
Svend Hoyer A/S

Over Hadstenvej 42, DK-8370 Hadsten

Annual Report for 1 January - 31 December 2018

CVR No 17 63 06 95

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29/5 2019

Henrik Petersen
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	10
Balance Sheet 31 December	11
Statement of Changes in Equity	13
Notes to the Financial Statements	14

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Svend Hoyer A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hadsten, 27 March 2019

Executive Board

Henrik Thomassen Ulrich
Sørensen
CEO

Henrik Petersen
CFO

Board of Directors

Søren Østergaard Sørensen
Chairman

Denis Viet-Jacobsen
Deputy Chairman

Michael Pontoppidan Frost

Independent Auditor's Report

To the Shareholder of Svend Hoyer A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Svend Hoyer A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

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 misstate-

Independent Auditor's Report

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the

Independent Auditor's Report

disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, 27 March 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kragh
State Authorised Public Accountant
mne26783

Claus Lyngsø Sørensen
State Authorised Public Accountant
mne34539

Company Information

The Company

Svend Hoyer A/S
Over Hadstenvej 42
DK-8370 Hadsten

CVR No: 17 63 06 95
Financial period: 1 January - 31 December
Municipality of reg. office: Favrskov

Board of Directors

Søren Østergaard Sørensen, Chairman
Denis Viet-Jacobsen, Deputy Chairman
Michael Pontoppidan Frost

Executive Board

Henrik Thomassen Ulrich Sørensen
Henrik Petersen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018	2017	2016	2015	2014
	kDKK	kDKK	kDKK	kDKK	kDKK
Key figures					
Profit/loss					
Revenue	457,242	380,217	237,386	388,817	365,544
Operating profit/loss	28,054	9,949	9,806	43,499	19,669
Net financials	-4,056	-4,433	-6,338	-564	11,042
Net profit/loss for the year	16,196	4,647	2,279	33,953	26,640
Balance sheet					
Balance sheet total	290,503	254,971	262,175	304,314	344,677
Equity	66,396	56,265	73,204	131,599	99,908
Investment in property, plant and equipment	4,534	2,556	1,626	852	18,243
Number of employees	88	84	86	90	80
Ratios					
Solvency ratio	22.9%	22.1%	27.9%	43.2%	29.0%
Return on equity	26.4%	7.2%	2.2%	29.3%	31.5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

The financial year was changed in 2016 so that the balance sheet day is 31 December. The financial year 2016 was therefore a shortened period of 8 months.

Management's Review

Financial Statements of Svend Hoyer A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

Hoyer is a leading supplier of customized low voltage electric motors and transmission products to the Marine and Industrial sectors, primarily in Europe and Asia. Hoyer sells own-branded as well as customer specific products and offers key value-added services to its customers, such as logistics, technical customization, quality assurance and technical documentation.

Development in the year

The income statement of the Company for 2018 shows a profit of DKK 16,196,273, and at 31 December 2018 the balance sheet of the Company shows equity of DKK 66,396,240.

Operating risks

The Company's main operating risks are related to the ability to be strongly positioned on the markets where the Company's products are sold and the ability to provide quick delivery.

Market risks

As a result of its operations, investments and financing, the Company is exposed to changes in currency exchange rates and interest rates. The Company applies a finance policy that operates with a low risk profile, so that currency, interest and credit risks only materialize on the basis of commercial circumstances.

The Company's use of derivative financial instruments has been regulated through internal procedures approved by the Board of Directors, which among others include maximum amounts and a specification of which derivative financial instruments may be used.

Foreign exchange risks

The Company is affected by changes in currency exchange rates, as goods purchased and the main part of the turnover is invoiced in a foreign currency, while the main part of the costs, including wages and salaries, are mainly paid in Danish Kroner.

Interest rate risks

The Company hedges the interest rate risk by means of the interest policy approved by the Board of Directors.

Management's Review

Credit risks

The Company's policy for assuming credit risks means that all customers and other business partners are credit rated on an ongoing basis.

Liquidity risks

The Company has credit facilities available exceeding the expected requirements of the Company.

Expected development

The outlook for 2019 is positive due to expected benefits from the sales and operational improvement initiatives completed during 2018.

Statement of corporate social responsibility

No separate statement has been made for Svend Hoyer A/S. Please refer to the statement for Hoyer Group A/S.

Statement on gender composition

The Company believes that employee diversity, including a gender balance, contributes positively to the work environment and strengthens the Company's performance and competitiveness.

Policies

The Company is continuously working on composing a management team where each member's qualifications complement the Group's strategic development in the best possible way. During 2018 several women have attained manager roles, both in Denmark and in Asia and additional are planned for 2019.

The Company is focusing on attracting and employing more women. This is done by supporting and developing talented female employees on the same level as their male colleagues and having relevant female candidates for job interviews in recruitment processes. It is the Company's policy not to discriminate and always appoint or recruit persons on the basis of their qualifications and match to the requested profile.

The Company is working on creating uniform conditions for leader aspirants, regardless of gender. It is aimed to achieve equal career opportunities for men and women through our employment and recruitment procedures and by the Group's investment in development and education. There has been no change in the gender composition of the leader group in 2018 compared to last year.

The Board of Directors is the superior management body of both Svend Hoyer A/S and Hoyer Group A/S. The Board of Directors currently consists of three and five members respectively, elected by the general meeting, who are all men. The Board of Directors in has not changed in 2018. Therefore the

Management's Review

objective of a female board member has not been met in 2018.

The aim is that both genders should be equally represented both on the Board of Directors and on other levels of the management team before the end of 2021.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

No extraordinary circumstances have taken place during the period, which have affected the profit for the period significantly.

Unusual events

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Revenue		457,241,553	380,216,981
Other operating income		161,092	732,877
Expenses for raw materials and consumables		-341,668,021	-290,235,782
Other external expenses		-37,721,244	-34,207,036
Gross profit/loss		78,013,380	56,507,040
Staff expenses	1	-47,503,364	-43,365,041
Depreciation and impairment of property, plant and equipment		-2,294,934	-2,460,052
Other operating expenses		-149,317	-6,716
Profit/loss before financial income and expenses		28,065,765	10,675,231
Income from investments in subsidiaries		474,863	-676,453
Financial income	2	445,432	1,949,755
Financial expenses	3	-4,976,143	-5,705,836
Profit/loss before tax		24,009,917	6,242,697
Tax on profit/loss for the year	4	-7,813,644	-1,595,412
Net profit/loss for the year		16,196,273	4,647,285

Balance Sheet 31 December

Assets

	Note	2018 DKK	2017 DKK
Other fixtures and fittings, tools and equipment		7,367,064	5,343,985
Property, plant and equipment	5	7,367,064	5,343,985
Investments in subsidiaries	6	25,631,925	25,312,648
Receivables from group enterprises	7	1,696,002	1,682,229
Deposits	7	152,369	692,994
Fixed asset investments		27,480,296	27,687,871
Fixed assets		34,847,360	33,031,856
Finished goods and goods for resale		170,227,075	149,614,500
Inventories		170,227,075	149,614,500
Trade receivables		61,682,763	56,178,157
Receivables from group enterprises		17,260,944	14,979,849
Other receivables		696,835	83,145
Deferred tax asset	11	493,698	585,609
Prepayments	8	425,170	431,294
Receivables		80,559,410	72,258,054
Cash at bank and in hand		4,869,135	67,052
Currents assets		255,655,620	221,939,606
Assets		290,502,980	254,971,462

Balance Sheet 31 December

Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		1,000,000	1,000,000
Reserve for net revaluation under the equity method		22,025,142	21,705,865
Retained earnings		43,371,098	33,558,881
Equity	9	66,396,240	56,264,746
Other provisions	12	1,751,153	3,455,000
Provisions		1,751,153	3,455,000
Credit institutions		0	61,147,404
Long-term debt	13	0	61,147,404
Credit institutions	13	111,442,940	0
Trade payables		49,058,523	58,448,658
Payables to group enterprises		45,956,408	59,313,706
Corporation tax		6,265,204	2,910,854
Other payables	14	9,632,512	13,431,094
Short-term debt		222,355,587	134,104,312
Debt		222,355,587	195,251,716
Liabilities and equity		290,502,980	254,971,462
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1,000,000	21,705,865	33,558,881	56,264,746
Exchange adjustments	0	-162,696	0	-162,696
Extraordinary dividend paid	0	0	-6,000,000	-6,000,000
Fair value adjustment of hedging instruments	0	0	125,534	125,534
Tax on adjustment of hedging instruments for the year	0	0	-27,617	-27,617
Other equity movements	0	7,110	-7,110	0
Net profit/loss for the year	0	474,863	15,721,410	16,196,273
Equity at 31 December	1,000,000	22,025,142	43,371,098	66,396,240

Notes to the Financial Statements

	2018	2017
	DKK	DKK
1 Staff expenses		
Wages and salaries	43,716,969	39,583,395
Pensions	3,226,958	2,973,271
Other social security expenses	559,437	808,375
	47,503,364	43,365,041
Average number of employees	88	84
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
2 Financial income		
Interest received from group enterprises	290,124	1,283,076
Other financial income	155,308	666,679
	445,432	1,949,755
3 Financial expenses		
Interest paid to group enterprises	1,763,966	2,332,249
Other financial expenses	3,204,217	2,987,711
Exchange loss	7,960	385,876
	4,976,143	5,705,836

Notes to the Financial Statements

	2018 <u>DKK</u>	2017 <u>DKK</u>
4 Tax on profit/loss for the year		
Current tax for the year	5,249,350	1,549,053
Deferred tax for the year	91,911	68,606
Adjustment of tax concerning previous years	2,500,000	0
	<u>7,841,261</u>	<u>1,617,659</u>
which breaks down as follows:		
Tax on profit/loss for the year	7,813,644	1,595,412
Tax on changes in equity	27,617	22,247
	<u>7,841,261</u>	<u>1,617,659</u>
 5 Property, plant and equipment		
		Other fixtures and fittings, tools and equipment <u>DKK</u>
Cost at 1 January		21,871,212
Additions for the year		4,533,738
Disposals for the year		-1,895,838
Cost at 31 December		<u>24,509,112</u>
Impairment losses and depreciation at 1 January		16,527,227
Depreciation for the year		2,294,934
Reversal of impairment and depreciation of sold assets		-1,680,113
Impairment losses and depreciation at 31 December		<u>17,142,048</u>
Carrying amount at 31 December		<u>7,367,064</u>
Including assets under finance leases amounting to		<u>319,765</u>

Notes to the Financial Statements

	2018 DKK	2017 DKK
6 Investments in subsidiaries		
Cost at 1 January	3,606,783	3,606,783
Cost at 31 December	3,606,783	3,606,783
Value adjustments at 1 January	21,705,865	24,061,974
Exchange adjustment	-162,696	-1,665,487
Net profit/loss for the year	474,863	-676,453
Other equity movements, net	7,110	-14,169
Value adjustments at 31 December	22,025,142	21,705,865
Carrying amount at 31 December	25,631,925	25,312,648

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Svend Hoyer Power Transmission (Ningbo) Co., Ltd (sub-group)	Ningbo, China	100%	25,631,925	474,863

7 Other fixed asset investments

	Receivables from group enterprises DKK	Deposits DKK
Cost at 1 January	1,682,229	692,994
Additions for the year	13,773	0
Disposals for the year	0	-540,625
Cost at 31 December	1,696,002	152,369
Carrying amount at 31 December	1,696,002	152,369

8 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

Notes to the Financial Statements

9 Equity

The share capital consists of 10,000 shares of a nominal value of DKK 100. No shares carry any special rights.

	2018 DKK	2017 DKK
10 Distribution of profit		
Extraordinary dividend paid	6,000,000	20,000,000
Reserve for net revaluation under the equity method	474,863	-676,453
Retained earnings	9,721,410	-14,676,262
	16,196,273	4,647,285

11 Deferred tax asset

Property, plant and equipment	-154,898	-246,809
Amortization	-338,800	-338,800
Transferred to deferred tax asset	493,698	585,609
	0	0
Deferred tax asset		
Calculated tax asset	493,698	585,609
Carrying amount	493,698	585,609

12 Other provisions

The Company provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions have been recognised for expected warranty claims.

Other provisions	1,751,153	3,455,000
	1,751,153	3,455,000

Notes to the Financial Statements

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2018</u> DKK	<u>2017</u> DKK
Credit institutions		
Between 1 and 5 years	0	61,147,404
Long-term part	0	61,147,404
Other short-term debt to credit institutions	111,442,940	0
	<u>111,442,940</u>	<u>61,147,404</u>

14 Derivative financial instruments

Derivative financial instruments contracts in the form of interest caps have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

Liabilities	194,683	320,217
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Interest cap contracts have been concluded to hedge future interest payments on floating rate loans. The contracts have a term of 1,5 years. Under the contracts, floating interest rates can not exceed a fixed rate of interest of 3,25 % on loans with a principal amount of DKK 66 million. The interest cap contract has been concluded for the entire remaining maturity period.

Notes to the Financial Statements

	2018 DKK	2017 DKK
15 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	8,542,721	9,120,826
Between 1 and 5 years	28,970,211	34,712,141
After 5 years	35,271,452	41,712,716
	72,784,384	85,545,683
Including to group enterprises		
Rental and lease obligations	69,191,492	75,357,296

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Hoyer Group A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

16 Related parties

Basis

Controlling interest

Xilos Co-Investment No. 1 Separate Limited Partnership
 Jersey
 United Kingdom

Majority shareholder of Hoyer Group A/S

Hoyer Group A/S
 Copenhagen
 Denmark

Majority shareholder of Svend Hoyer A/S

Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries:

	2018	2017
	DKK	DKK
Revenue	95,108,370	72,379,834
Goods purchased	-74,656,727	-44,091,882
Administration fee	-2,091,326	-3,026,836
Management fee	-3,851,908	-2,988,727
Interest income	290,124	1,283,076
Interest expenses	-1,763,966	-2,332,249

Consolidated Financial Statements

The company is included in the Group Annual Report of

Name	Place of registered office
Hoyer Group A/S	Copenhagen

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Svend Hoyer A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Hoyer Group A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Hoyer Group A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Notes to the Financial Statements

17 Accounting Policies (continued)

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

In accordance with section 96(1) of the Danish Financial Statements Acts, disclosures on revenue broken down by business segments are not provided as the Company's Executive Board and Board of Directors assess that such disclosures would be very detrimental to the Company.

Notes to the Financial Statements

17 Accounting Policies (continued)

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue recognised.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than wages.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

17 Accounting Policies (continued)

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment 3-10 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Notes to the Financial Statements

17 Accounting Policies (continued)

Other fixed asset investments

Other fixed asset investments consist of deposits and other investments.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legisla-

Notes to the Financial Statements

17 Accounting Policies (continued)

tion at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$