Ottensten Holding ApS

Alstrup Allé 7, DK-8361 Hasselager

CVR no. 18 93 95 33

Annual report 2020

Approved at the Company's annual general meeting on 15 April 2021

Chairman:

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Henrik Ottensten

Building a better
working world

Contents

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Ottensten Holding ApS for the financial year 1 January – 31 December 2020.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of their operations and consolidated cash flows for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters, the results for the year and the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Skanderborg, 15 April 2021
Executive Board:

Henrik Ottensten

Independent auditor's report

To the shareholders of Ottensten Holding ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Ottensten Holding ApS for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations as well as consolidated cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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 and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Group or the Parent 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 as to 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 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 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 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the 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 of the Management's review.

Aarhus, 15 April 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter U. Faurschou
State Authorised
Public Accountant
mne34502

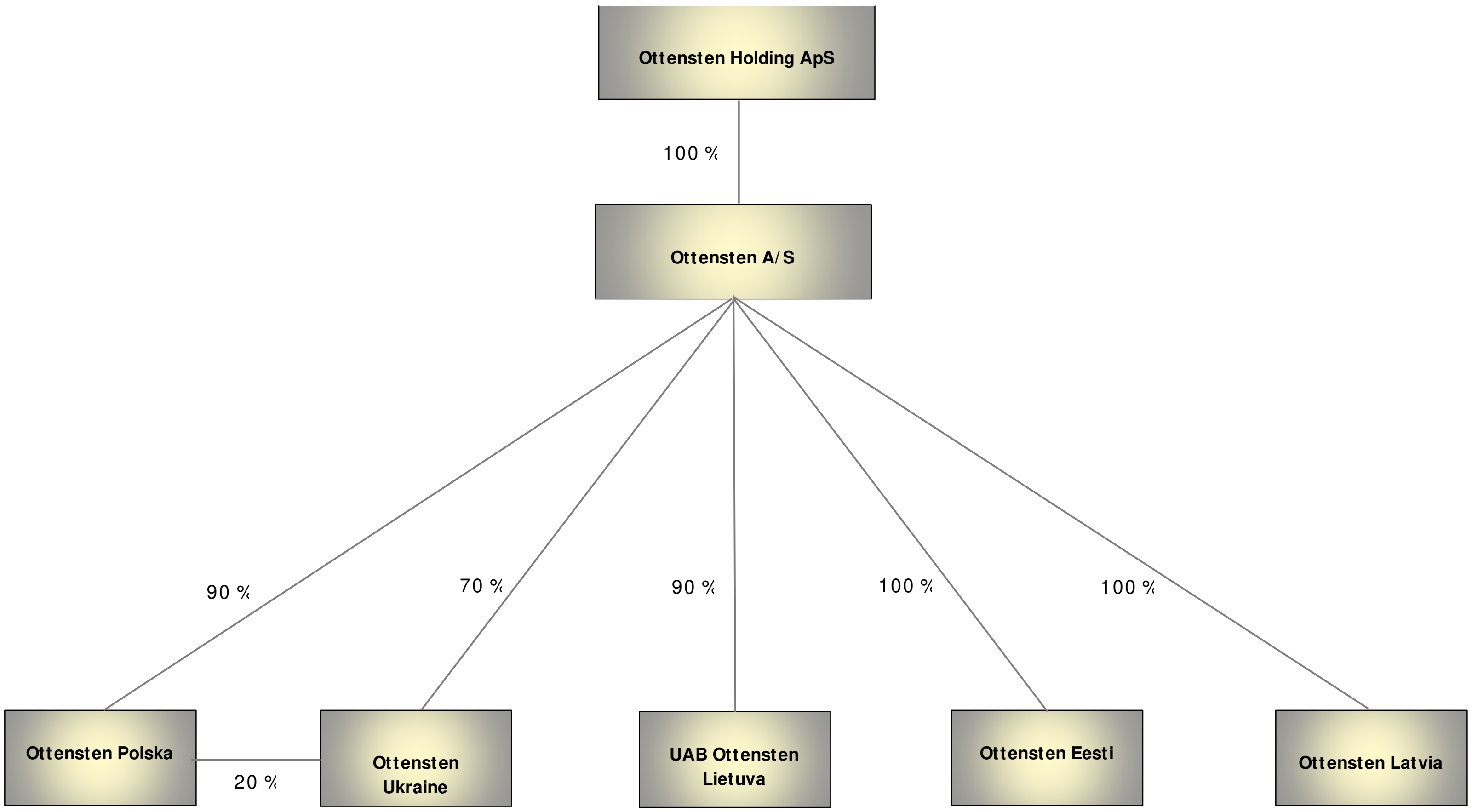
Management's review

Company details

Name	Ottensten Holding ApS
Address, P.O. Box, city	Alstrup Allé 7, DK-8361 Hasselager
CVR no.	18 93 95 33
Established	1 November 1995
Registered office	Aarhus
Financial year	1 January – 31 December
Executive Board	Henrik Ottensten
Audit	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, DK-8100 Aarhus C

Management's review

Group chart



Management's review

Financial highlights for the Group

DKK'000	2020	2019	2017	2016	2015
Key figures					
Gross profit/loss	29,425	30,929	29,455	28,016	24,795
Operating profit/loss	8,004	6,990	7,198	7,006	6,711
Profit/loss from net financials	-649	-162	-842	-899	-1,200
Profit/loss for the year	5,485	4,445	5,257	4,618	3,709
Total assets	67,873	67,379	69,220	69,882	65,767
Amount relating to investments in property, plant and equipment	1,645	935	1,377	1,967	11,469
Equity	41,614	38,701	33,923	29,398	24,789
Cash flows from operating activities	12,653	4,025	6,963	5,309	3,326
Cash flows from investing activities	-1,645	-935	-1,171	-1,716	-11,352
Cash flows from financing activities	-6,190	-4,780	-4,659	-2,461	7,369
Total cash flows	**4,818**	**-1,690**	**1,133**	**1,132**	**-657**
Financial ratios					
Return on invested capital	17.0 %	16.1 %	17.7 %	19.0 %	21.7 %
Equity ratio	53.4 %	52.5 %	44.2 %	37.7 %	33.6 %
Return on equity	16.4 %	13.5 %	16.3 %	16.9 %	15.2 %
Average number of full-time employees	**101**	**103**	**102**	**101**	**93**

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on invested capital $$\frac{\text{Operating profit/loss x 100}}{\text{Average invested capital}}$$

Equity ratio $$\frac{\text{Equity ex. non-controlling interest at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Return on equity $$\frac{\text{Profit/loss for the year after tax ex. non-controlling interests x 100}}{\text{Average equity ex. non-controlling interests}}$$

Management's review

Business review

The Group's principal activities include sales of industrial fastening systems such as pneumatic nail guns, finish nailers, brad nailers and clamp guns as well as transportable and stationary piston compressors. This includes sales of fastening systems for wood, concrete, steel, plaster, etc. A special activity is the sale of tools and fastening systems for manufacturing cages, marking-out of fur, etc., within fur farming and processing.

Our products are sold to wood processing industries, including the furniture industry, window industry and packaging industry and also to the construction industry. Part of our product range is also sold through independent distributors, voluntary chains and capital chains across the country.

Recognition and measurement uncertainties

No recognition and measurement uncertainties have affected the financial statements.

Unusual matters having affected the financial statements

No unusual matters have affected the financial statements.

Financial review

In 2020, the Group realised a profit before tax of DKK 7,355 thousand against a profit of DKK 6,828 thousand last year, and the Group's balance sheet at 31 December 2020 showed equity of DKK 38,095 thousand.

The Group considers the results in Denmark less satisfactory, whereas results in the foreign subsidiaries have exceeded expectations. Overall, the results are in line with previously communicated expectations.

The socio-economic development and the developments in the Group's markets have had positive effects on the Group.

Knowledge resources

The Group's continued ability to maintain its image in the market depends on the Group being able to maintain the knowledge and skills embedded in the organisation through continuing recruitment and retention of skilled and committed employees. The Group also continues to develop the organisation so that it is well prepared for future growth.

Financial risks and use of financial instruments

The Group has no significant financial risks or use of financial instruments.

Impact on the external environment

The Group has no significant impact on the external environment.

Research and development activities

The Group has no research and development activities.

Foreign branches

The Group has no foreign branches other than the Group’s main countries.

Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Outlook

In 2021, the Group expects a minor decrease in results.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

		Group		Parent	
Note	DKK'000	2020	2019	2020	2019
	Gross profit/loss	29,425	30,929	-51	-41
2	Staff costs	-20,027	-21,760	0	0
3	Depreciation	-1,223	-1,360	0	0
	Other operating costs	-171	-819	0	0
	Operating profit/loss	8,004	6,990	-51	-41
	Income from equity investments in group entities	0	558	5,026	4,137
	Financial income	30	223	0	0
	Financial expenses	-679	-943	-256	-245
	Profit/loss for the year from continuing operations	7,355	6,828	4,719	3,851
4	Tax for the year	-1,870	-2,383	0	0
	Profit/loss for the year	5,485	4,445	4,719	3,851
	Breakdown of the consolidated profit/loss:				
	Shareholders in Ottensten Holding ApS	4,719	3,851		
	Non-controlling interests	766	594		
		5,485	3,725		

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	Group 2020	Group 2019	Parent 2020	Parent 2019
	ASSETS				
	Fixed assets				
5	**Property, plant and equipment**				
	Land and buildings	10,404	11,444	0	0
	Fixtures and fittings, tools and equipment	3,970	3,435	0	0
		14,374	14,879	0	0
	Investments				
6	Equity investments in group entities	0	0	45,799	42,772
		0	0	45,799	42,772
	Total fixed assets	14,374	14,879	45,799	42,772
	Non-fixed assets				
	Inventories				
	Goods for resale	30,320	30,766	0	0
		30,320	30,766	0	0
	Receivables				
	Trade receivables	12,443	15,663	0	0
	Corporation tax	0	33	0	0
	Other receivables	879	908	0	0
7	Deferred tax	704	622	0	0
	Prepayments	1,404	1,577	0	11
		15,430	18,803	0	11
	Cash	7,749	2,931	0	0
	Total non-fixed assets	53,499	52,500	0	11
	TOTAL ASSETS	67,873	67,379	45,799	42,783

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent	
Note	DKK'000	2020	2019	2020	2019
	EQUITY AND LIABILITIES				
	Equity				
8	Share capital	1,597	1,597	1,597	1,597
	Net revaluation reserve according to the equity method	0	0	28,899	33,772
	Retained earnings	35,298	33,777	6,399	5
	Proposed dividend	1,200	0	1,200	0
	Ottensten Holding ApS' shareholders' share of equity	38,095	35,374	38,095	35,374
	Non-controlling interests	3,519	3,327	0	0
	Total equity	41,614	38,701	38,095	35,374
	Provisions				
	Pension obligations	450	630	0	0
7	Deferred tax	884	662	0	0
	Total provisions	1,334	1,292	0	0
	Liabilities other than provisions				
9	**Non-current liabilities other than provisions**				
	Subordinate loan capital	1,000	1,000	1,000	1,000
	Credit institutions	3,809	5,004	0	0
		4,809	6,004	1,000	1,000
	Current liabilities other than provisions				
	Credit institutions	3,012	7,674	0	0
	Trade payables	8,532	8,096	0	0
	Payables to group entities	0	0	6,675	6,379
	Corporation tax	304	226	0	0
	Other payables	7,951	5,128	29	30
	Deferred income	317	258	0	0
		20,116	21,382	6,704	6,409
	Total liabilities other than provisions	24,925	27,386	7,704	7,409
	TOTAL EQUITY AND LIABILITIES	67,873	67,379	45,799	42,783

1 Accounting policies
10 Contingencies, etc.
11 Related parties

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

		Group					
Note	DKK'000	Share capital	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total equity
	Equity at 1 January 2019	1,597	29,004	0	30,601	3,322	33,923
	Distributed dividend	0	0	0	0	-711	-711
	Transferred; see distribution of profit/loss	0	3,851	0	3,851	594	4,445
	Other value adjustments of equity	0	922	0	922	122	1,044
	Equity at 1 January 2020	1,597	33,777	0	35,374	3,327	38,701
	Distributed dividend	0	0	0	0	-333	-333
	Transferred; see distribution of profit/loss	0	3,519	1,200	4,719	766	5,485
	Other value adjustments of equity	0	-1,998	0	-1,998	-241	-2,239
	Equity at 31 December 2020	1,597	35,298	1,200	38,095	3,519	41,614

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

		Parent				
Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Proposed dividend	Total
	Equity at 1 January 2019	1,597	28,713	291	0	30,601
	Transferred; see distribution of profit/loss	0	4,137	-286	0	3,851
	Other value adjustments of equity	0	922	0	0	922
	Equity at 1 January 2020	1,597	33,772	5	0	35,374
12	Transferred; see distribution of profit/loss	0	-2,875	6,394	1,200	4,719
	Other value adjustments of equity	0	-1,998	0	0	-1,998
	Equity at 31 December 2020	1,597	28,899	6,399	1,200	38,095

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

Note	DKK'000	Group 2020	Group 2019
	Profit/loss	4,719	3,851
	Minority interest's share of results of operation	766	594
13	Other adjustments of non-cash operating items	2,277	4,809
	Cash generated from operations before changes in working capital	7,762	9,254
14	Changes in working capital	7,106	-3,567
	Cash generated from operations	14,868	5,687
	Interest received	30	781
	Interest paid	-679	-943
	Corporation tax paid	-1,566	-1,500
	Cash flows from operating activities	12,653	4,025
	Acquisition of property, plant and equipment	-1,645	-935
	Disposal of property, plant and equipment	0	0
	Cash flows from investing activities	-1,645	-935
	Loan financing:		
	Repayment of non-current and current liabilities	-5,857	-4,069
	Shareholders:		
	Distributed dividend	0	0
	Dividend distributed to minority shareholders	-333	-711
	Cash flows from financing activities	-6,190	-4,780
	Cash flows for the year	4,818	-1,690
	Cash and cash equivalents, beginning of year	2,931	4,621
	Cash and cash equivalents, year end	7,749	2,931

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies**

The annual report of Ottensten Holding ApS for 2020 has been prepared in accordance with the provisions applying to medium-sized reporting class C entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Consolidated financial statements

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Ottensten Holding ApS, and subsidiaries in which Ottensten Holding ApS – directly or indirectly – holds more than 50 % of the voting rights or otherwise has a controlling interest. Entities in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Newly acquired or formed entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal including non-amortised goodwill and anticipated costs of disposal.

Non-controlling interests

The subsidiaries' financial statement items are included 100% in the consolidated financial statements. The non-controlling interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with foreign subsidiaries that are considered part of the total investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries that are integral entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be measured reliably and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Gross margin

In accordance with section 32 of the Danish Financial Statements Act, the items revenue, cost of sales, other external costs and other operating income have been aggregated in gross profit.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Other external expenses

Other external expenses comprise costs for distribution, sale, advertising, administration, premises, bad debt losses, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including compensated absence and pensions, and other social security costs, etc. relating to the Company's employees. Refunds received from public authorities are deducted from staff costs.

Depreciation

This item comprises amortisation of intangible assets and depreciation on property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	40 years
Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-10 years

Land is not depreciated.

The residual value is determined at the date of acquisition and reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Profit/loss from equity investments in subsidiaries and associates

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries and associates are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the Parent Company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated and the parent company income statement after elimination of the proportionate share of intra-group profits/gains.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company acts as administration company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporation tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year comprises current income tax, joint taxation contribution and changes in deferred tax for the year due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts recognised directly in equity is recognised directly in equity.

Balance sheet

Intangible assets

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Individual components of property, plant and equipment that have different useful lives are accounted for as separate items, which are depreciated separately.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Equity investments in subsidiaries

Equity investments in subsidiaries are measured, using the equity method, at the Company's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intra-group profits and negative goodwill, if any. Equity investments in entities with negative net asset values are measured at DKK 0 (nil). The Company's proportionate share of any negative equity is set off against receivables in so far as the receivable is deemed irrecoverable. If the Parent Company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

On initial recognition, equity investments in subsidiaries and associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding the consolidated financial statements above.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies in the consolidated financial statements. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries and associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Net revaluation of equity investments in subsidiaries is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the annual report of Ottensten Holding ApS is adopted are not taken to the net revaluation reserve.

Impairment of assets

Property, plant and equipment and investments in subsidiaries and associates are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there are indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Impairment tests are conducted on individual assets or groups of assets when there is indication of impairment. Write-down is made to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Receivables

Receivables are measured at amortised cost.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the credit risk management policy of the Parent Company and the Group. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate of the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank deposits.

Equity

Net revaluation reserve according to the equity method

Net revaluation of equity investments in subsidiaries and associates is recognised at cost in the net revaluation reserve according to the equity method.

The reserve can be eliminated in case of losses, realisation of equity investments or changes in accounting estimates.

The reserve cannot be recognised at a negative amount.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Corporation tax and deferred tax

In its capacity as the administrative company, Ottensten Holding ApS is liable for its subsidiaries' corporation taxes towards the tax authorities concurrently with the payment of joint taxation contribution by the subsidiaries.

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on taxable income in previous years and tax paid on account.

Joint taxation contributions payable and receivable are recognised in the balance sheet as corporation tax receivable or corporation tax payable.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to non-deductible goodwill and on office premises and other items where temporary differences – apart from acquisitions – arise at the acquisition date without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions

Provisions comprise anticipated costs related to pension commitments etc. Provisions are recognised, when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future. In connection with corporate acquisitions, provisions for restructuring of the acquired entity are included in the calculation of the cost of acquisition and, accordingly, in goodwill or in goodwill on consolidation, provided that they have been adopted and published no later than at the date of the acquisition.

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Notes

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease commitment in respect of finance leases.

Other liabilities are measured at net realisable value.

Subordinate loan capital

Liabilities where the creditors have stated they are willing to subordinate their claim to rank after all the Company's other creditors are presented as subordinate loan capital. Subordinate loan capital is recognised using the same method as applies to liabilities.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are subject to only minor risks of changes in value.

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2 Staff costs

	Group		Parent	
DKK'000	2020	2019	2020	2019
Wages and salaries	18,208	20,243	0	0
Pensions	265	-331	0	0
Other social security costs	1,436	1,216	0	0
Other staff costs	118	632	0	0
	20,027	21,760	0	0
Average number of full-time employees	101	103	0	0

In accordance with section 98b(3)(ii) of the Danish Financial Statements Act, the information regarding management remuneration is not disclosed.

	Group		Parent	
DKK'000	2020	2019	2020	2019
3 Depreciation				
Leasehold improvements	0	0	0	0
Properties	251	260	0	0
Equipment	972	1,100	0	0
	1,223	1,360	0	0
4 Tax for the year				
Current tax for the year	1,725	1,459	0	0
Deferred tax adjustment for the year	127	924	0	0
Correction, previous years' tax	18	0	0	0
	1,870	2,383	0	0

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5 Property, plant and equipment

DKK'000	Group			
	Land and buildings	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2020	12,252	10,890	0	23,142
Exchange rate adjustment relating to foreign entities	-852	-160	0	-1,012
Additions	0	1,645	0	1,645
Disposals	0	-1,053	0	-1,053
Cost at 31 December 2020	11,400	11,322	0	22,722
Depreciation and impairment losses at 1 January 2020	808	7,455	0	8,263
Exchange rate adjustment relating to foreign entities	-63	-122	0	-185
Depreciation	251	972	0	1,223
Disposals	0	-953	0	-953
Depreciation and impairment losses at 31 December 2020	996	7,352	0	8,348
Carrying amount at 31 December 2020	10,404	3,970	0	14,374
Depreciated over	40 years	3-10 years	3-10 years	

DKK'000	Parent	
	2020	2019
6 Equity investments in group entities		
Cost at 1 January	9,000	9,000
Additions	0	0
Cost at 31 December	9,000	9,000
Value adjustments at 1 January	33,772	28,713
Other value adjustments of equity investments	-1,999	922
Profit/loss for the year	5,026	4,137
Value adjustments at 31 December	36,799	33,772
Carrying amount at 31 December	45,799	42,772

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6 Equity investments in subsidiaries (continued)

Name and registered office	Legal form	Voting rights and ownership	Registered office
Ottensten A/S	A/S	100%	Aarhus
Ottensten Polska Sp. z o.o.	Sp. z o.o.	90%	Poland
Ottensten Latvia SIA	SIA	100%	Latvia
UAB Ottensten Lietuva	UAB	90%	Lithuania
Ottensten Eesti OÜ	OÜ	100%	Estonia
Ottensten Ukraine Ltd.	Ltd	88%	Ukraine

	Group		Parent	
DKK'000	2020	2019	2020	2019
7 Deferred tax				
Deferred tax at 1 January	-40	477	0	0
Exchange rate adjustment relating to foreign entities	-13	62	0	0
Deferred tax adjustment for the year	-127	-579	0	0
Deferred tax at 31 December	-180	-40	0	0

Deferred tax is recognised in the balance sheet as follows:

	Group 2020	Group 2019	Parent 2020	Parent 2019
Deferred tax assets	704	622	0	0
Deferred tax liabilities	-884	-662	0	0
	-180	-40	0	0

8 Share capital

The share capital comprises:

1,597,063 shares of DKK 1 each

Movements in share capital for the past five years are specified as follows:

DKK'000	2020	2019	2018	2017	2016
Opening balance	1,597	1,597	1,597	1,597	1,597
Capital increase	0	0	0	0	0
	1,597	1,597	1,597	1,597	1,597

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9 Debt to mortgage credit institutions and other credit institutions

The liabilities can be specified as follows:

	Group		Parent	
DKK'000	**2020**	**2019**	**2020**	**2019**
Subordinate loan capital				
Long-term	1,000	1,000	1,000	1,000
	1,000	1,000	1,000	1,000
Credit institutions				
Long-term	3,809	5,004	0	0
Short-term	3,012	7,674	0	0
	6,821	12,678	0	0
Total liabilities other than provisions	7,821	13,678	1,000	1,000
Non-current liabilities other than provisions falling due more than five years after the balance sheet date (carrying amount)	423	2,365	1,000	1,000

Subordinate loan capital

The subordinate loan capital is subordinated to the Company's other creditors. So far, the loan carries no interest and no instalments are paid.

10 Contingent assets, contingent liabilities, mortgages and collateral

Contingent assets, Parent

The Parent Company has tax loss carry forwards totalling DKK 4,769 thousand. The nominal value is 22%, totalling DKK 1,049 thousand, which is not recognised in the balance sheet due to uncertainties surrounding the utilisation of the tax loss.

Contingent assets, Group

The Group has Danish tax loss carry forwards totalling DKK 30,118 thousand. The nominal value is 22 %, totalling DKK 6,626 thousand, which is not recognised in the balance sheet due to uncertainties surrounding the utilisation of the tax loss.

Contingent liabilities, Parent

The Parent Company has issued an absolute guarantee for the subsidiary, Ottensten A/S' balances with its bankers.

The Parent Company is jointly taxed with the Danish subsidiary. As administration company, the Company has unlimited joint and several liability, together with the subsidiary, for payment of Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation group. The jointly taxed entities' total known net liability in respect of corporation taxes and withholding taxes payable on dividend, interest and royalties amounted to DKK 0 thousand at 31 December 2020. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc., may entail that the entities' liability will increase. The Group as a whole is not liable to any third parties.

Consolidated financial statements and parent company financial statements 1 January – 31 December

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10 Contingent assets, contingent liabilities, mortgages and collateral (continued)

Contingent liabilities, Parent

The subsidiary Ottensten A/S has granted a company charge for the Company's bank debt secured upon debtors, inventories and goodwill at a value of DKK 12,500 thousand with a carrying amount of DKK 5,021 thousand.

Furthermore, a charge has been provided in relation to Ottensten A/S' bank debt secured upon the subsidiaries Ottensten Polska Sp. z o.o. and UAB Ottensten Lietuva with total equity of DKK 26,271 thousand.

Contingent liabilities, Group

The Company has granted a company charge for the Company's bank debt, DKK 0 thousand, secured upon debtors, inventories and goodwill at a value of DKK 12,500 thousand with a carrying amount of DKK 5,021 thousand. Via the subsidiary Ottensten Polska Sp. z o.o., the Group has granted a company charge of DKK 4,572 thousand for the Company's bank debt, DKK 6,615 thousand secured upon inventories at a total carrying amount of DKK 11,599 thousand and granted a charge on properties totalling DKK 14,964 thousand with a total carrying amount of DKK 10,404 thousand.

Furthermore, a charge has been provided in relation to Ottensten A/S' bank debt secured upon the subsidiaries Ottensten Polska Sp. z o.o. and UAB Ottensten Lietuva with total equity of DKK 28,500 thousand.

Rent and lease commitment, Group

Rent and lease commitments comprise rent liabilities totalling DKK 1,994 thousand and lease liabilities totalling DKK 865 thousand.

11 Related parties

Ottensten Holding ApS' related parties comprise the following:

Control

Henrik Ottensten, Hellerup holds the majority of the share capital in the Company.

	Parent	
DKK'000	**2020**	**2019**
12 Distribution of profit/loss		
Proposed distribution of profit/loss	1,200	0
Net revaluation reserve according to the equity method	-2,875	4,137
Retained earnings	6,394	-286
	4,719	3,851

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		Group	
	DKK'000	2020	2019
13	**Cash flow statement – adjustments**		
	Other financial income	-30	-781
	Other financial expenses	679	943
	Depreciation, amortisation and impairment losses	1,223	1,360
	Tax of the year	1,852	2,383
	Foreign exchange adjustments, subsidiaries	-1,447	904
		2,277	4,809
14	**Changes in working capital**		
	Changes in inventories	446	-1,015
	Changes in receivables	3,422	603
	Changes in trade and other payables	3,238	-3,155
		7,106	-3,567

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Henrik Ottensten
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