</u>	<u>0</u>
<b>Cost end of period</b>	<u><b>1.000.000</b></u>	<u><b>0</b></u>
<b>Carrying amount, end of period</b>	<u><b>1.000.000</b></u>	<u><b>0</b></u>
Hexastate CMB Solutions ApS	Danmark	10%

## Notes

All amounts in DKK.

	<u>31/12 2021</u>	<u>31/12 2020</u>
<b>8. Other receivables</b>		
Cost opening balance	259.167	0
Additions during the year	259.167	259.167
Disposals during the year	<u>-259.167</u>	<u>0</u>
Cost end of period	<u>259.167</u>	<u>259.167</u>
Carrying amount, end of period	<u>259.167</u>	<u>259.167</u>
Der specificeres således:		
Other debtors	<u>259.167</u>	<u>259.167</u>
	<u>259.167</u>	<u>259.167</u>
<b>9. Deposits</b>		
Cost opening balance	217.389	261.889
Additions during the year	25.430	12.000
Disposals during the year	<u>0</u>	<u>-56.500</u>
Cost end of period	<u>242.819</u>	<u>217.389</u>
Book value end of period	<u>242.819</u>	<u>217.389</u>
<b>10. Other provisions</b>		
Other provisions opening balance	4.110.738	3.300.000
Change of the year in other provisions	<u>-2.762.740</u>	<u>810.738</u>
	<u>1.347.998</u>	<u>4.110.738</u>
1-5 year	<u>1.347.998</u>	<u>4.110.738</u>
	<u>1.347.998</u>	<u>4.110.738</u>

Other provisions include costs for normal guarantee obligations in connection with completed projects within the guarantee period of 1-2 years. The guarantee obligation is recognized on the basis of the company's experience and estimates of the expected obligation.

## Notes

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All amounts in DKK.

### 11. Long term liabilities other than provisions

	Total payables 31 Dec 2021	Current portion of long term payables	Long term payables 31 Dec 2021	Outstanding payables after 5 years
Leasing liabilities	174.391	174.391	0	0
	<b>174.391</b>	<b>174.391</b>	<b>0</b>	<b>0</b>

### 12. Charges and security

For bank debts, DKK t.kr. 145, the company has provided security in company assets representing a nominal value of DKK t.kr. 9.120. This security comprises the below assets, stating the book values:

Inventories	DKK t.kr. 6.775
Receivable from sales and services	DKK t.kr. 14.435
Property, plant and equipment	DKK t.kr. 1.363

Other plants, operating assets, fixtures and furniture, all representing a book value of DKK t.kr. 205 at 31 December 2021, cf. notes "Plant and machinery" and "Other fixtures and fittings, tools and equipment" have been financed by means of financial leasing. At 31 December 2021, the liabilities of this financial leasing amount to DKK t.kr. 174.

### 13. Contingencies

#### Contingent liabilities

##### Leasing liabilities

In addition to financial leasing contracts, the company has entered into operational leasing contracts with an average annual leasing payment of DKK t.kr. 592. The leasing contracts have 4-40 months left to run, and the total outstanding leasing payment is DKK t.kr. 917.

##### Rental obligation

The company has entered into a lease with termination no earlier than 1 September 2023. The total annual rent amounts to 422 t.kr. and the total rent obligation until termination amounts to 704 t.kr.

##### Recourse guarantee commitments

The company has provided guarantees for the bank debts of the group enterprises. On 31 December 2021 the total bank debts of the group enterprises were DKK t.kr. 21.167.

## Notes

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All amounts in DKK.

### 13. Contingencies (continued)

#### Joint taxation

Babcock & Wilcox A/S, company reg. no 25053664 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

The Company has withdrawn from joint taxation with "Selskabet af 22. september 2021 A/S" as of the 30 November 2021, as from the time of withdrawal from the joint taxation, the company is not liable for any tax claims against the other jointly taxed companies.

### 14. Related parties

#### Related parties with controlling interest

B&W PGG Luxembourg Finance SARL  
12E rue Guillaume Kroll  
1882 Luxembourg

Majority shareholder

## Accounting policies

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The annual report for Babcock & Wilcox Renewable Service A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

No consolidated financial statements have been prepared pursuant to section 110(4) of the Danish Financial Statements Act.

## Income statement

### Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Contract work in progress concerning construction contracts is recognised in the revenue concurrently with the production process. Thus, the revenue corresponds to the selling price of the total yearly production (the production method). The revenue is recognised when the total income and costs of the contract and the stage of completion on the reporting date can be reliably validated and it is deemed probable that the financial benefits will flow to the company.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

### Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

## Accounting policies

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### Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

### Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

### Results from investments in subsidiaries

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual subsidiaries are recognised in the income statement as a proportional share of the subsidiaries' post-tax profit or loss.

### Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

## The balance sheet

### Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

## Accounting policies

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The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Plant and machinery	2-3 years
Other fixtures and fittings, tools and equipment	2-3 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

### Leases

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

### Financial fixed assets

#### Investments in subsidiaries

Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

## Accounting policies

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Investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

### Other financial instruments

Financial instruments recognised under non-current assets comprise listed bonds and shares measured at fair value on the reporting date. Listed financial instruments are measured at market price.

Other unlisted financial instruments are measured at cost. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

### Deposits

Deposits are measured at amortised cost and represent rent deposits, etc.

### Inventories

Inventories are measured at cost on the basis of weighted measured average prices. In cases when the net realisable value is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

### Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

## **Accounting policies**

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### **Contract work in progress**

Contract work in progress is measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion on the reporting date and the total expected income from the individual work in progress. The stage of completion is calculated as the share of costs incurred in proportion to the estimated total costs of the individual work in progress.

When the selling price of the individual work in progress can not be determined reliably, the selling price is measured at the costs incurred or at net realisable value, if this is lower.

The individual work in progress is recognised in the statement of financial position under accounts receivables or liabilities. Net assets consist of the sum of the work in progress, where the selling price of the work performed exceeds invoicing on account. Net liabilities consist of the sum of the work in progress, where invoicing on account exceeds the selling price.

Costs in connection with sales work and the procurement of contracts are recognised in the income statement when incurred.

### **Prepayments**

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand.

### **Equity**

#### **Reserve for net revaluation according to the equity method**

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

#### **Income tax and deferred tax**

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

## **Accounting policies**

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Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

### **Provisions**

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

### **Liabilities other than provisions**

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.