



Epoke A/S

Vejervej 50
6600 Vejen
CVR No. 14125345

Annual report 01.03.2019 - 29.02.2020

The Annual General Meeting adopted the
annual report on 10.07.2020

Kristian la Cour

Chairman of the General Meeting

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Entity details

Entity

Epoke A/S

Vejenvej 50

6600 Vejen

CVR No.: 14125345

Date of foundation: 01.05.1990

Registered office: Vejen

Financial year: 01.03.2019 - 29.02.2020

Board of Directors

Søren Klarskov Vilby, Chairman

Thomas Marstrand, Vice Chairman

Dan Johannsen

Kristian la Cour

Jane Nykjær Kaasgaard

Executive Board

Peter Bjørn Bertelsen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

P. O. Box 200

6701 Esbjerg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Epoke A/S for the financial year 01.03.2019 - 29.02.2020.

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 at 29.02.2020 and of the results of its operations and cash flows for the financial year 01.03.2019 - 29.02.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Vejen, 10.07.2020

Executive Board

Peter Bjørn Bertelsen
CEO

Board of Directors

Søren Klarskov Vilby
Chairman

Thomas Marstrand
Vice Chairman

Dan Johannsen

Kristian la Cour

Jane Nykjær Kaasgaard

Independent auditor's report

To the shareholders of Epoke A/S

Opinion

We have audited the financial statements of Epoke A/S for the financial year 01.03.2019 - 29.02.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Entity's financial position at 29.02.2020 and of the results of its operations and cash flows for the financial year 01.03.2019 - 29.02.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 requirements. 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the 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 commentary.

Esbjerg, 10.07.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jørn Jepsen

State Authorised Public Accountant
Identification No (MNE) mne24824

Lasse Lynggaard Wolff

State Authorised Public Accountant
Identification No (MNE) mne35802

Management commentary

Financial highlights

	2019/20	2018/19	2017/18	2016/17	2015/16
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	195,737	227,257	212,242	188,533	211,953
Gross profit/loss	87,156	86,352	79,154	67,226	82,247
Operating profit/loss	16,986	13,707	7,762	(2,352)	9,675
Net financials	(856)	(1,750)	(2,302)	(2,705)	(1,778)
Profit/loss for the year	7,862	9,298	(1,650)	(7,241)	1,436
Total assets	168,009	166,609	180,711	180,139	191,682
Investments in property, plant and equipment	1,811	2,588	3,594	5,523	2,027
Equity	103,796	95,800	86,160	86,639	93,252
Average invested capital incl goodwill	86,277	90,625	97,985	103,245	101,252
Ratios					
Gross margin (%)	44.53	38.00	37.29	35.66	38.80
Net margin (%)	4.02	4.09	(0.78)	(3.84)	0.68
Return on invested capital incl goodwill (%)	20.06	15.53	9.02	(0.66)	11.22
Return on equity (%)	7.88	10.22	(1.91)	(8.05)	1.60
Equity ratio (%)	61.78	57.50	47.68	48.10	48.65

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Revenue

Return on invested capital incl goodwill (%):

$\frac{\text{EBITA} * 100}{\text{Average invested capital incl goodwill}}$

Average invested capital incl goodwill

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

The primary activities of Epoke A/S are to develop, manufacture, market and sell Epoke, Brodd and Snowline machinery.

The Group's products are sold through own companies in Denmark, Germany and Poland. Sales and marketing in other markets are based on partnerships with dealers and the subsidiaries based in the respective countries.

Focusing on the customer and in co-operation with dealers, Epoke Group markets Epoke winter road maintenance products together with Snowline snow removal equipment and Brodd sweepers. Epoke Group aims to become the industry's best-known brand and to be a market leader in selected segments.

Epoke Group develops and manufactures state-of-the-art salt and liquid spreaders together with Snowline snow removal equipment and Brodd sweepers that meet the customers' requirements in terms of service, quality and economic life costs.

Development in activities and finances

Revenue realised by Epoke A/S comes to DKK 196m against DKK 227m last year, the main share of which is attributable to exports.

Profit for the year before net financials is DKK 16,986k against a profit of DKK 13,707k for last year. Profit for the year after tax is DKK 7,862k against a profit of DKK 9,298k last year.

Epoke A/S is a firmly based enterprise with a solvency ratio of 61,78% at 29 February 2020.

Profit/loss for the year in relation to expected developments

Management considers profit for the year not satisfactory and lower than expectations. The mild winter of this financial year resulted in less service and call outs than normal.

Outlook

Management expects an improved financial performance for the next financial year.

Particular risks

Currency Risks

Epoke A/S' receivables and loans are primarily denominated in DKK. Epoke A/S does not apply financial instruments for the purpose of speculating.

Excess liquidity is deposited in money market accounts or the like. Therefore, Epoke A/S is exposed to no material financial risks.

Intellectual capital resources

Epoke Group aims to be an attractive workplace with motivated and committed staff. To ensure continued motivation and strong commitment on the part of staff, work at Epoke A/S is performed on the basis of corporate values enabling the individual staff member to make his or her own decisions. The management philosophy is freedom with responsibility.

Epoke Group has formulated a senior policy and is locally known for its efforts to retain senior staff as well as other social initiatives.

Environmental performance

Epoke A/S holds a clean environmental approval dated 1 August 2000, and the 2019 inspection confirmed the approval.

Epoke A/S is compliant with applicable environmental law etc. and has not received any complaints or claims relating to non-compliance with environmental rules on the part of its foreign subsidiaries.

Epoke A/S aims at receiving ISO 14001 certificate in the coming year.

Research and development activities

The Group is among the absolute market leaders when it comes to spreaders for winter road clearance. The Group has won this position through persistent and targeted development efforts as regards spreaders and related electronic products.

The Group protects its development projects by taking out patents, if appropriate. The Group intends to sustain its position by continuously adding the resources required and staying focused on road clearance.

The product portfolio is characterized by high performance, low service costs, high quality of products and in particular innovative solutions.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

The preseason order intake shows no significant influence from the COVID-19.

Income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK '000
Revenue		195,737	227,257
Changes in inventories of finished goods and work in progress		7,339	(9,071)
Other operating income	2	11,906	599
Cost of sales		(113,517)	(116,400)
Other external expenses		(14,309)	(16,033)
Gross profit/loss		87,156	86,352
Staff costs	3	(66,168)	(68,377)
Depreciation, amortisation and impairment losses	4	(4,002)	(4,268)
Operating profit/loss		16,986	13,707
Income from investments in group enterprises		(3,654)	(121)
Other financial income	5	1,216	1,689
Other financial expenses	6	(2,072)	(3,439)
Profit/loss before tax		12,476	11,836
Tax on profit/loss for the year	7	(4,614)	(2,538)
Profit/loss for the year	8	7,862	9,298

Balance sheet at 29.02.2020

Assets

	Notes	2019/20 DKK'000	2018/19 DKK'000
Completed development projects	10	0	74
Goodwill		1,333	1,583
Intangible assets	9	1,333	1,657
Land and buildings		6,797	8,766
Plant and machinery		6,361	7,879
Other fixtures and fittings, tools and equipment		1,775	1,363
Leasehold improvements		0	7
Property, plant and equipment in progress		0	47
Property, plant and equipment	11	14,933	18,062
Investments in group enterprises		8,209	10,135
Deposits		61	61
Other financial assets	12	8,270	10,196
Fixed assets		24,536	29,915
Raw materials and consumables		23,243	24,417
Work in progress		11,427	9,529
Manufactured goods and goods for resale		37,015	31,574
Inventories		71,685	65,520

Trade receivables		19,036	29,815
Receivables from group enterprises		33,572	37,741
Deferred tax	13	0	490
Other receivables		12,997	458
Income tax receivable		0	1,400
Prepayments	14	1,646	1,172
Receivables		67,251	71,076
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Cash		4,537	98
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Current assets		143,473	136,694
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Assets		168,009	166,609
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Equity and liabilities

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital	15	15,000	15,000
Retained earnings		88,796	80,800
Equity		103,796	95,800
Other provisions	16	3,262	3,590
Provisions		3,262	3,590
Debt to other credit institutions		7,575	10,140
Other payables		3,277	662
Non-current liabilities other than provisions	17	10,852	10,802
Current portion of non-current liabilities other than provisions	17	1,613	1,948
Bank loans		662	7,387
Prepayments received from customers		8,543	8,351
Trade payables		8,492	9,729
Payables to group enterprises		16,063	12,786
Income tax payable		3,180	0
Joint taxation contribution payable		956	2,710
Other payables	18	10,590	13,506
Current liabilities other than provisions		50,099	56,417
Liabilities other than provisions		60,951	67,219
Equity and liabilities		168,009	166,609
Events after the balance sheet date	1		
Financial instruments	20		
Unrecognised rental and lease commitments	21		
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Statement of changes in equity for 2019/20

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	15,000	80,800	95,800
Exchange rate adjustments	0	93	93
Fair value adjustments of hedging instruments	0	53	53
Tax of entries on equity	0	(12)	(12)
Profit/loss for the year	0	7,862	7,862
Equity end of year	15,000	88,796	103,796

Cash flow statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Operating profit/loss		16,986	13,707
Amortisation, depreciation and impairment losses		4,002	4,268
Other provisions		(328)	117
Working capital changes	19	(3,203)	(853)
Gains and losses from the sale of assets under Other operating income		(11,306)	0
Cash flow from ordinary operating activities		6,151	17,239
Financial income received		1,216	1,131
Financial expenses paid		(2,089)	(2,693)
Income taxes refunded/(paid)		(1,310)	(2,192)
Cash flows from operating activities		3,968	13,485
Acquisition etc of property, plant and equipment		(1,811)	(2,588)
Sale of property, plant and equipment		12,569	467
Cash flows from investing activities		10,758	(2,121)
Instalments on loans etc.		(3,562)	(1,954)
Cash flows from financing activities		(3,562)	(1,954)
Increase/decrease in cash and cash equivalents		11,164	9,410
Cash and cash equivalents beginning of year		(7,289)	(16,699)
Cash and cash equivalents end of year		3,875	(7,289)
Cash and cash equivalents at year-end are composed of:			
Cash		4,537	98
Short-term debt to banks		(662)	(7,387)
Cash and cash equivalents end of year		3,875	(7,289)

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

The preseason order intake shows no significant influence from the COVID-19.

2 Other operating income

The Company has sold a property during the financial year with a gain of DKK 11,306k. The gain is presented under Other operating income due to the size of the amount.

3 Staff costs

	2019/20	2018/19
	DKK'000	DKK'000
Wages and salaries	59,911	62,030
Pension costs	4,620	4,798
Other social security costs	1,637	1,549
	66,168	68,377

Average number of full-time employees	134	146
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	Remuneration of management 2019/20 DKK'000	Remuneration of management 2018/19 DKK'000
Executive Board	2,299	2,233
Board of Directors	390	390
	2,689	2,623

Remuneration of the Executive Board includes remuneration for two directors for the financial year.

4 Depreciation, amortisation and impairment losses

	2019/20	2018/19
	DKK'000	DKK'000
Amortisation of intangible assets	324	363
Depreciation of property, plant and equipment	3,685	3,912
Profit/loss from sale of intangible assets and property, plant and equipment	(7)	(7)
	4,002	4,268

5 Other financial income

	2019/20 DKK'000	2018/19 DKK'000
Financial income from group enterprises	943	888
Other financial income	273	801
	1,216	1,689

6 Other financial expenses

	2019/20 DKK'000	2018/19 DKK'000
Financial expenses from group enterprises	456	498
Other financial expenses	1,616	2,941
	2,072	3,439

7 Tax on profit/loss for the year

	2019/20 DKK'000	2018/19 DKK'000
Current tax	4,124	2,596
Change in deferred tax	490	(58)
	4,614	2,538

8 Proposed distribution of profit and loss

	2019/20 DKK'000	2018/19 DKK'000
Retained earnings	7,862	9,298
	7,862	9,298

9 Intangible assets

	Completed development projects DKK'000	Goodwill DKK'000
Cost beginning of year	759	2,650
Disposals	0	(250)
Cost end of year	759	2,400
Amortisation and impairment losses beginning of year	(685)	(1,067)
Amortisation for the year	(74)	(250)
Reversal regarding disposals	0	250
Amortisation and impairment losses end of year	(759)	(1,067)
Carrying amount end of year	0	1,333

10 Development projects

Development projects are fully depreciated as of 29.02.2020.

11 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	37,486	39,863	10,534	83	47
Transfers	0	47	0	0	(47)
Additions	138	441	1,232	0	0
Disposals	(3,748)	0	(310)	0	0
Cost end of year	33,876	40,351	11,456	83	0
Depreciation and impairment losses beginning of year	(28,720)	(31,984)	(9,171)	(76)	0
Depreciation for the year	(1,084)	(2,006)	(588)	(7)	0
Reversal regarding disposals	2,725	0	78	0	0
Depreciation and impairment losses end of year	(27,079)	(33,990)	(9,681)	(83)	0
Carrying amount end of year	6,797	6,361	1,775	0	0

12 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	27,688	61
Cost end of year	27,688	61
Impairment losses beginning of year	(17,553)	0
Exchange rate adjustments	93	0
Amortisation of goodwill	(546)	0
Share of profit/loss for the year	(2,613)	0
Adjustment of intra-group profits	(495)	0
Investments with negative equity value depreciated over receivables	2,677	0
Other adjustments	(1,042)	0
Impairment losses end of year	(19,479)	0
Carrying amount end of year	8,209	61

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Alfred Thomsen GmbH	Eichenzell, Germany	GmbH	100
Epoke Maschinenbau GmbH & Co. KG	Eichenzell, Germany	GmbH & Co. KG	100
Epoke Sp. z.o.o.	Warszawa, Poland	Sp. z.o.o.	100
Brodd Sweden AB	Sweden	AB	100
Brodd Polonia Sp. z.o.o.	Poland	Sp. z.o.o.	100

13 Deferred tax

	2019/20 DKK'000	2018/19 DKK'000
Intangible assets	(136)	(129)
Property, plant and equipment	693	1,125
Inventories	(753)	(725)
Receivables	(151)	(100)
Provisions	347	319
Deferred tax	0	490

Changes during the year	2019/20 DKK'000
Beginning of year	490
Recognised in the income statement	(490)
End of year	0

Deferred tax assets mainly relate to accelerated depreciation on property, plant and equipment. Losses regarding property has been written down in 2019/20. Based on the Company's historical results and the expected performance in the next few years, it is assessed that the deferred tax assets may be utilised within three to five years.

14 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

15 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Ordinary shares	1,500	10	15,000
	1,500		15,000

16 Other provisions

Other provisions comprise service and warranty commitments.

17 Non-current liabilities other than provisions

	Due within 12 months 2019/20 DKK'000	Due within 12 months 2018/19 DKK'000	Due after more than 12 months 2019/20 DKK'000	Outstanding after 5 years 2019/20 DKK'000
Debt to other credit institutions	962	1,287	7,575	3,803
Other payables	651	661	3,277	3,179
	1,613	1,948	10,852	6,982

18 Other payables

	2019/20	2018/19
	DKK'000	DKK'000
Wages and salaries, personal income taxes, social security costs, etc payable	3,387	3,576
Holiday pay obligation	5,920	8,438
Other costs payable	1,283	1,492
	10,590	13,506

19 Changes in working capital

	2019/20	2018/19
	DKK'000	DKK'000
Increase/decrease in inventories	(6,165)	5,491
Increase/decrease in receivables	316	6,748
Increase/decrease in trade payables etc	2,646	(13,092)
	(3,203)	(853)

20 Financial instruments

Interest rate swap has been entered into in order to hedge the interest risk involved in bank loans until maturity. The fair value of the interest rate swap amounts to DKK 160k at 29.02.2020 and has been recognised as other payable. The interest rate swap guarantees a fixed interest rate of 4.08% on the loan concerned.

	2019/20	2018/19
	DKK'000	DKK'000
2024, nominal amount	1,430	1,718
	1,430	1,718

21 Unrecognised rental and lease commitments

	2019/20	2018/19
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	1,468	2,214

22 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Epoke Investment II A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

The Entity has issued a letter of support to Epoke Maschinenbau GmbH & Co. KG. Total liabilities for Epoke Maschinenbau GmbH & Co. KG is DKK 13,091k at 29.02.2020 however DKK 11,418k is intercompany liabilities to Epoke A/S.

23 Assets charged and collateral

Debt to other credit institutions, DKK 8,537k are secured on real property. The mortgage also comprises the plant and machinery deemed part of the property.

The carrying amount of mortgaged properties is DKK 6,797k and the carrying amount of mortgaged plant is DKK 6,361k.

As collateral for bank loans, DKK 662k, the company has issued a floating company charge at nominal value DKK 30,000k including inventories, trade receivables, intangible assets and other fixtures and fittings, tools and equipment, which amounts to DKK 93,829k.

24 Related parties with controlling interest

Epoke Investment II A/S, Charlottenlund, Denmark holds all shares in Epoke A/S and so it controls the company. The ultimate parent, Erhvervsinvest II K/S, Charlottenlund, Denmark holds more than 90% of the shares of Epoke Investment II A/S and has controlling interest.

25 Non-arm's length related party transactions

According to section 98c(7) of the Danish Financial Statements Act, only non-arm's-length related party transactions are disclosed. However, all transactions have been made on arm's length basis in the financial year.

26 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the group:
Epoke Investment II A/S, Charlottenlund, Denmark.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Material errors in previous years

It has been stated that the classification of the sub-items Manufactured goods and goods for resale and Work in progress under the item Inventories have not been presented correctly in previous years. The classification has been corrected for the figures for this year, and the previous year. The correction has a derived effect on the items Changes in inventories of finished goods and work in progress and Cost of sales in the income statement, and consequently, DKK 2,852k has been moved in the comparative figures. The correction has no effect on profit/loss for the year, balance sheet total or equity.

It has also been stated that the presentation of the note Other payables have not been presented correctly in previous years and consequently, DKK 4,842k has been moved from Wages and salaries, personal income taxes, social security costs, etc payable to Holiday pay obligation to reflect the correct classification in the comparative figures. The correction has no impact on profit/loss for the year, balance sheet total or equity.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial 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 rate 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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including gains and losses from the sale of intangible assets as well as property, plant and equipment.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation 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.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with the parent company and all the parent company's Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the

experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation period used is 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation period used is 5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

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:

Buildings	7-33 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	7 years

For leasehold improvements the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation period used is 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost 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.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

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

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

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.

Income tax payable or receivable

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

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of guarantee commitments etc.

Other provisions are recognised and measured as 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.

Guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

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.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for

prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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, repayments of 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 loans.