

Carpenter Holdings ApS

Michael Drewsens Vej 9-11
8270 Højbjerg
Denmark

CVR no. 10 02 26 57

Annual report 2018

The annual report was presented and approved at the
Company's annual general meeting on

24 May 2019

Petrine Rex
chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Carpenter Holdings ApS for the financial year 1 January – 31 December 2018.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018.

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

We recommend that the annual report be approved at the annual general meeting.

Aarhus, 24 May 2019
Executive Board:

Frank Werner Sander

Board of Directors:

Stanley Frank Pauley
Chairman

Frank Werner Sander

Lars M. Kongsted Kjeldsen

Independent auditor's report

To the shareholders of Carpenter Holdings ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Carpenter Holdings ApS for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018 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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. 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 consolidated financial statements and the parent company 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 that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 users made on the basis of these consolidated financial statements and parent company 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.

Independent auditor's report

We also

- identify and assess the risks of material misstatement of the consolidated financial statements and parent 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Parent 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 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 of the Management's review.



Carpenter Holdings ApS
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Independent auditor's report

Aarhus, 24 May 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Michael Stenskrog

State Authorised

Public Accountant

mne26819

Carpenter Holdings ApS
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Management's review

Company details

Carpenter Holdings ApS
Michael Drewsens Vej 9-11
8270 Højbjerg
Denmark

Telephone: +45 86 29 23 11

CVR no.: 10 02 26 57

Registered office: Aarhus

Financial year: 1 January – 31 December

Board of Directors

Stanley Frank Pauley, Chairman
Frank Werner Sander
Lars M. Kongsted Kjeldsen

Executive Board

Frank Werner Sander

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V
Denmark

Annual general meeting

The annual general meeting will be held on 24 May 2019.

Management's review

Financial highlights for the Group

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	436,227	419,063	367,892	379,023	396,043
Gross profit	137,799	132,376	134,522	132,675	125,412
Operating profit	41,814	33,599	40,840	41,567	29,985
Profit/loss from financial income and expenses	8,489	-15,332	656	378	1,838
Profit for the year	39,211	14,179	32,289	32,900	24,093
Balance sheet					
Total assets	284,519	375,380	355,964	326,595	293,404
Equity	229,395	312,193	299,971	271,007	236,151
Investment in property, plant and equipment	9,111	5,482	3,536	4,421	5,231
Ratios					
Gross margin	31.6%	31.6%	36.6%	35.0%	31.7%
Operating margin	9.6%	8.0%	11.1%	11.0%	7.6%
Current ratio	548.7%	631.8%	688.1%	663.2%	545.8%
Solvency ratio	80.6%	83.2%	84.3%	83.0%	80.5%
Employees					
Average number of full-time employees	226	228	214	212	215

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations & Ratios".

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

The Group's principal activities

As Parent Company, Carpenter Holdings ApS fully owns the two operational companies Carpenter ApS and Carpenter Sweden AB. The Group's principal activities comprise production and sale of flexible polyurethane foam.

Development in activities and financial position

In 2018, the Group's revenue came in at DKK 436,227 thousand as against DKK 419,063 thousand in 2017. The income statement for 2018 shows a profit of DKK 39,211 thousand as against a profit of DKK 14,179 thousand last year, and the balance sheet at 31 December 2018 shows equity of DKK 229,395 thousand.

From an overall perspective 2018 results are positive as expected.

Events after the balance sheet date

No events have occurred after the balance sheet date significantly affecting the assessment of the annual report.

Outlook

Revenue and earnings for 2019 are expected to be in line with 2018.

Financial risks

The Group applies polyol as raw material which, due to considerable price fluctuations characterising the volatile market for polyol, implies a particular risk as price increases might not be fully reflected in the price of finished goods. Apart from that, Managements assessment is, that the Group is not exposed to particular risks apart from those, generally occurring in this line of business.

Currency risks

Apart from the currency risk related to cash at bank, the Company's currency risk is limited. Although a currency risk does exist with regard to Carpenter Sweden AB's purchase of raw materials in euro, the Company's currency risk is deemed insignificant.

Interest rate risks

As interest-bearing debt did not make up a significant amount during the financial year, a change in interest level will not have any significant direct effect on earnings.

Intellectual capital

The Group's production of polyurethane products requires a high degree of knowledge by its employees. The Group performs development activities on an ongoing basis in regards to both new developments and further development of existing products.

Management's review

Operating review

Corporate social responsibility

We strive to be the leading manufacturer of high-quality soft polyurethane foam products in the Nordic countries. Our principal activities comprise the production, processing and sale of foam related products and our facilities are placed in Sweden and Denmark. Our wide range of products are sold to countries worldwide.

In Carpenter Holdings ApS we focus on increasing the quality of our performance by integrating social and environmental considerations into all our activities.

Carpenter is aware of its responsibilities and obligations to the environment and occupational health & safety acts and adopts policies of compliance with the legal requirements for its business and the industry in which it operates.

We monitor and develop policies to respect relevant acts in terms of health & safety and environment, to ensure that our activities are compliant to legal requirements.

We confirm our focus on the following areas (not limited to):

- Human rights
- Code of conduct / Anti-corruption
- Staff matters
- Environment / Climate

Human Rights:

Carpenter Holdings ApS support and respects Human Rights and we promote standards internally as well as throughout the Carpenter Company. We are in compliance with and on various points go beyond all legal acts and requirements.

We promote and offer equal opportunities for all employees irrespectively of gender or ethnicity as a part of our company philosophy and general humanity attitude.

We hire, remunerate and promote employees on the basis of skills, competences and performance. Not according to gender, religion or race.

We have not identified any breaches to our internal goals and targets and nor have we identified any risks within this area of business.

Code of Conduct / Anti-Corruption and Staff matters:

Our Code of Conduct is implemented in the organization of Carpenter Holdings ApS and throughout the Carpenter Company. Our Code of Conduct addresses the main areas that we consider to be fundamental to our success – among others Human Rights, labour rights, anti-corruption and social norms. We promote targets internally and monitor the progress we make within the targets we have set.

We address the topic anticorruption as follows:

- None of the company's employees give or receive unjustified advantages from public officials or employees in private companies
- No form of extortion or bribery or favoritism to or from employees or organizations are tolerated

We have not identified any breaches to our internal goals and targets and nor have we identified any risks within these areas of business.

Management's review

Operating review

Environment and Climate:

Carpenter Holdings ApS as well as Carpenter Company is committed to support a sustainable environment as part of our founding philosophy: "We must do the best we can to serve ourselves, but we should not forget that in the final analysis, we serve society whose approval of our actions forms the basis for the existence of our company".

We engage and target efforts to continuously protect our environment through statements from our environmental Policy:

- Reduce waste in all forms
- Minimize impact on the environment and reduce pollution in all forms
- We develop and promote products that can be approved by e.g. The Nordic Ecolabel the Swan
- We monitor and comply to relevant laws

In 2018, we have not identified any breaches to our internal goals and targets and nor have we identified any risks within these areas of business.

Goals and policies for the underrepresented gender

Board of Directors

The Company is a subsidiary of E.R. Carpenter Holding B.V., and ultimately Carpenter Co. Carpenter Holdings ApS's Board of Directors are appointed by the Parent Company. It is the Parent Company's objective that the Board of Directors should represent competences to effectively fulfil its tasks from a strategic, managerial and controlling perspective. The Company will seek to identify candidates with the Industry's best profiles and skills considered best for the Company as a whole. In this context, gender is considered in the nomination of candidates for the Board of Directors with due regard to the Company's other recruitment criteria, including requirements for professional qualifications, industry experience, educational background, etc.

Three male members serve on the Board of Directors. The Company has set a target by the end of 2020 to elect one female for the Board of Directors. This intention has so far not been fulfilled as there have not been any changes to Board of Directors during 2017. Carpenter Holdings ApS operates in a male-dominated industry, where female candidates for Board positions are limited in number. This could create difficulties in achieving our target. We remain focused on encouraging gender diversity at all levels of our Company and promoting and creating equal opportunities for both genders.

Other management levels

The Company has set a goal to have the underrepresented gender account for 20% of other management roles before 2021. We remain focused on encouraging gender diversity at all levels of our Company and promoting and creating equal opportunities for both genders.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

DKK'000	Note	Group		Parent Company	
		2018	2017	2018	2017
Revenue	2	436,227	419,063	0	0
Change in inventories of finished goods/work in progress		7,337	9,400	0	0
Costs of raw materials and consumables		-263,355	-257,351	0	0
Other operating income		25	39	0	0
Other external costs		<u>-42,435</u>	<u>-38,775</u>	<u>-86</u>	<u>-85</u>
Gross profit/loss		137,799	132,376	-86	-85
Staff costs	3	-89,381	-92,314	0	0
Depreciation, amortisation and impairment losses		<u>-6,525</u>	<u>-6,463</u>	<u>0</u>	<u>0</u>
Ordinary operating profit/loss		41,893	33,599	-86	-85
Other operating costs		<u>-79</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operating profit/loss		41,814	33,599	-86	-85
Income from equity investments in group entities		0	0	109,565	0
Financial income	4	9,002	3,164	366	317
Financial expenses		<u>-513</u>	<u>-18,496</u>	<u>-506</u>	<u>-1,430</u>
Profit/loss before tax		50,303	18,267	109,339	-1,198
Tax on profit/loss for the year	5	<u>-11,092</u>	<u>-4,088</u>	<u>50</u>	<u>259</u>
Profit/loss for the year	6	<u><u>39,211</u></u>	<u><u>14,179</u></u>	<u><u>109,389</u></u>	<u><u>-939</u></u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
ASSETS					
Fixed assets					
Property, plant and equipment 7					
Land and buildings		53,021	53,313	0	0
Plant and machinery		8,527	7,016	0	0
Fixtures and fittings, tools and equipment		1,472	2,060	0	0
Property, plant and equipment under construction		1,511	2,565	0	0
		<u>64,531</u>	<u>64,954</u>	<u>0</u>	<u>0</u>
Investments 8					
Equity investments in group entities		<u>0</u>	<u>0</u>	<u>198,918</u>	<u>198,918</u>
Total fixed assets		<u>64,531</u>	<u>64,954</u>	<u>198,918</u>	<u>198,918</u>
Current assets					
Inventories					
Raw materials and consumables		24,730	24,908	0	0
Work in progress		362	1,214	0	0
Finished goods and goods for resale		8,642	8,746	0	0
		<u>33,734</u>	<u>34,868</u>	<u>0</u>	<u>0</u>
Receivables					
Trade receivables		75,318	76,924	0	0
Receivables from group entities	9	56,673	56,415	15,280	15,279
Other receivables		206	148	0	0
Corporation tax		147	2,015	6,230	3,760
Prepayments	10	1,084	782	0	0
		<u>133,428</u>	<u>136,284</u>	<u>21,510</u>	<u>19,039</u>
Cash at bank and in hand		<u>52,826</u>	<u>139,274</u>	<u>786</u>	<u>12,148</u>
Total current assets		<u>219,988</u>	<u>310,426</u>	<u>22,296</u>	<u>31,187</u>
TOTAL ASSETS		<u>284,519</u>	<u>375,380</u>	<u>221,214</u>	<u>230,105</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
EQUITY AND LIABILITIES					
Equity					
Contributed capital	11	1,500	1,500	1,500	1,500
Retained earnings		140,460	310,693	131,215	228,539
Proposed dividends for the financial year		87,435	0	87,435	0
Total equity		229,395	312,193	220,150	230,039
Provisions					
Provisions for deferred tax	12	15,031	14,057	0	0
Total provisions		15,031	14,057	0	0
Liabilities other than provisions					
Current liabilities other than provisions					
Prepayments received from customers		0	505	0	0
Trade payables		19,857	27,027	0	0
Payables to group entities		192	339	1,000	0
Corporation tax		299	0	0	0
Other payables		19,745	21,259	64	66
		40,093	49,130	1,064	66
Total liabilities other than provisions		40,093	49,130	1,064	66
TOTAL EQUITY AND LIABILITIES		284,519	375,380	221,214	230,105
Fees to auditor appointed at the general meeting					
	13				
Contractual obligations, contingencies, etc.					
	14				
Related party disclosures					
	15				

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Group			
	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2018	1,500	310,693	0	312,193
Exchange adjustment	0	-2,729	0	-2,729
Transferred over the profit appropriation	0	-48,224	87,435	39,211
Extraordinary dividends paid	0	-119,280	0	-119,280
Equity at 31 December 2018	1,500	140,460	87,435	229,395

DKK'000	Parent Company			
	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2018	1,500	228,539	0	230,039
Exchange adjustment	0	2	0	2
Transferred over the profit appropriation	0	21,954	87,435	109,389
Extraordinary dividends paid	0	-119,280	0	-119,280
Equity at 31 December 2018	1,500	131,215	87,435	220,150

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	Group	
		2018	2017
Profit for the year		39,211	14,179
Other adjustments of non-cash operating items	16	2,212	18,438
Depreciation, amortisation and impairment losses		6,525	6,463
Cash flows from operations before changes in working capital		47,948	39,080
Changes in working capital	17	862	-12,336
Corporation tax paid		-9,026	-10,057
Cash flows from ordinary activities		39,784	16,687
Interest income		-98	-15,331
Interest expense		10	0
Cash flows from operating activities		39,696	1,356
Acquisition of property, plant and equipment		-9,111	-5,482
Disposal of property, plant and equipment		2,765	0
Cash flows from investing activities		-6,346	-5,482
Shareholders:			
Distributed dividends		-119,278	0
Cash flows from financing activities		-119,278	0
Cash flows for the year		-85,928	-4,126
Cash and cash equivalents at the beginning of the year		139,274	144,791
Unrealised value adjustments for the year		-520	-1,391
Cash and cash equivalents at year end		52,826	139,274

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Carpenter Holdings ApS for 2018 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Carpenter Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in some other way exercises control over. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates.

On consolidation, intragroup income and expenses, shareholdings, intragroup balances and dividends and realised and unrealised gains and losses on intragroup transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity.

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods and finished goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of property, plant and equipment.

Cost of sales

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Group's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in subsidiaries are recognised in the income statement in the financial year in which dividend is declared. To the extent that the distributed dividend exceeds accumulated earnings at the acquisition date, the dividend is recognised as write-down of the cost of the equity investment.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation 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 used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	20-60 years
Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	3-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Equity investments in group entities

Equity investments in group entities are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

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

Receivables

Receivables are measured at amortised cost.

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1 Accounting policies (continued)

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

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1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's contributed capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividend to owners.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

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2 Segment information

Segment information is provided on geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
Revenue, Denmark	136,965	125,257	0	0
Revenue, Nordic region	120,491	113,445	0	0
Revenue, Europe	175,944	178,008	0	0
Revenue, other	2,827	2,353	0	0
	<u>436,227</u>	<u>419,063</u>	<u>0</u>	<u>0</u>

The distribution of revenue across business segments is, in accordance with the Danish Financial Statements Act, section 96 (1), not disclosed, as information about this may cause material damage to the Group.

3 Staff costs

DKK'000	Group		Parent Company	
	2018	2017	2018	2017
Wages and salaries	72,721	74,826	0	0
Pensions	6,383	6,307	0	0
Other social security costs	10,277	11,181	0	0
	<u>89,381</u>	<u>92,314</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>226</u>	<u>228</u>	<u>0</u>	<u>0</u>

The Parent Company's Executive Board and Board of Directors did not receive any remuneration in 2018 and 2017.

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DKK'000	Group		Parent Company	
	2018	2017	2018	2017
4 Financial income				
Interest income from group entities	1,117	1,117	305	305
Foreign exchange gains	4,607	1,184	61	0
Other interest income	<u>3,278</u>	<u>863</u>	<u>0</u>	<u>12</u>
	<u>9,002</u>	<u>3,164</u>	<u>366</u>	<u>317</u>
5 Tax on profit/loss for the year				
Current tax for the year	10,118	3,893	-50	-259
Deferred tax for the year	<u>974</u>	<u>195</u>	<u>0</u>	<u>0</u>
	<u>11,092</u>	<u>4,088</u>	<u>-50</u>	<u>-259</u>
6 Proposed profit appropriation/distribution of loss				
Proposed dividends for the year	87,435	0	87,435	0
Retained earnings	<u>-48,224</u>	<u>14,179</u>	<u>21,954</u>	<u>-939</u>
	<u>39,211</u>	<u>14,179</u>	<u>109,389</u>	<u>-939</u>

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7 Property, plant and equipment

DKK'000	Group				
	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2018	118,410	178,418	12,303	2,565	311,696
Exchange rate adjustment	-401	-2,169	-54	0	-2,624
Additions for the year	2,902	4,599	99	1,511	9,111
Disposals for the year	0	-1,894	-33	0	-1,927
Transfers for the year	0	0	0	-2,565	-2,565
Cost at 31 December 2018	120,911	178,954	12,315	1,511	313,691
Depreciation and impairment losses at 1 January 2018	-65,097	-171,402	-10,243	0	-246,742
Exchange rate adjustment	330	2,024	27	0	2,381
Depreciation for the year	-3,123	-2,744	-659	0	-6,526
Depreciation and impairment losses for the year on assets sold	0	1,695	32	0	1,727
Depreciation and impairment losses at 31 December 2018	-67,890	-170,427	-10,843	0	-249,160
Carrying amount at 31 December 2018	53,021	8,527	1,472	1,511	64,531

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8 Investments

	Parent Company
	<u>Equity investments in group entities</u>
DKK'000	
Cost at 1 January 2018	<u>198,918</u>
Cost at 31 December 2018	<u>198,918</u>
Carrying amount at 31 December 2018	<u><u>198,918</u></u>

Name	<u>Registered office</u>	<u>Voting rights and ownership interest</u>
Carpenter ApS	Aarhus, Denmark	100%
Carpenter Sweden AB	Tranås, Sweden	100%

9 Receivables from group entities

The receivables from group entities fall due for payment upon request.

10 Prepayments

	<u>Group</u>		<u>Parent Company</u>	
DKK'000	<u>31/12 2018</u>	<u>31/12 2017</u>	<u>31/12 2018</u>	<u>31/12 2017</u>
Costs	256	493	0	0
Insurance	<u>828</u>	<u>289</u>	<u>0</u>	<u>0</u>
	<u>1,084</u>	<u>782</u>	<u>0</u>	<u>0</u>

11 Equity

The contributed capital consists of 1 shares of a nominal value of DKK 1,500 thousand. There have been no changes in contributed capital during the last five years.

All shares rank equally.

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Notes

12 Deferred tax

	Group		Parent Company	
	31/12 2018	31/12 2017	31/12 2018	31/12 2017
DKK'000				
Deferred tax at 1 January	14,057	13,861	0	0
Deferred tax adjustment for the year in the income statement	974	351	0	0
Exchange rate adjustment, foreign subsidiary	0	-155	0	0
	<u>15,031</u>	<u>14,057</u>	<u>0</u>	<u>0</u>

13 Fees to auditor appointed at the general meeting

Audit	452	447	29	28
Non-audit services	92	92	30	31
	<u>544</u>	<u>539</u>	<u>59</u>	<u>59</u>

14 Contractual obligations, contingencies, etc.

Contingent liabilities

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

Operating lease obligations

Remaining operating lease obligations at the balance sheet date fall due at DKK 102 thousand within five years (2017: DKK 829 thousand).

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

15 Related party disclosures

Carpenter Holdings ApS' related parties comprise the following:

Control

The following related parties exercise control over Carpenter Holdings A/S Group:

E.R Carpenter Holding B.V., Netherlands, Parent
Carpenter Co., USA, Ultimate parent

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, related party transactions have not been disclosed in the consolidated financial statements and parent company financial statements, as they were conducted on an arm's length basis.

DKK'000	Group	
	2018	2017
16 Other adjustments		
	-9,002	-3,164
	513	18,494
Tax on profit for the year	11,092	4,088
	-974	196
	583	-1,176
17 Changes in working capital		
Change in inventories	-1,134	-5,108
Change in receivables	3,227	-18,930
Change in trade and other payables	-2,955	11,702
	<u>-862</u>	<u>-12,336</u>