

Baker Hughes Denmark ApS
Central Business Registration No 18064898

ANNUAL REPORT

December 31, 2021

The Annual General Meeting adopted the annual report on 7 July 2022

Chairman of the General Meeting

DocuSigned by:

Jeroen Lakerveld

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Name:

Jeroen Lakerveld

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Entity details

Entity

Baker Hughes Denmark ApS
c/o TMF Denmark A/S
Købmagergade 60, 1. tv
DK-1150 København K

Central Business Registration No: 18064898
Registered in: København
Financial year: 01.01.2021 - 31.12.2021

Phone: 70153866
Fax: 70153860
[Internet: www.bakerhughes.com](http://www.bakerhughes.com)

Board of Directors

Jeroen Lakerveld (Chairman)
Valentina Baldini
Ole Juul Nielsen

Executive Board

Valentina Baldini

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Frederiks Plads 42
DK-8000 Aarhus C

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today considered and approved the annual report of Baker Hughes Denmark ApS for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position as of 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 -31.12.2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 7 July 2022

Executive Board

Valentina Baldini
CEO

Board of Directors

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Jeroen Lakerveld
Chairman

DocuSigned by:

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Valentina Baldini

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Ole Juul Nielsen

Independent auditor's report

To the shareholders of Baker Hughes Denmark ApS

Opinion

We have audited the financial statements of Baker Hughes Denmark ApS for the financial year 1 January – 31 December 2021 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations and cash flows 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 responsibility 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 that 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.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company 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.

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 the Management's review.

Aarhus,

2022

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Mikkel Trabjerg Knudsen

MNE34459

State Authorised

Public Accountant

Management's review

Financial highlights Key figures	2021 DKK` 000	2020 DKK` 000	2019 DKK` 000	2018 DKK` 000	2017 DKK` 000
Revenue	73,772	75,275	162,083	179,244	222,050
Gross profit/loss	(85,008)	(90,793)	(52,266)	(10,479)	7,218
Operating loss	(94,719)	(110,416)	(144,570)	(71,116)	(73,371)
Net financial results	(9,914)	10,296	(5,034)	(11,298)	(7,614)
Loss for the year	(105,698)	(147,354)	(185,790)	(76,495)	(80,985)
Total assets	178,644	101,660	110,501	323,854	294,838
Investments in property, plant and equipment	1,369	4,797	5,393	4,495	13,937
Equity	(30,665)	(324,966)	(177,612)	8,178	(15,327)

Ratios

Gross margin (%)	(115.2)	(120.6)	(32.2)	(5.8)	3.3
Net margin (%)	(143.3)	(195.8)	(114.6)	(42.7)	(36.5)
Return of equity (%)	59.4	58.6	219.3	2,139.9	(70.5)
Equity ratio (%)	(17.2)	(319.7)	(160.7)	2.5	(5.2)

Financial highlights

The financial ratios have been calculated as follows:

Ratios	Calculation formula	Ratios reflect
Gross margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the Entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Company's activity comprises sales, rental of drilling equipment and services to the offshore industry.

Development in activities and finances

Loss for the year amounts to DKK 105.698 thousand compared to 2020 with DKK 147.354 thousand, which reflects the challenging and competitive market conditions experienced during the year. Equity 31.12.2021 amounts to minus DKK 30.665 thousand compared to 2020 with minus DKK 324.966 thousand.

On 4 January 2021, the Company's owners contributed new capital to Baker Hughes Denmark ApS for an amount of DKK 400 million.

We are also referring to the section "The past year and follow-up on development expectations from last year" in regards to the explanation of the development of the activities in 2021.

Baker Hughes Denmark ApS has got access to the cash pool mechanism so in terms of liquidity the funds are available to the Company when required.

Description of material changes in activities and finances

The primary business of the Company comprise sales, rental of drilling equipment and primary services to the offshore industry. In 2021, the business segments of Baker Hughes Denmark ApS comprised the product lines Completion systems and Upstream chemicals. The primary business segments carried more than 20% of the Company's revenue for the current year.

The Company operates a Well Stimulation Vessel (Blue Orca) in the North Sea since 1st of October 2013 with an outstanding HSE (Health, Safety and Environment) performance. The project was primary related to a long term contract with one of its main customers. Management's efforts brought additional contracts with other customers within short time after implementation. The Vessel incorporates state-of-the-art stimulation technology and unsurpassed treatment capabilities to reduce risk, rig time, and nonproductive time while enhancing production and profits. The vessel is specially engineered for North Sea conditions, and can perform a series of offshore stimulation operations, including acidizing and fracturing, well stimulations and sand-control operations. It can perform multiple fracturing treatments without having to return to port to resupply, which results in significant savings in rig time. Advanced systems permit smooth, efficient, and reliable blending of high-quality fracturing fluids and eliminate the need for oil-based slurred polymer concentrates.

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

In 2021, again, the overall revenue in Denmark related to the primary activities were lower compared to previous years. Our customers have responded to this trend by implementing an internal reorganization of the Oil & Gas division, which resulted in the described activity reduction. To summarize, the decline in activity reflected challenging and uncertain market conditions. The management are taking appropriate measures to ensure the company is able to compete and differentiate in the market. This has includes the decision post yearend to cease operations relating to the Well Stimulation Vessel via this entity.

Management commentary

Other investments

Due to the current market situation in the Oil and Gas Industry and the continued losses within the entity, the investment is fully written down.

Outlook

The emergence of COVID-19 had a significant impact on the global markets. As a result the Company saw a negative impact on the Company's income for 2020 with slight improvement in 2021 as projects were rescheduled from prior year. In 2022, the recovery is expected to continue with customers looking to increase production. With the decision taken in 2022 to transfer the vessel to a sister company and the increase in activity noted earlier, the company is expected to return to profitability. The company's owners will contribute new capital of a minimum of DKK 62.000.000 to restore the contributed capital.

Subsequent events

After the balance sheet date the company has decided that the vessel will be transferred out of Denmark during 2022. The transfer has had the below effect on the Balance Sheet:

	Prior to transfer	Reclass	As stated 31.12.2021
Other provisions	33,060,645	(33,060,645)	0
Finance lease liabilities	90,743,440	(90,743,440)	0
Current portion of long-term liabilities other than provisions	<u>31,976,753</u>	<u>123,804,085</u>	<u>155,780,838</u>
	<u>155,780,838</u>	<u>0</u>	<u>155,780,838</u>

There is no significant impact expected on the Income Statement for 2022 as a result of the transfer.

Management commentary

Research and development activities

There are no research and development costs in the Danish company but on a group level.

Description of specific risks

We are referring to Note 2 in regards to specific risks.

Loss of more than 50% of the contributed capital

The Company has lost more than 50% of its contributed capital and is thus subject to the provisions on loss of capital under the Danish Companies Act. As a consequence the company's owners will contribute new capital of a minimum of DKK 62.000.000 to restore the contributed capital.

Income Statement 31.12.2021

	Notes	2021 DKK	2020 DKK'000
Revenue		73,771,553	75,274
Other income		1,355,679	0
Cost of sales		(138,298,926)	(148,382)
Other external expenses		<u>(21,836,599)</u>	<u>(17,685)</u>
Gross loss		(85,008,293)	(90,793)
Staff costs	2	(9,586,528)	(17,912)
Depreciation, amortisation and impairment losses		<u>(124,302)</u>	<u>(1,711)</u>
Operating loss		(94,719,123)	(110,416)
Impairment on investment		<u>0</u>	<u>(40,889)</u>
Other financial income	3	6,926,662	26,130
Other financial expenses	4	<u>(16,840,460)</u>	<u>(15,834)</u>
Loss before tax		(104,632,921)	(141,009)
Tax on loss	5	(1,065,532)	(6,345)
Loss for the year	6	<u><u>(105,698,453)</u></u>	<u><u>(147,354)</u></u>

Balance sheet at 31.12.2021

	Notes	2021 DKK	2020 DKK'000
Plant and machinery		736,951	205
Other fixtures and fittings, tools and equipment		45,648	94
Property, plant and equipment	7	782,599	299
Other investments	8	0	0
Trade receivables	9	0	104
Fixed assets investments		0	104
Fixed assets		782,599	403
Raw materials and consumables		489,037	1
Manufactured goods and goods for resale		5,464,702	6,580
Inventories		5,953,739	6,581
Trade receivables	9	12,526,568	74,112
Receivables from group enterprises		152,014,786	13,356
Other short-term receivables		612,030	895
Income tax receivables		6,245,211	6,245
Receivables		171,398,595	94,608
Cash at bank		509,407	69
Current assets		177,861,741	101,258
Assets		178,644,340	101,661

Balance sheet at 31.12.2021

	Notes	2021 DKK	2020 DKK'000
Contributed capital	10	588,540	510
Retained earnings		(31,253,118)	(325,476)
Equity		(30,664,578)	(324,966)
Other provisions	11	0	29,390
Provisions		0	29,390
Finance lease liabilities	12	0	113,930
Non-current liabilities other than provisions		0	113,930
Current portion of long-term liabilities other than provisions		155,780,838	28,625
Trade payables		29,141,057	26,569
Debt to group enterprises		20,549,058	223,868
Other payables		3,837,965	4,245
Current liabilities other than provisions		209,308,918	283,307
Liabilities other than provisions		209,308,918	397,237
Equity and liabilities		178,644,340	101,661
Capital resources	1		
Lease obligations	14		
Contingent assets and liabilities	15		
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Statement of changes in equity for 2021

	<u>Contributed capital DKK</u>	<u>Retained earnings DKK</u>	<u>Total DKK</u>
Equity beginning of year	510,000	(325,476,125)	(324,966,125)
Loss for year	0	(105,698,453)	(105,698,453)
Capital increase	78,540	399,921,460	400,000,000
Equity end of year	<u>588,540</u>	<u>(31,253,118)</u>	<u>(30,664,578)</u>

Cash flow statement for 2021

	Notes	2021 DKK	2020 DKK'000
Operating loss		(94,719,123)	(110,416)
Amortisation and depreciation non-cash operating items		(776,929)	4,664
Working capital changes	13	19,767,922	33,676
Cash flow from ordinary primary activities		(75,728,130)	(72,076)
Financial income received		6,926,662	26,130
Financial income paid		(16,840,460)	(15,834)
Income tax refunded /(paid)		(1,065,532)	(9,129)
Cash flow from operating activities		(86,707,460)	(70,909)
Acquisition of property, plant and equipment		(1,368,896)	(4,797)
Sale of property, plant and equipment		1,662,454	2,513
Capital increase of fixed asset investments		0	(40,889)
Cash flows from investing activities		293,558	(43,173)
Financing raised from group enterprises		-293,629,886	150,973
Capital increase		400,000,000	0
Loans raised		(19,515,376)	(42,749)
Cash flows from financing activities		86,854,738	108,224
Increase/decrease in cash and cash equivalents		440,836	(5,858)
Cash and cash equivalent beginning of year		68,571	5,927
Cash and cash equivalent end of year		509,407	69

Notes

1. Capital resources

In connection with the financial statement of Baker Hughes Denmark ApS for the year ended December 31, 2021, Baker Hughes Luxembourg Holdings S.C.A. has issued a letter of support to the company for a period of at least twelve months from the date of signing of the financial statements, so as to allow the Company to meet its obligations as they fall due.

Baker Hughes Denmark ApS has got access to the cash pool mechanism so in terms of liquidity the funds are available to the Company when required.

Loss of more than 50% of the contributed capital

The Company has lost more than 50% of its contributed capital and is thus subject to the provisions on loss of capital under the Danish Companies Act. As a consequence the company's owners will contribute new capital of a minimum of DKK 62.000.000 to restore the contributed capital. The plan has yet to be executed but is expected to be completed by September 2022.

Notes

	2021 DKK	2020 DKK'000
2. Staff costs		
Wages and salaries	6,916,785	13,909
Pension costs	2,146,336	2,568
Other social security costs	523,407	1,435
	9,586,528	17,912

Average number of employees	6	20
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Pursuant to section 98b(3) of the Danish Financial Statements Act, the Company has not disclosed executive remuneration.

	2021 DKK	2020 DKK'000
3. Other financial income		
Exchange rate adjustments	6,850,529	26,127
Interest received from group enterprises	76,133	3
	6,926,662	26,130

	2021 DKK	2020 DKK'000
4. Other financial expenses		
Interest paid to 3rd party	2,095,563	9,349
Interest paid to group enterprises	214,827	522
Exchange rate adjustments	14,505,768	5,863
Other financial expenses	24,302	100
	16,840,460	15,834

	2021 DKK	2020 DKK'000
5. Tax on loss for the year		
Current other indirect tax	5,218	100
Current tax adjustment related to prior years	1,060,314	6,245
	1,065,532	6,345

Notes

	2021 DKK	2020 DKK'000	
6. Proposed distribution of loss			
Retained earnings	(105,698,453)	(147,354)	
	(105,698,453)	(147,354)	
7. Property, plant and equipment	Plant and machinery	Ships	Other fixtures and fittings, tools and equipment
	DKK	DKK	DKK
Cost beginning of year	996,535	321,595,490	4,036,879
Additions	1,350,355	18,541	0
Disposals	(1,565,711)	(901,231)	(2,582,393)
Costs end of year	781,179	320,712,800	1,454,486
Depreciation and impairment losses beginning of year	(791,382)	(321,595,490)	(3,942,804)
Depreciation for the year	(57,334)	(3,709)	(48,427)
Reversal regarding disposals	804,488	886,399	2,582,393
Depreciation and impairment losses end of year	(44,228)	(320,712,800)	(1,408,838)
Carrying amount end of year	736,951	0	45,648
Assets held under finance leases	0	0	0

Notes

	Other investments
8. Fixed assets investments	<u>DKK</u>
Cost at 1 January 2021	79,133,838
Cost at 31 December 2021	<u>79,133,838</u>
Impairment losses at 1 January 2021	(79,133,838)
Impairment losses at 31 December 2021	<u>(79,133,838)</u>
Carrying amount at 31 December 2021	<u><u>0</u></u>

Investments in associates comprise:	Registered in	Corporate form	Equity interest (%)	2021 Equity DKK	2021 Profit/(loss) DKK
Baker Hughes Argentina SRL	Argentina	SRL	5.0	463,458,342	254,494,955

9. Trade receivables

	2021 DKK	2020 DKK'000
Long-term trade receivables	0	104
Trade receivables from customers	<u>12,526,568</u>	<u>74,112</u>
	<u>12,526,568</u>	<u>74,216</u>

Long-term trade receivables is related to lease deposits.

10. Contributed capital

	Number	Par value DKK	Nominal value Equity interest (%)
Ordinary shares	<u>577</u>	1,020.00	<u>588,540</u>
	<u>577</u>		<u>588,540</u>

Changes in contributed capital

	2021 DKK	2020 DKK	2019 DKK	2018 DKK	2017 DKK
Contributed capital beginning of year	510,000	510,000	510,000	510,000	510,000
Increase of capital	<u>78,540</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contributed capital end of year	<u>588,540</u>	<u>510,000</u>	<u>510,000</u>	<u>510,000</u>	<u>510,000</u>

During the year, the Company increased its share capital from DKK 510,000 by DKK 78,540 to DKK 588,540 in return for a cash payment of USD 64,000,000 (equivalent of DKK 400,000,000). The share capital is divided into shares of DKK 1,020 or any multiple thereof.

11. Other provisions

	Outstanding after 5 years DKK
Asset retirement obligation	<u>0</u>
	<u>0</u>

Notes

12. Long term finance lease liabilities	Installments within 12 months DKK	Installments beyond 12 months DKK	Outstanding after 5 years DKK
Short term portion of long-term finance lease liability	122,720,193	0	0
Long term financial lease obligation	<u>0</u>	<u>0</u>	<u>0</u>
	<u>122,720,193</u>	<u>0</u>	<u>0</u>

13. Change in working capital	2021 DKK	2020 DKK'000
Increase/decrease in inventories	627,704	3,600
Increase/decrease in receivable	(76,687,392)	(214)
Increase/decrease in trade payable etc.	<u>95,827,610</u>	<u>30,290</u>
	<u>19,767,922</u>	<u>33,676</u>

14. Lease obligations**Car and other leases:**

The Company has entered into operating lease agreements on cars with a termination period of 1 month. The average monthly lease payment amount to DKK 7 thousand.

Notes

15. Contingent liabilities

The Company has an insurance obligation and a charterer's indemnity obligation according to Clause 28 of the Time Charter agreement for Well Stimulation Vessel from 1 March 2012.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the group. 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.

Between July 2017 and September 2019 the Management Company of the Danish joint taxation group was AcceptFinans ApS/GE Global Holding Denmark ApS.

From September 2019, Baker Hughes Denmark ApS became the head of the joint taxation group.

Baker Hughes Denmark ApS is party to minor pending lawsuits. In management's opinion, the outcome of the lawsuits will not affect the Company's financial position.

16. Related parties with controlling interest

The following related parties have a controlling interest in Baker Hughes Denmark ApS:

<u>Name</u>	<u>Registered office</u>	<u>Basis of influence</u>
Baker Hughes Nederland Holdings B.V.	The Netherlands	Holds more than 50% of the voting share capital or of the nominal value of the share capital.

17. Related parties transactions

	<u>2021</u> <u>DKK</u>	<u>2020</u> <u>DKK'000</u>
Revenue with Parent Company	0	0
Revenue with other related parties	2,629,456	11,532
Operating Costs with Parent Company	0	0
Operating Costs other with related parties	<u>(67,003,228)</u>	<u>(69,260)</u>
	<u>(64,373,772)</u>	<u>(57,728)</u>

Payables and receivables to related are disclosed in the balance sheet, and interest income is disclosed in note 5.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest and smallest group:

Baker Hughes Company, 17021 Aldine Westfield Road, Houston, Texas, United States of America.

The consolidated annual report on Form 10-K can be obtained at www.bakerhughes.com.

19. Subsequent events

After the balance sheet date the company has decided that the vessel will be transferred out of Denmark during 2022. The transfer has had the below effect on the Balance Sheet:

	Prior to transfer	Reclass	As stated 31.12.2021
Other provisions	33,060,645	(33,060,645)	0
Finance lease liabilities	90,743,440	(90,743,440)	0
Current portion of long-term liabilities other than provisions			
	<u>31,976,753</u>	<u>123,804,085</u>	<u>155,780,838</u>
	<u>155,780,838</u>	<u>0</u>	<u>155,780,838</u>

There is no significant impact expected on the Income Statement for 2022 as a result of the transfer.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with opt-in form higher reporting class.

The accounting policies applied for these financial statements are consistent with those applied last year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue is recognised as earned. Revenue is earned when the product is delivered and title passes, the service has been rendered or, in the case of rentals, passage of time or other contractual obligations have been met. Revenue is recognised net of VAT, duties and sales discounts.

Other operating income

Other operating income comprises gains from the sale of intangible assets as well as property, plant and equipment.

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Other external expenses also include research costs and costs of development projects that do not meet the criteria for recognition in the balance sheet. In addition, provisions for loss on contract work in progress are recognised.

Accounting policies (continued)

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc. received from the individual group enterprises in the financial year.

Other financial income

Other financial income comprise interest income, realised and unrealised capital gains on transactions in foreign currencies and forward contracts as well as tax surcharge and relief under the Danish Tax Prepayment Scheme.

Other financial expenses

Other financial expenses comprise interest expenses, realised and unrealised capital losses on transactions in foreign currencies and forward contracts as well as tax surcharge relief repayment under the Danish Tax Prepayment Scheme.

Income taxes

The company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Balance sheet

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Fixed assets acquired from affiliated companies are accounted for at initial cost and depreciation for the year is based on historical cost. Fixed assets are, however, adjusted for depreciation at the beginning of the year. Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-4 years
Rental machinery	5 years
Ships (Vessel)	12 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount. Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and carrying amount at the time of sale.

Accounting policies (continued)

Receivables

Receivables are measured at amortised cost, usually equaling nominal value less write-downs for bad and doubtful debts.

Other investments

Other investments are measured at cost. Where cost exceeds the net realisable value, the investments are impaired to this lower value.

Inventories

Inventories are measured at the lower of cost using the net realisable value. Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset. Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other Provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured at the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Accounting policies (continued)

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of sales.

Operating leases

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

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.