

Fritz Schur Technical Group A/S

Esplanaden 40, 1263 København K
CVR no. 18 86 09 88

Annual report for 2019

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 31.08.20

Martin Kasten
Dirigent

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The company

Fritz Schur Technical Group A/S
Esplanaden 40
1263 København K
CVR no.: 18 86 09 88
Financial year: 01.01 - 31.12

Executive Boards

Mads-Ole Astrupgaard

Board of Directors

Fritz H. Schur, chairman
Mads-Ole Astrupgaard
Peter Helbirk

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

FS 12 ApS, København K.

Statement by the Executive Boards and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.19 - 31.12.19 for Fritz Schur Technical Group A/S.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.19 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.19 - 31.12.19.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, June 18, 2020

Executive Boards

Mads-Ole Astrupgaard

Board of Directors

Fritz H. Schur
Chairman

Mads-Ole Astrupgaard

Peter Helbirk

To the Shareholder of Fritz Schur Technical Group A/S**Opinion**

We have audited the consolidated financial statements and parent company financial statements of Fritz Schur Technical Group A/S for the financial year 01.01.19 - 31.12.19, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.19 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.19 - 31.12.19 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements" section of our report. We are independent of the group and 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 regarding the management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the consolidated financial statements and parent company financial statements

The Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and parent company financial statements, management is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and parent company financial statements unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and

parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the consolidated financial statements and parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Næstved, June 18, 2020

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jørgen Stegmann

State Authorized Public Accountant
MNE-no. mne11738

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2019	2018	2017	2016	2015
<i>Profit/loss</i>					
Revenue	496,668	507,723	526,088	566,681	419,245
Index	118	121	125	135	100
Operating profit/loss	-15,243	3,363	4,078	11,039	20,755
Index	-73	16	20	53	100
Total net financials	-1,992	-1,131	-1,804	-1,122	-488
Index	408	232	370	230	100
Profit/loss for the year	-13,894	1,929	1,741	6,840	14,804
Index	-94	13	12	46	100
<i>Balance</i>					
Total assets	216,627	229,452	198,185	209,020	167,134
Index	130	137	119	125	100
Investments in property, plant and equipment	1,126	125	860	3,614	92
Index	1,224	136	935	3,928	100
Equity	82,741	76,745	74,967	52,961	101,447
Index	82	76	74	52	100

Ratios

	2019	2018	2017	2016	2015
<i>Profitability</i>					
Return on equity	-17%	3%	3%	9%	15%
Gross margin	21%	24%	23%	23%	26%
Profit margin	0%	1%	1%	2%	5%

Equity ratio

Equity interest	38%	33%	38%	25%	61%
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Others

Number of employees (average)	171	169	176	170	136
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Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Equity interest:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

Primary activities

The main activity of the company is holding participating interests in two 100% owned subsidiaries:

- Fritz Schur Teknik A/S, a technical engineering, trading, and production company.
- Fritz Schur Industri ApS, primarily an engineering and trading company operated through its subsidiaries Hans Buch A/S and Johs. Thornam A/S.

The group has a number of exclusive distribution rights from foreign producers as well as own facilities for development, construction, processing and assembly.

Development in activities and financial affairs

The Group achieved a profit after tax of th.DKK -13.894, which is lower than expected at the beginning of the year. During the financial year, the Group established new production facilities in China and initiated operations in these facilities. Although this initiative is considered a very positive step in the Group's development, it affected the profit for the year negatively. The profit for the year was also to some degree negatively affected by difficult market conditions with structurally fluctuating demand. The profit for the year is overall considered as unsatisfactory.

Essentially, the Group has only activities within one business area and therefore no segment information is provided.

In order to further strengthen the financial position of the Group, the parent company made an equity contribution of DKK 20 million during the year. The equity of the Group and the company amounts to th.DKK 82.741.

Outlook

The Group expects that the new production facilities in China will start having a positive impact in 2020 and the negative market conditions are expected to ease off to some degree. In light of these expected developments, a positive result is expected in the coming financial year, which is also confirmed by the positive results achieved so far in the new year.

Knowledge resources

To secure the continued competitiveness of the company, the resources necessary for the maintenance and development of the competencies of the company are applied.

Special risks

The Group is affected by a range of commercial, operational and financial risks, managed and mitigated through a comprehensive risk management and insurance setup.

Research and development activities

The Group continuously applies resources for developing its product portfolio.

Subsequent events

In the spring of 2020, the society is affected by the spread of the Coronavirus (COVID-19). The Company has so far not experienced any significant impact on activity or demand as a result. However, it is still uncertain if it will impact on the general development in 2020. Management believes, regardless, that the Company's future activity and financial situation will not be significantly affected.

Branches abroad

The Group has a branch in the Netherlands which handles the Group's sales in Holland.

Corporate social responsibility

So far, the Group has chosen not to adopt and implement policies for corporate social responsibility, including policies on environmental issues, social conditions and employee relations, respect for human rights and anti-corruption and bribery.

The reason for this is that it is the Group's general policy that the Group's activities are carried out taking into account generally accepted principles and good business ethics.

The management wants to run a business that meets current legislative requirements in every way and acts as a responsible company that minimizes negative impact on stakeholders and the community at large.

In addition, the environmental impact derived from the company's operations is minimal, and the Group's primary activities are considered to give rise to low risk in terms of social conditions, human rights and anti-corruption.

Business model

The Group's business model includes production, engineering and trading of products within the three primary business areas of wind energy, marine and other industry.

The income relates to the sale of these products and services to companies in both Denmark and the rest of the world.

Future work on social responsibility

In the future, the management will continuously assess the need to adopt formal policies for social responsibility in one or more areas.

Gender diversity

Target figures for the supreme management body

The company currently has 3 men and no women in the Board of Directors. The company's target for the underrepresented gender is 33.3%, which is sought to be achieved no later than at the general meeting in 2023. The achievement of the target presupposes that board members will be replaced. The target has not yet been achieved, as there have been no replacements in the management.

It is the policy of the company, that when hiring for vacancies in the management we will search among relevant competent candidates, without regard to special gender.

Policy to increase the share of the underrepresented gender at other management levels

The company has no employees and therefore falls below the de minimis limit. As a result, the company has not prepared policies for the other management.

Income statement

Note	Group		Parent		
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000	
	Revenue	496,668	507,723	0	0
	Other operating income	8	5	0	0
	Costs of raw materials and consumables	-351,604	-334,065	0	0
	Other external expenses	-40,962	-51,903	-11	-11
	Gross result	104,110	121,760	-11	-11
1	Staff costs	-116,792	-115,880	0	0
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	-12,682	5,880	-11	-11
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-2,561	-2,517	0	0
	Profit/loss before net financials	-15,243	3,363	-11	-11
3	Income from equity investments in group enterprises	0	0	-13,511	2,309
4	Financial income	106	109	0	0
5	Financial expenses	-2,098	-1,240	-480	-476
	Profit/loss before tax	-17,235	2,232	-14,002	1,822
6	Tax on profit or loss for the year	3,341	-303	108	107
	Profit/loss for the year	-13,894	1,929	-13,894	1,929
7	Distribution of net profit				

Note	ASSETS	Group		Parent	
		31.12.19	31.12.18	31.12.19	31.12.18
		DKK '000	DKK '000	DKK '000	DKK '000
	Acquired rights	150	174	0	0
	Goodwill	9,603	10,971	0	0
8	Total intangible assets	9,753	11,145	0	0
	Leasehold improvements	707	343	0	0
	Plant and machinery	626	1,908	0	0
	Other fixtures and fittings, tools and equipment	746	503	0	0
	Property, plant and equipment under construction	59	142	0	0
9	Total property, plant and equipment	2,138	2,896	0	0
10	Equity investments in group enterprises	0	0	80,366	66,987
11	Deposits	1,211	1,145	0	0
	Total investments	1,211	1,145	80,366	66,987
	Total non-current assets	13,102	15,186	80,366	66,987
	Raw materials and consumables	38,970	36,285	0	0
	Manufactured goods and goods for resale	59,252	58,109	0	0
	Prepayments for goods	2,534	1,858	0	0
	Total inventories	100,756	96,252	0	0
	Trade receivables	84,853	78,258	0	0
	Receivables from group enterprises	0	0	35,558	58,321
14	Deferred tax asset	2,942	0	164	0
	Income tax receivable	0	0	8	107
	Other receivables	889	874	0	0
12	Prepayments	1,950	1,545	0	0
	Total receivables	90,634	80,677	35,730	58,428
	Cash	12,135	37,337	0	0
	Total current assets	203,525	214,266	35,730	58,428
	Total assets	216,627	229,452	116,096	125,415

EQUITY AND LIABILITIES		Group		Parent	
		31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000
Note					
13	Share capital	1,000	1,000	1,000	1,000
	Reserve for net revaluation according to the equity method	0	0	43,366	56,987
	Retained earnings	81,741	75,745	38,375	18,758
	Total equity	82,741	76,745	82,741	76,745
14	Provisions for deferred tax	0	968	0	0
15	Other provisions	2,458	6,613	0	0
	Total provisions	2,458	7,581	0	0
16	Lease commitments	181	260	0	0
16	Other payables	3,031	0	0	0
	Total long-term payables	3,212	260	0	0
16	Short-term part of long-term payables	80	73	0	0
	Payables to other credit institutions	2,959	0	0	0
	Trade payables	53,775	55,951	9	7
	Payables to group enterprises	55,077	69,163	33,346	48,663
	Income taxes	8	270	0	0
	Other payables	16,317	19,409	0	0
	Total short-term payables	128,216	144,866	33,355	48,670
	Total payables	131,428	145,126	33,355	48,670
	Total equity and liabilities	216,627	229,452	116,096	125,415
17	Derivative financial instruments				
18	Contingent liabilities				
19	Related parties				

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Total equity
Group:				
Statement of changes in equity for 01.01.18 - 31.12.18				
Balance as at 01.01.18	1,000	0	73,967	74,967
Foreign currency translation adjustment of foreign enterprises	0	0	-151	-151
Net profit/loss for the year	0	0	1,929	1,929
Balance as at 31.12.18	1,000	0	75,745	76,745
Statement of changes in equity for 01.01.19 - 31.12.19				
Balance as at 01.01.19	1,000	0	75,745	76,745
Foreign currency translation adjustment of foreign enterprises	0	0	-110	-110
Group contribution	0	0	20,000	20,000
Net profit/loss for the year	0	0	-13,894	-13,894
Balance as at 31.12.19	1,000	0	81,741	82,741
Parent:				
Statement of changes in equity for 01.01.18 - 31.12.18				
Balance as at 01.01.18	1,000	54,829	19,137	74,966
Foreign currency translation adjustment of foreign enterprises	0	-151	0	-151
Net profit/loss for the year	0	2,309	-379	1,930
Balance as at 31.12.18	1,000	56,987	18,758	76,745
Statement of changes in equity for 01.01.19 - 31.12.19				
Balance as at 01.01.19	1,000	56,987	18,758	76,745
Foreign currency translation adjustment of foreign enterprises	0	-110	0	-110
Group contribution	0	0	20,000	20,000
Net profit/loss for the year	0	-13,511	-383	-13,894
Balance as at 31.12.19	1,000	43,366	38,375	82,741

Consolidated cash flow statement

Note	Group	
	2019 DKK '000	2018 DKK '000
	-13,894	1,929
20	1,101	3,800
Change in working capital:		
Inventories	-4,504	-8,260
Receivables	-7,015	-20,764
Trade payables	-2,176	28,727
Other payables relating to operating activities	-4,216	-5,330
Cash flows from operating activities before net financials	-30,704	102
Interest income and similar income received	106	109
Interest expenses and similar expenses paid	-2,098	-1,240
Income tax paid	-831	-1,179
Cash flows from operating activities	-33,527	-2,208
Purchase of intangible assets	-100	-35
Purchase of property, plant and equipment	-313	-125
Purchase of investments	-66	-7
Cash flows from investing activities	-479	-167
Group contribution	20,000	0
Arrangement of payables to credit institutions	-72	-72
Repayment of payables to group enterprises, net	-14,083	7,040
Cash flows from financing activities	5,845	6,968
Total cash flows for the year	-28,161	4,593
Cash, beginning of year	37,337	32,744
Cash, end of year	9,176	37,337
Cash, end of year, comprises:		
Cash	12,135	37,337
Short-term payables to credit institutions	-2,959	0
Total	9,176	37,337

	Group		Parent	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000
1. Staff costs				
Wages and salaries	102,331	101,692	0	0
Pensions	7,953	7,642	0	0
Other social security costs	1,927	1,882	0	0
Other staff costs	4,581	4,664	0	0
Total	116,792	115,880	0	0
Average number of employees during the year				
	171	169	0	0

2. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	301	384	7	6
Other services	260	295	4	0
Total	561	679	11	6

3. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	-13,511	2,309
Total	0	0	-13,511	2,309

4. Financial income

Other interest income	64	75	0	0
Foreign currency translation adjustments	42	34	0	0
Total	106	109	0	0

	Group		Parent	
	2019 DKK '000	2018 DKK '000	2019 DKK '000	2018 DKK '000

5. Financial expenses

Interest, group enterprises	480	476	480	476
Other interest expenses	1,460	727	0	0
Foreign exchange losses	158	37	0	0
Total	2,098	1,240	480	476

6. Tax on profit or loss for the year

Current tax for the year	104	29	-8	-107
Adjustment of deferred tax for the year	-3,614	274	-100	0
Adjustment of tax in respect of previous years	169	0	0	0
Total	-3,341	303	-108	-107

7. Distribution of net profit

Reserve for net revaluation according to the equity method	0	0	-13,511	2,309
Retained earnings	-13,894	1,929	-383	-380
Total	-13,894	1,929	-13,894	1,929

8. Intangible assets

Figures in DKK '000	Acquired rights	Goodwill
Group:		
Cost as at 01.01.19	6,760	42,731
Additions during the year	100	167
Disposals during the year	-81	-400
Cost as at 31.12.19	6,779	42,498
Amortisation and impairment losses as at 01.01.19	-6,586	-31,761
Amortisation during the year	-123	-1,374
Amortisation of and impairment losses on disposed assets for the year	80	240
Amortisation and impairment losses as at 31.12.19	-6,629	-32,895
Carrying amount as at 31.12.19	150	9,603

9. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Group:				
Cost as at 01.01.19	7,618	12,959	5,029	142
Additions during the year	610	61	455	0
Disposals during the year	-131	-1,248	-1,520	-83
Cost as at 31.12.19	8,097	11,772	3,964	59
Depreciation and impairment losses as at 01.01.19	-7,276	-11,051	-4,526	0
Depreciation during the year	-245	-615	-212	0
Reversal of depreciation of and impairment losses on disposed assets	131	520	943	0
Depreciation of and impairment losses on disposed assets for the year	0	0	577	0
Depreciation and impairment losses as at 31.12.19	-7,390	-11,146	-3,218	0
Carrying amount as at 31.12.19	707	626	746	59
Carrying amount of assets held under finance leases as at 31.12.19	0	0	232	0

10. Equity investments in group enterprises

Figures in DKK '000	Equity invest- ments in group enterprises
Parent:	
Cost as at 01.01.19	10,000
Additions during the year	27,000
Cost as at 31.12.19	37,000
Revaluations as at 01.01.19	56,987
Foreign currency translation adjustment of foreign enterprises	-110
Net profit/loss from equity investments	-13,511
Revaluations as at 31.12.19	43,366
Carrying amount as at 31.12.19	80,366

Name and registered office:	Ownership interest	Equity DKK '000	Net profit/loss for the year DKK '000	Recognised value DKK '000
Subsidiaries:				
Fritz Schur Teknik A/S, København K.	100%	58,276	-13,526	58,276
Fritz Schur Industri ApS, København K.	100%	22,090	15	22,090

11. Other non-current financial assets

Figures in DKK '000	Deposits
Group:	
Cost as at 01.01.19	1,145
Additions during the year	80
Disposals during the year	-14
Cost as at 31.12.19	1,211

	Group		Parent	
	31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000

12. Prepayments

Prepaid insurance premiums	20	0	0	0
Marketing costs paid advance	84	172	0	0
Administrative costs paid in advance	1,223	1,240	0	0
Other prepayments	623	133	0	0
Total	1,950	1,545	0	0

13. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK '000
		Share capital

	Group		Parent	
	31.12.19 DKK '000	31.12.18 DKK '000	31.12.19 DKK '000	31.12.18 DKK '000

14. Deferred tax

Provisions for deferred tax as at 01.01.19	-509	-694	164	0
Deferred tax recognised in the income statement	3,452	-274	0	0
Deferred tax as at 31.12.19	2,943	-968	164	0

15. Other provisions

Figures in DKK '000 Other provisions

Parent:

Provisions as at 01.01.19	6,613
Provisions during the year	1,845
Reversed provision in respect of previous years	-6,000
Provisions as at 31.12.19	2,458

	31.12.19	31.12.18	31.12.19	31.12.18
	DKK '000	DKK '000	DKK '000	DKK '000

Other provisions are expected to be distributed as follows:

Non-current liabilities	0	4,613	0	0
Current liabilities	2,458	2,000	0	0
Total	2,458	6,613	0	0

16. Long-term payables

Figures in DKK '000 Repayment first Total payables at Total payables at
year 31.12.19 31.12.18

Group:

Lease commitments	80	261	333
Other payables	0	3,031	0
Total	80	3,292	333

17. Derivative financial instruments

The enterprise has entered into forward currency contracts to hedge future purchase of goods in JPY and USD. The market value of the forward currency contracts amounts to th.DKK -599 at 31.12.19.

18. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with terms to maturity of 1-39 months and average lease payments of DKK 169, a total of DKK 2,786 .

Guarantee commitments

The group has provided a guarantee of th.DKK 1,865 as security of payment of rent etc. and deposits through the bank connection of the company.

Occasionally, the group has pending warranty and complaints cases concerning customer deliveries. In cases where there is a risk of an economic liability for the company, a provision for the estimated liability is made in the balance sheet. In cases of change in evaluation of the liability, an accounting adjustment is made. The outcome of the pending cases for which no provisions have been made in the balance sheet, is not expected to influence on the financial position of the company.

The group makes ongoing provisions for any product claims that may arise.

18. Contingent liabilities - continued -*Other contingent liabilities*

The group has through the bank facilities open credit contracts at an amount of th.DKK 13,315 as at 31.12.19.

Parent:

Guarantee commitments

The company has made a guarantee commitment of th.DKK 9,550 to a third party. The guarantee commitment regards pension obligations.

Other contingent liabilities

The company is taxed jointly with the other companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

19. Related parties

Controlling influence	Basis of influence
FS 12 ApS, København K.	Ownership
Fritz H. Schur	Ownership

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

	Group	
	2019 DKK '000	2018 DKK '000
20. Adjustments for the cash flow statement		
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	2,561	2,517
Financial income	-106	-109
Financial expenses	2,097	1,240
Tax on profit or loss for the year	-3,341	303
Other adjustments	-110	-151
Total	1,101	3,800

21. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

21. Accounting policies - continued -**CURRENCY**

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is

21. Accounting policies - continued -

discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT**Revenue**

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income and gains on the sale of intangible assets and property, plant and equipment.

21. Accounting policies - continued -**Costs of raw materials and consumables**

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	3	0
Goodwill	10	0
Leasehold improvements	5	0
Plant and machinery	5-8	0
Other plant, fixtures and fittings, tools and equipment	3-8	0

Goodwill is amortised over 10 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting

21. Accounting policies - continued -

policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group enterprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

21. Accounting policies - continued -**BALANCE SHEET****Intangible assets***Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

21. Accounting policies - continued -*Gains and losses on the disposal of property, plant and equipment*

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase

21. Accounting policies - continued -

prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

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

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Grants received from the parent are recognised directly in equity under retained earnings, as the grants are treated as capital contributions.

21. Accounting policies - continued -

Provisions

Other provisions comprise expected expenses incidental to restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Current and deferred tax

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

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term and short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of

21. Accounting policies - continued -

the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.