



Epoke A/S

Vejervej 50
6600 Vejen
CVR No. 14125345

Annual report 01.03.2020 - 28.02.2021

The Annual General Meeting adopted the
annual report on 29.04.2021

Anders Møberg Eriksen
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2020/21	11
Balance sheet at 28.02.2021	12
Statement of changes in equity for 2020/21	14
Cash flow statement for 2020/21	15
Notes	16
Accounting policies	22

Entity details

Entity

Epoke A/S

Vejenvej 50

6600 Vejen

CVR No.: 14125345

Date of foundation: 01.05.1990

Registered office: Vejen

Financial year: 01.03.2020 - 28.02.2021

Board of Directors

Søren Klarskov Vilby, Chairman

Thomas Marstrand, Vice Chairman

Kristian la Cour

Jane Nykjær Kaasgaard

Dan Johannsen

Executive Board

Peter Bjørn Bertelsen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

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 01.03.2020 - 28.02.2021.

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 at 28.02.2021 and of the results of its operations and cash flows for the financial year 01.03.2020 - 28.02.2021.

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, 29.04.2021

Executive Board

Peter Bjørn Bertelsen
CEO

Board of Directors

Søren Klarskov Vilby
Chairman

Thomas Marstrand
Vice Chairman

Kristian la Cour

Jane Nykjær Kaasgaard

Dan Johannsen

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 01.03.2020 - 28.02.2021, 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 28.02.2021 and of the results of its operations and cash flows for the financial year 01.03.2020 - 28.02.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 29.04.2021

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

	2020/21	2019/20	2018/19	2017/18	2016/17
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	198,761	195,737	227,257	212,242	188,533
Gross profit/loss	77,492	87,156	86,352	79,154	67,226
Operating profit/loss	11,165	16,986	13,707	7,762	(2,352)
Net financials	(1,049)	(856)	(1,750)	(2,302)	(2,705)
Profit/loss for the year	7,068	7,862	9,298	(1,650)	(7,241)
Total assets	181,295	168,007	166,609	180,711	180,139
Investments in property, plant and equipment	1,382	1,810	2,588	3,594	5,523
Equity	110,103	103,797	95,800	86,160	86,639
Average invested capital incl goodwill	95,254	86,277	90,625	97,985	103,245
Ratios					
Gross margin (%)	38.99	44.53	38.00	37.29	35.66
Net margin (%)	3.56	4.02	4.09	(0.78)	(3.84)
Return on invested capital incl. goodwill (%)	11.98	20.06	15.53	9.02	(0.66)
Return on equity (%)	6.61	7.88	10.22	(1.91)	(8.05)
Equity ratio (%)	60.73	61.78	57.50	47.68	48.10

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 199m against DKK 196m last year, the main share of which is attributable to exports.

Profit for the year before net financials is DKK 11,165k against a profit of DKK 16,986k for last year. Profit for the year after tax is DKK 7,068k against a profit of DKK 7,862k last year.

Epoke A/S is a firmly based enterprise with a solvency ratio of 60.73% at 28 February 2021.

Profit/loss for the year in relation to expected developments

Management considers profit for the year satisfactory.

Outlook

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

Use of financial instruments

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.

Epoke A/S follows a board-approved fiscal policy that operates with a low risk profile so that exchange rates, interest rates and credit risks only occurs on the basis of commercial conditions. Epoke A/S has an interest rate swap in order to hedge the interest risk involved in bank loans until maturity.

Epoke A/S is among other things using steel as raw material in its products, thus Epoke A/S is exposed to the development in steel prices.

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.

Income statement for 2020/21

	Notes	2020/21 DKK'000	2019/20 DKK '000
Revenue		198,761	195,737
Changes in inventories of finished goods and work in progress		(10,814)	7,339
Other operating income	2	1,792	11,906
Cost of sales		(99,372)	(113,517)
Other external expenses		(12,875)	(14,309)
Gross profit/loss		77,492	87,156
Staff costs	3	(62,709)	(66,168)
Depreciation, amortisation and impairment losses	4	(3,618)	(4,002)
Operating profit/loss		11,165	16,986
Income from investments in group enterprises		(795)	(3,654)
Other financial income	5	1,436	1,216
Other financial expenses	6	(2,485)	(2,072)
Profit/loss before tax		9,321	12,476
Tax on profit/loss for the year	7	(2,253)	(4,614)
Profit/loss for the year	8	7,068	7,862

Balance sheet at 28.02.2021

Assets

	Notes	2020/21 DKK'000	2019/20 DKK'000
Completed development projects		0	0
Goodwill		1,083	1,333
Intangible assets	9	1,083	1,333
Land and buildings		5,754	6,797
Plant and machinery		4,690	6,360
Other fixtures and fittings, tools and equipment		2,320	1,775
Leasehold improvements		0	0
Property, plant and equipment	10	12,764	14,932
Investments in group enterprises		6,233	8,208
Deposits		61	61
Financial assets	11	6,294	8,269
Fixed assets		20,141	24,534
Raw materials and consumables		22,254	23,243
Work in progress		11,774	11,427
Manufactured goods and goods for resale		25,854	37,015
Inventories		59,882	71,685
Trade receivables		26,458	19,036
Receivables from group enterprises		30,383	33,572
Other receivables	12	41,130	12,997
Tax receivable		360	0
Prepayments	13	911	1,646
Receivables		99,242	67,251
Cash		2,030	4,537
Current assets		161,154	143,473
Assets		181,295	168,007

Equity and liabilities

	Notes	2020/21 DKK'000	2019/20 DKK'000
Contributed capital	14	15,000	15,000
Translation reserve		(813)	0
Reserve for fair value adjustments of hedging instruments		51	0
Retained earnings		95,865	88,797
Equity		110,103	103,797
Other provisions	15	2,931	3,262
Provisions		2,931	3,262
Debt to other credit institutions		6,624	7,575
Other payables		6,305	3,277
Non-current liabilities other than provisions	16	12,929	10,852
Current portion of non-current liabilities other than provisions	16	959	1,613
Bank loans		20	662
Prepayments received from customers		2,909	8,543
Trade payables		11,329	8,492
Payables to group enterprises		15,052	16,063
Tax payable		3,180	3,180
Joint taxation contribution payable		2,267	955
Other payables	17	19,616	10,588
Current liabilities other than provisions		55,332	50,096
Liabilities other than provisions		68,261	60,948
Equity and liabilities		181,295	168,007
Events after the balance sheet date	1		
Financial instruments	19		
Unrecognised rental and lease commitments	20		
Contingent liabilities	21		
Assets charged and collateral	22		
Related parties with controlling interest	23		
Non-arm's length related party transactions	24		
Group relations	25		

Statement of changes in equity for 2020/21

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	15,000	0	0	88,797	103,797
Exchange rate adjustments	0	(813)	0	0	(813)
Fair value adjustments of hedging instruments	0	0	66	0	66
Tax of entries on equity	0	0	(15)	0	(15)
Profit/loss for the year	0	0	0	7,068	7,068
Equity end of year	15,000	(813)	51	95,865	110,103

Cash flow statement for 2020/21

	Notes	2020/21 DKK'000	2019/20 DKK'000
Operating profit/loss		11,165	16,986
Amortisation, depreciation and impairment losses		3,618	4,002
Other provisions		(331)	(328)
Working capital changes	18	(11,148)	(3,203)
Gains and losses from the sale of assets under Other operating income		0	(11,306)
Cash flow from ordinary operating activities		3,304	6,151
Financial income received		1,436	1,216
Financial expenses paid		(2,485)	(2,089)
Taxes refunded/(paid)		(1,316)	(1,310)
Cash flows from operating activities		939	3,968
Acquisition etc of property, plant and equipment		(1,382)	(1,811)
Sale of property, plant and equipment		183	12,569
Cash flows from investing activities		(1,199)	10,758
Free cash flows generated from operations and investments before financing		(260)	14,726
Instalments on loans etc.		(1,605)	(3,562)
Cash flows from financing activities		(1,605)	(3,562)
Increase/decrease in cash and cash equivalents		(1,865)	11,164
Cash and cash equivalents beginning of year		3,875	(7,289)
Cash and cash equivalents end of year		2,010	3,875
Cash and cash equivalents at year-end are composed of:			
Cash		2,030	4,537
Short-term debt to banks		(20)	(662)
Cash and cash equivalents end of year		2,010	3,875

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.

2 Other operating income

Other operating income includes compensation from pay support schemes established as a result of the outbreak and spread of COVID-19 in 2020, with DKK 1,193k in compensation for staff costs.

3 Staff costs

	2020/21	2019/20
	DKK'000	DKK'000
Wages and salaries	56,725	59,911
Pension costs	4,493	4,620
Other social security costs	1,491	1,637
	62,709	66,168

Average number of full-time employees	131	134
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	Remuneration of management 2020/21 DKK'000	Remuneration of management 2019/20 DKK'000
Executive Board	1,549	2,299
Board of Directors	390	390
	1,939	2,689

Remuneration of the Executive Board includes remuneration for two directors for the first two months of the financial year and for one director for the rest of the financial year.

4 Depreciation, amortisation and impairment losses

	2020/21	2019/20
	DKK'000	DKK'000
Amortisation of intangible assets	250	324
Depreciation of property, plant and equipment	3,471	3,685
Profit/loss from sale of intangible assets and property, plant and equipment	(103)	(7)
	3,618	4,002

5 Other financial income

	2020/21	2019/20
	DKK'000	DKK'000
Financial income from group enterprises	822	943
Other financial income	614	273
	1,436	1,216

6 Other financial expenses

	2020/21	2019/20
	DKK'000	DKK'000
Financial expenses from group enterprises	547	456
Other financial expenses	1,938	1,616
	2,485	2,072

7 Tax on profit/loss for the year

	2020/21	2019/20
	DKK'000	DKK'000
Current tax	2,253	4,124
Change in deferred tax	0	490
	2,253	4,614

8 Proposed distribution of profit and loss

	2020/21	2019/20
	DKK'000	DKK'000
Retained earnings	7,068	7,862
	7,068	7,862

9 Intangible assets

	Completed development projects DKK'000	Goodwill DKK'000
Cost beginning of year	759	2,400
Cost end of year	759	2,400
Amortisation and impairment losses beginning of year	(759)	(1,067)
Amortisation for the year	0	(250)
Amortisation and impairment losses end of year	(759)	(1,317)
Carrying amount end of year	0	1,083

10 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
Cost beginning of year	33,876	40,350	11,456	83
Additions	0	0	1,382	0
Disposals	(209)	0	(796)	0
Cost end of year	33,667	40,350	12,042	83
Depreciation and impairment losses beginning of year	(27,079)	(33,990)	(9,681)	(83)
Depreciation for the year	(1,043)	(1,670)	(758)	0
Reversal regarding disposals	209	0	717	0
Depreciation and impairment losses end of year	(27,913)	(35,660)	(9,722)	(83)
Carrying amount end of year	5,754	4,690	2,320	0

11 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	27,687	61
Cost end of year	27,687	61
Impairment losses beginning of year	(19,479)	0
Exchange rate adjustments	(813)	0
Amortisation of goodwill	(546)	0
Share of profit/loss for the year	(403)	0
Adjustment of intra-group profits	155	0
Investments with negative equity value depreciated over receivables	(2,460)	0
Other adjustments	2,092	0
Impairment losses end of year	(21,454)	0
Carrying amount end of year	6,233	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

12 Other receivables

Other receivables include a receivable of DKK 41,131k at the Danish Tax Authorities, which the company can claim for payment within 5 days.

13 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

14 Share capital

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

15 Other provisions

Other provisions comprise service and warranty commitments.

16 Non-current liabilities other than provisions

	Due within 12 months 2020/21 DKK'000	Due within 12 months 2019/20 DKK'000	Due after more than 12 months 2020/21 DKK'000	Outstanding after 5 years 2020/21 DKK'000
Debt to other credit institutions	959	962	6,624	2,847
Other payables	0	651	6,305	5,800
	959	1,613	12,929	8,647

17 Other payables

	2020/21 DKK'000	2019/20 DKK'000
VAT and duties	610	0
Wages and salaries, personal income taxes, social security costs, etc payable	6,268	3,387
Holiday pay obligation	4,877	5,920
Other costs payable	7,861	1,281
	19,616	10,588

18 Changes in working capital

	2020/21 DKK'000	2019/20 DKK'000
Increase/decrease in inventories	11,803	(6,165)
Increase/decrease in receivables	(31,262)	316
Increase/decrease in trade payables etc	8,311	2,646
	(11,148)	(3,203)

19 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 94k at 28.02.2021 and has been recognised as other payable. The interest rate swap guarantees a fixed interest rate of 4.08% on the loan concerned.

	2020/21 DKK'000	2019/20 DKK'000
2024, nominal amount	1,132	1,430
Total	1,132	1,430

20 Unrecognised rental and lease commitments

	2020/21	2019/20
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	845	1,468

21 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.

22 Assets charged and collateral

Debt to other credit institutions, DKK 7,583k 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 5,754k and the carrying amount of mortgaged plant is DKK 4,690k.

As collateral for bank loans, DKK 20k, 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 89,743k.

Collateral provided for group enterprises

The Entity has issued a letter of support to Epoke Maschinenbau GmbH & Co. KG. Total liabilities for Epoke Maschinenbau GmbH & Co. KG is DKK 14,752k at 28.02.2021 however DKK 9,713k is intercompany liabilities to Epoke A/S.

23 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.

24 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.

25 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.

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.

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned.

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.

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.