
Svend Hoyer A/S

Over Hadstenvej 42, DK-8370 Hadsten

Annual Report for 1 January - 31 December 2020

CVR No 17 63 06 95

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
16/4 2021

Henrik Petersen
Chairman of the General
Meeting



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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 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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

Hadsten, 26 March 2021

Executive Board

Henrik Thomassen Ulrich
Sørensen
CEO

Henrik Petersen
CFO

Board of Directors

Søren Østergaard Sørensen
Chairman

Henrik Thomassen Ulrich
Sørensen

Hans Mønster

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, 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, 26 March 2021

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
Henrik Thomassen Ulrich Sørensen
Hans Mønster

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:

	2020	2019	2018	2017	2016
	kDKK	kDKK	kDKK	kDKK	kDKK (8 months)
Key figures					
Profit/loss					
Revenue	393,955	627,631	457,242	380,217	237,386
Operating profit/loss	8,554	64,082	28,053	9,949	9,806
Net financials	4,508	357	-4,055	-4,433	-6,338
Profit/loss from discontinuing activities	65,013	0	0	0	0
Net profit/loss for the year	77,238	45,897	16,196	4,647	2,279
Balance sheet					
Balance sheet total	360,204	315,089	290,497	254,971	262,175
Equity	188,735	112,543	66,395	56,265	73,204
Investment in property, plant and equipment	5,562	2,437	-4,318	-2,283	1,626
Number of employees	105	115	96	84	86
Ratios					
Solvency ratio	52.4%	35.7%	22.9%	22.1%	27.9%
Return on equity	51.3%	51.3%	26.4%	7.2%	2.2%

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.

The Hoyer Transmission business unit was divested in 2020. Comparable figures for 2016-2019 have not been adjusted for the discontinuing activities, hence 2020 lacks comparability with 2016-2019.

Management's Review

Financial Statements of Svend Hoyer A/S for 2020 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 customised electric motors 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 customisation, quality assurance and technical documentation

Development in the year

The income statement of the Company for 2020 shows a profit of kDKK 77,238, and at 31 December 2020 the balance sheet of the Company shows equity of kDKK 188,735.

Over the course of the year the Company has continued to develop its commercial approach by restructuring the sales organisation around a number of selected customer segments so as to build stronger application know-how and customer focus.

As part of the strategy to increase focus on the core electric motor offering, the Hoyer Transmissions business unit was divested in March 2020.

While 2020, as expected, saw growth in revenue and profit in several niche markets, the Company's revenue and profit in its main markets suffered a significant negative effect from a combination of the COVID 19 outbreak and extremely low oil prices.

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

Net profit for 2020 has, as expected, been positively impacted by the divestment of the Hoyer Transmission business unit on 31 March 2020, with a total net effect of kDKK 65,013, presented as discontinued activities in 2020. The reduction in revenue relating to the discontinued business amounts to approx. DKK 95 mio.

Branches

The financial year 2020 saw the establishment of permanent representation in two of the Company's key markets, Japan, and South Korea, through the establishment of legal sales branches with offices in Yokohama, Japan and Busan, South Korea.

Management's Review

Operating risks

The Company's main operating risks are related to market development and the competitiveness of the company's offering. The Group strives to be robustly positioned in those markets where the Company's products are sold, and to have the ability to provide rapid delivery in order to manage these risks.

Financial risks

As a result of its operations, investment and financing, the Company is exposed to changes in currency exchange rates and interest rates. The liquidity and interest rate risk are not currently significant.

Foreign exchange risks

The Company is affected by changes in currency exchange rates, as goods purchased and the main portion of its turnover is invoiced in foreign currency, while the main portion of its costs, including wages and salaries, are paid mainly in Danish Kroner. The Company hedges foreign exchange risk using the finance policy approved by the Board of Directors.

Credit risks

The Company's credit risk policy means that all customers and other business partners undergo credit rating on an ongoing basis.

Targets and expectations for the year ahead

The Company's outlook for the future will be negatively affected by the COVID 19 outbreak, especially during the first half of 2021 due to local closedowns and other measures taken by governments in both Asia and Europe to mitigate the impacts of the pandemic. Volatile oil prices, which have affected, and continue to affect, the levels of activity of many of the Company's customers, will also negatively affect future targets.

However, company management expects that the markets will bounce back during the second half of 2021 with growth in all Hoyer's segments. It is especially expected that the Company will grow in specific marine niches, wind, and the industrial sectors where the Company has a strategy to improve its market presence.

Overall, company management expects that the Company will be able to show a low single digit positive growth in revenue and net profit due to improved market conditions in combination with increased market share in new segments.

Management's Review

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.

In accordance with the Danish Financial Statements Act, section 99 a and 99 b Hoyer Group A/S publishes its report on Corporate Social Responsibility on the company website. Please refer to our statutory report here:

<https://hoyermotors.com/wp-content/uploads/2021/03/2020-Hoyer-Group-CSR-Report.pdf>

Uncertainty relating to recognition and measurement

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

Unusual events

Except from the divestment of the Hoyer Transmission business unit the financial position on 31 December 2020 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	2020 kDKK	2019 kDKK
Revenue	1	393,955	627,631
Change in inventories of finished goods, work in progress and goods for resale		-54,844	-21,454
Other operating income		0	1,646
Expenses for raw materials and consumables		-249,497	-436,266
Other external expenses		-30,570	-43,168
Gross profit/loss		59,044	128,389
Staff expenses	2	-47,891	-60,134
Depreciation and impairment of property, plant and equipment		-2,599	-2,527
Other operating expenses		-10	0
Profit/loss before financial income and expenses		8,544	65,728
Income from investments in subsidiaries		9,969	5,495
Financial income	3	1,221	1,066
Financial expenses	4	-6,682	-6,204
Profit/loss before tax		13,052	66,085
Tax on profit/loss for the year	5	-827	-20,188
Profit/loss from continuing activities		12,225	45,897
Profit/loss from discontinuing activities	6	65,013	0
Net profit/loss for the year		77,238	45,897

Balance Sheet 31 December

Assets

	Note	2020 kDKK	2019 kDKK
Other fixtures and fittings, tools and equipment		9,951	7,120
Property, plant and equipment	7	9,951	7,120
Investments in subsidiaries	8	40,156	31,276
Receivables from group enterprises	9	1,611	1,936
Deposits	9	60	72
Fixed asset investments		41,827	33,284
Fixed assets		51,778	40,404
Finished goods and goods for resale		93,929	148,720
Inventories		93,929	148,720
Trade receivables		45,711	87,861
Receivables from group enterprises		16,369	22,911
Other receivables		912	634
Receivable from shareholders and Management		150,657	0
Deferred tax asset	10	282	314
Prepayments	11	555	306
Receivables		214,486	112,026
Cash at bank and in hand		11	13,939
Currents assets		308,426	274,685
Assets		360,204	315,089

Balance Sheet 31 December

Liabilities and equity

	Note	2020 kDKK	2019 kDKK
Share capital		1,000	1,000
Reserve for net revaluation under the equity method		36,549	27,669
Reserve for loans and security		150,657	0
Reserve for hedging transactions		-8	-51
Retained earnings		537	83,925
Equity	12	188,735	112,543
Other provisions	14	1,850	1,800
Provisions		1,850	1,800
Other payables		3,040	1,515
Long-term debt	15	3,040	1,515
Credit institutions		64,495	87,220
Trade payables		25,340	52,862
Payables to group enterprises		43,257	38,755
Corporation tax		5,764	6,582
Payables to group enterprises relating to corporation tax		17,282	3,764
Other payables	15,16	10,441	10,048
Short-term debt		166,579	199,231
Debt		169,619	200,746
Liabilities and equity		360,204	315,089
Subsequent events	19		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	17		
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Statement of Changes in Equity

	Share capital	Reserve for net revalua- tion under the equity method	Reserve for loans and security	Reserve for hedging transactions	Retained earnings	Total
	kDKK	kDKK	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	1,000	27,669	0	-51	83,925	112,543
Exchange adjustments	0	-1,089	0	0	0	-1,089
Fair value adjustment of hedging instruments	0	0	0	55	0	55
Tax on adjustment of hedging instruments for the year	0	0	0	-12	0	-12
Loans and security on sale of shares of the Company	0	0	150,657	0	-150,657	0
Net profit/loss for the year	0	9,969	0	0	67,269	77,238
Equity at 31 December	1,000	36,549	150,657	-8	537	188,735

Notes to the Financial Statements

	2020 kDKK	2019 kDKK
1 Revenue		
Geographical segments		
Europe	269,114	418,126
Asia	108,626	189,289
Other	16,215	20,216
	393,955	627,631
Business segments		
Motors	393,955	539,835
Transmissions	0	87,796
	393,955	627,631
2 Staff expenses		
Wages and salaries	43,798	55,221
Pensions	3,434	3,962
Other social security expenses	659	951
	47,891	60,134
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	1,965	2,200
Supervisory Board	284	338
	2,249	2,538
Average number of employees	105	115
3 Financial income		
Interest received from group enterprises	261	527
Other financial income	960	539
	1,221	1,066

Notes to the Financial Statements

	2020 kDKK	2019 kDKK
4 Financial expenses		
Interest paid to group enterprises	1,031	1,819
Other financial expenses	1,102	3,747
Exchange loss	4,549	638
	6,682	6,204
5 Tax on profit/loss for the year		
Current tax for the year	807	13,764
Deferred tax for the year	32	10
Adjustment of tax concerning previous years	0	6,274
Adjustment of deferred tax concerning previous years	0	169
	839	20,217
which breaks down as follows:		
Tax on profit/loss for the year	827	20,188
Tax on changes in equity	12	29
	839	20,217

Notes to the Financial Statements

	2020 kDKK	2019 kDKK
6 Discontinuing activities		
Revenue	23,594	0
Other operating income	78,489	0
Expenses for raw materials and consumables	-15,192	0
Other external expenses	-710	0
Gross profit/loss	86,181	0
Staff expenses	-2,821	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	-10	0
Profit/loss before tax	83,350	0
Tax on profit/loss for the year	-18,337	0
Profit/loss from discontinuing activities	65,013	0

Discontinuing activities includes the divestment of the Hoyer Transmission business unit in 2020. Comparable numbers in 2019 has not been adjusted for the discontinuing activities, hence 2020 lacks comparability with 2019.

Notes to the Financial Statements

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	kDKK
Cost at 1 January	24,591
Net effect from demerger and business sale	-1,603
Additions for the year	5,562
Disposals for the year	-1,602
Cost at 31 December	<u>26,948</u>
Impairment losses and depreciation at 1 January	17,471
Depreciation for the year	2,609
Reversal of impairment and depreciation of sold assets	-3,083
Impairment losses and depreciation at 31 December	<u>16,997</u>
Carrying amount at 31 December	<u>9,951</u>
Including assets under finance leases amounting to	<u>2,680</u>

8 Investments in subsidiaries

	2020	2019
	kDKK	kDKK
Cost at 1 January	<u>3,607</u>	<u>3,607</u>
Cost at 31 December	<u>3,607</u>	<u>3,607</u>
Value adjustments at 1 January	27,669	22,025
Exchange adjustment	-1,089	149
Net profit/loss for the year	<u>9,969</u>	<u>5,495</u>
Value adjustments at 31 December	<u>36,549</u>	<u>27,669</u>
Carrying amount at 31 December	<u>40,156</u>	<u>31,276</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Svend Hoyer Power Transmission (Ningbo) Co., Ltd (sub-group)	Ningbo, China	100%

Notes to the Financial Statements

9 Other fixed asset investments

	Receivables from group enterprises kDKK	Deposits kDKK
Cost at 1 January	1,936	72
Disposals for the year	-325	-12
Cost at 31 December	<u>1,611</u>	<u>60</u>
Carrying amount at 31 December	<u>1,611</u>	<u>60</u>

10 Deferred tax asset

	2020 kDKK	2019 kDKK
Deferred tax asset at 1 January	314	494
Amounts recognised in the income statement for the year	-32	-180
Deferred tax asset at 31 December	<u>282</u>	<u>314</u>
Property, plant and equipment	57	25
Amortization	-339	-339
Transferred to deferred tax asset	282	314
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	<u>282</u>	<u>314</u>
Carrying amount	<u>282</u>	<u>314</u>

11 Prepayments

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

Notes to the Financial Statements

12 Equity

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

	2020 kDKK	2019 kDKK
13 Distribution of profit		
Reserve for net revaluation under the equity method	9,969	5,495
Retained earnings	67,269	40,402
	<u>77,238</u>	<u>45,897</u>

14 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	1,850	1,800
	<u>1,850</u>	<u>1,800</u>

15 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:

Other payables

Between 1 and 5 years	3,040	1,515
Long-term part	3,040	1,515
Other short-term payables	10,441	10,048
	<u>13,481</u>	<u>11,563</u>

Notes to the Financial Statements

16 Derivative financial instruments

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

	<u>2020</u> kDKK	<u>2019</u> kDKK
Liabilities	9	65

Forward exchange contracts have been concluded to hedge future purchase of goods in CNY. At the balance sheet date, the fair value of the forward exchange contracts amounts to kDKK -9. The forward exchange contracts have a term of 1-6 months for an amount of kCNY 24,000.

17 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	7,656	9,519
Between 1 and 5 years	26,796	32,882
After 5 years	<u>21,339</u>	<u>34,540</u>
	<u>55,791</u>	<u>76,941</u>

Including to group enterprises

Rental and lease obligations	53,555	73,255
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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

18 Related parties

Basis

Controlling interest

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

Ultimate shareholder of Hoyer Group A/S

Hoyer Group A/S
 Hadsten
 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:

	2020	2019
	kDKK	kDKK
Revenue	88,465	105,434
Goods purchased	-108,541	-151,183
Rent, buildings	-6,748	-7,324
Administration fee	-1,465	-586
Management fee, paid	-4,678	-4,130
Management fee, received	2,906	3,223
Interest income	261	527
Interest expenses	-1,032	-18,189

Consolidated Financial Statements

The company is included in the Group Annual Report of

Name	Place of registered office
Hoyer Group A/S	Hadsten

Notes to the Financial Statements

19 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Svend Hoyer A/S for 2020 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 2020 are presented in kDKK.

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

20 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.

Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

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.

Notes to the Financial Statements

20 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.

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

20 Accounting Policies (continued)

Discontinuing activities

Profit/loss from discontinuing activities includes the net result from the discontinuing activities and the profit from the sale of the discontinuing activities.

Recognition of revenues and expenses for the discontinuing activities are in accordance with the accounting policy.

Comparive figures in 2019 has not been adjusted for the discontinuing activities.

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 30,000 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

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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 legislation 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

Notes to the Financial Statements

20 Accounting Policies (continued)

Solvency ratio

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

Return on equity

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