

TIL REVISOR

# Annual report for 2018

Adopted at the annual general  
meeting on 10 May 2019



Chairman



Lodam electronics a/s  
CVR no.: 21340006

2018

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## Statement by management on the annual report

Today, the Executive and Supervisory Boards have discussed and approved the annual report of Lodam electronics a/s for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2018 and of the results of the the Company's operations and cash flows for the financial year 1 January - 31 December 2018.

In our opinion, Management's review includes a fair review of the matters dealt with in the Management's review.

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

Sønderborg, 22 February 2019

### Executive board



Henning Høberg Kristensen  
Managing Director



Anna Marie Damgaard  
Kristensen  
Managing Director

### Supervisory board



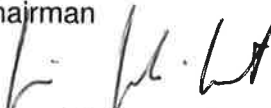
Christian Jürgen Wehrle  
chairman



Gianbattista Parlanti



Frank Hartmann



Rainer Meinhard Grosse-  
Kracht

## **Independent auditor's report**

### ***To the shareholders of Lodam electronics a/s***

#### **Opinion**

We have audited the financial statements of Lodam electronics a/s for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

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

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Management's responsibilities for the financial statements**

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of the 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

## **Independent auditor's report**

### **Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

## **Independent auditor's report**

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 management's review**

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Sønderborg, 22 February 2019  
**PricewaterhouseCoopers**  
Statsautoriseret Revisionspartnerselskab  
CVR no. 33 77 12 31



Flemming Callesen  
State Authorised Public Accountant  
MNE no. mne18489

## Company details

### The company

Lodam electronics a/s  
Kærvej 77  
6400 Sønderborg

CVR no.: 21 34 00 06

Reporting period: 1 January - 31 December 2018  
Financial year: 21st financial year

Domicile: Sønderborg

### Supervisory board

Christian Jürgen Wehrle, chairman  
Gianbattista Parlanti  
Frank Hartmann  
Rainer Meinhard Grosse-Kracht

### Executive board

Henning Højberg Kristensen  
Anna Marie Damgaard Kristensen

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Ellegårdvej 25  
6400 Sønderborg

### Bankers

Sydbank A/S

## Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
Gross profit/loss	96.609	116.701	84.942	82.234	56.511
Profit/loss before net financials	25.422	49.411	25.976	22.601	2.637
Net financials	2.466	-10.538	2.439	5.751	8.107
Profit/loss for the year	21.729	30.286	22.140	21.662	8.240
<b>Balance sheet</b>					
Balance sheet total	148.415	193.853	163.759	136.838	143.895
Equity	70.727	83.165	84.802	73.662	94.326
<b>Cash flows from:</b>					
- operating activities	13.129	60.032	14.295	60.461	1.145
- investing activities	-6.234	-3.283	-2.127	-4.589	-2.535
- including investment in property, plant and equipment	-6.577	-3.230	-1.798	-2.816	-3.098
- financing activities	-36.985	-27.901	-10.589	-46.017	3.691
The year's changes in cash and cash equivalents	-30.089	28.848	1.580	9.854	2.301
Number of employees	113	102	98	100	96
<b>Financial ratios</b>					
Return on assets	14,9%	27,6%	17,3%	16,1%	1,8%
Solvency ratio	47,7%	42,9%	51,8%	53,8%	65,6%
Return on equity	28,2%	36,1%	27,9%	25,8%	9,1%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies..



## **Management's review**

### **Business activities**

The Company's main objective is to act as business partner for the industry in connection with innovation, development, production, marketing and sales of customer specific electronics and system solutions within cooling, heating and ventilation.

### **Recognition and measurement uncertainties**

The recognition and measurement of items in the financial statements is not subject to any uncertainty.

### **Unusual matters**

The company's financial position at 31 December 2018 and the results of its operations and cash flows for the financial year ended 31 December 2018 are not affected by any unusual matters.

### **Financial review**

The Company's income statement for the year ended 31 December shows a profit of DKK 21.729.194, and the balance sheet at 31 December 2018 shows equity of DKK 70.727.063.

### **The year at a glance and follow-up on expectations expressed last year**

Sales have been strong throughout the year - at a little lower level as previous year but higher than the expectations.

Headcount and development activities was kept on the same level as previous year.

Sales, headcount and development activities are expected at the same level next year.

### **Knowledge resources**

The Company's activities particular requires know-how resources from employees and technologies. Thus it is important that the Company is able to recruit and keep employees with a high level of education.

### **Special risks apart from generally occurring risks in industry**

#### ***Currency risks***

Primary activities abroad imply that the profit, cash flow and equity are influenced by the exchange rates, especially for the USD.

## **Management's review**

### **The environment**

The Company develops energy-saving products and seeks to comply with energy optimisation in all respects, including our facilities etc.

### **Research and development**

The Company develops customized products. Furthermore the Company participates in technology projects in cooperation with Danish universities and institutes.

### **Statutory report on corporate social responsibility**

The Company focus on being social responsible in relation to developing and producing energy-saving products, supporting human rights, and selecting suppliers with high ethical standards.

In order to ensure continued focus and initiatives the Company joined the UN Global Compact in 2012. Please refer to our CSR report.

### **Significant events occurring after end of reporting period**

No events have occurred after the balance sheet date which could significantly affect the Company's financial position.

## Income statement 1 January - 31 December

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
<b>Gross profit</b>		<b>96.609.447</b>	<b>116.700.955</b>
Staff expenses	1	-66.138.030	-63.508.635
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-5.037.656	-3.577.156
Other operating costs		<u>-11.846</u>	<u>-203.966</u>
<b>Profit/loss before net financials</b>		<b>25.421.915</b>	<b>49.411.198</b>
Financial income	3	2.526.028	853.452
Financial costs	4	<u>-59.759</u>	<u>-11.391.571</u>
<b>Profit/loss before tax</b>		<b>27.888.184</b>	<b>38.873.079</b>
Tax on profit/loss for the year	5	<u>-6.158.990</u>	<u>-8.587.190</u>
<b>Profit/loss for the year</b>		<b><u>21.729.194</u></b>	<b><u>30.285.889</u></b>

## Distribution of profit

### Recommended appropriation of profit/loss

Proposed dividend for the year	21.000.000	34.167.100
Transferred to other statutory reserves	-496.853	566.064
Retained earnings	<u>1.226.047</u>	<u>-4.447.275</u>
	<b><u>21.729.194</u></b>	<b><u>30.285.889</u></b>

## Balance sheet 31 December

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
<b>Assets</b>			
Development projects		2.715.921	4.915.845
Software		45.288	0
<b>Intangible assets</b>	<b>6</b>	<b><u>2.761.209</u></b>	<b><u>4.915.845</u></b>
Other fixtures and fittings, tools and equipment		8.358.738	5.376.849
Leasehold improvements		1.179.397	1.487.207
Property, plant and equipment in progress		1.725.129	648.919
<b>Property, plant and equipment</b>	<b>7</b>	<b><u>11.263.264</u></b>	<b><u>7.512.975</u></b>
<b>Fixed assets total</b>		<b><u>14.024.473</u></b>	<b><u>12.428.820</u></b>
Raw materials and consumables		52.115.380	49.205.137
Work in progress		1.934.085	7.757.181
Finished goods and goods for resale		11.732.225	18.354.901
<b>Inventories</b>		<b><u>65.781.690</u></b>	<b><u>75.317.219</u></b>
Trade receivables		17.696.106	11.390.571
Receivables from intercompany		31.797.826	44.247.152
Other receivables		1.084.977	3.244.503
Deferred tax asset		3.865.768	2.946.566
Corporation tax		0	442.576
Prepayments		1.131.577	712.899
<b>Receivables</b>		<b><u>55.576.254</u></b>	<b><u>62.984.267</u></b>
<b>Cash at bank and in hand</b>		<b><u>13.032.928</u></b>	<b><u>43.122.411</u></b>
<b>Current assets total</b>		<b><u>134.390.872</u></b>	<b><u>181.423.897</u></b>
<b>Assets total</b>		<b><u><u>148.415.345</u></u></b>	<b><u><u>193.852.717</u></u></b>

## Balance sheet 31 December

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
<b>Equity and liabilities</b>			
Share capital		25.000.000	25.000.000
Reserve for development expenditure		948.291	1.445.144
Retained earnings		23.778.772	22.552.725
Proposed dividend for the year		21.000.000	34.167.100
<b>Equity total</b>	<b>8</b>	<b><u>70.727.063</u></b>	<b><u>83.164.969</u></b>
Warranty provisions		<u>27.649.410</u>	<u>27.550.783</u>
<b>Provisions total</b>		<b><u>27.649.410</u></b>	<b><u>27.550.783</u></b>
Bank liabilities		1.615.302	4.433.478
Trade payables		36.146.546	62.330.322
Corporation tax		237.192	0
Other payables		<u>12.039.832</u>	<u>16.373.165</u>
<b>Total current liabilities</b>		<b><u>50.038.872</u></b>	<b><u>83.136.965</u></b>
<b>Debt total</b>		<b><u>50.038.872</u></b>	<b><u>83.136.965</u></b>
<b>Liabilities and equity total</b>		<b><u>148.415.345</u></b>	<b><u>193.852.717</u></b>
Contingencies, etc.	9		
Related parties and ownership structure	10		

## Statement of changes in equity

	Share capital	Reserve for development expenditure	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2018	25.000.000	1.445.144	22.552.725	34.167.100	83.164.969
Ordinary dividend paid	0	0	0	-34.167.100	-34.167.100
Net profit/loss for the year	0	-496.853	22.226.047	0	21.729.194
Proposed dividend for the year	0	0	-21.000.000	21.000.000	0
<b>Equity at 31 December 2018</b>	<b>25.000.000</b>	<b>948.291</b>	<b>23.778.772</b>	<b>21.000.000</b>	<b>70.727.063</b>

	Share capital	Reserve for development expenditure	Retained earnings	Proposed dividend for the year	Total
Equity 1. januar 2017	25.000.000	879.080	27.000.000	31.923.343	84.802.423
Ordinary dividend paid	0	0	0	-31.923.343	-31.923.343
Net profit/loss for the year	0	566.064	29.719.825	0	30.285.889
Proposed dividend for the year	0	0	-34.167.100	34.167.100	0
<b>Equity 31. december 2017</b>	<b>25.000.000</b>	<b>1.445.144</b>	<b>22.552.725</b>	<b>34.167.100</b>	<b>83.164.969</b>

## Cash flow statement 1 January - 31 December

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
Net profit/loss for the year		21.729.194	30.285.889
Adjustments	11	8.840.850	27.775.687
Change in working capital	12	<u>-13.096.941</u>	<u>26.953.682</u>
<b>Cash flows from operating activities before financial income and expenses</b>		<b>17.473.103</b>	<b>85.015.258</b>
Interest income and similar income		2.114.472	155.632
Interest expenses and similar charges		<u>-59.758</u>	<u>-11.391.572</u>
<b>Cash flows from ordinary activities</b>		<b>19.527.817</b>	<b>73.779.318</b>
Corporation tax paid		<u>-6.398.424</u>	<u>-13.747.150</u>
<b>Cash flows from operating activities</b>		<b>13.129.393</b>	<b>60.032.168</b>
Purchase of intangible assets		-67.933	-751.118
Purchase of property, plant and equipment		-6.577.223	-3.229.614
Interest received from intercompany		<u>411.556</u>	<u>697.820</u>
<b>Cash flows from investing activities</b>		<b>-6.233.600</b>	<b>-3.282.912</b>
Repayment of loans from credit institutions		-2.818.176	0
Raising of loans from credit institutions		0	4.022.181
Dividend paid		<u>-34.167.100</u>	<u>-31.923.343</u>
<b>Cash flows from financing activities</b>		<b>-36.985.276</b>	<b>-27.901.162</b>
<b>Change in cash and cash equivalents</b>		<b>-30.089.483</b>	<b>28.848.094</b>
Cash and cash equivalents		<u>43.122.411</u>	<u>14.274.317</u>
<b>Cash and cash equivalents</b>		<b>13.032.928</b>	<b>43.122.411</b>
Analysis of cash and cash equivalents:			
Cash at bank and in hand		<u>13.032.928</u>	<u>43.122.411</u>
<b>Cash and cash equivalents</b>		<b>13.032.928</b>	<b>43.122.411</b>

## Notes to the Annual Report

	<u>2018</u>	<u>2017</u>
	DKK	DKK
<b>1 Staff expenses</b>		
Wages and salaries	59.513.829	57.558.110
Pensions	5.713.363	5.103.521
Other social security costs	910.838	847.004
	<u><b>66.138.030</b></u>	<u><b>63.508.635</b></u>
<b>Including remuneration to the Executive and Supervisory Boards</b>	<u><b>3.889.046</b></u>	<u><b>3.846.793</b></u>
Average number of employees	<u>113</u>	<u>102</u>
<b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Depreciation intangible assets	2.222.568	1.261.204
Depreciation tangible assets	2.815.088	2.315.952
	<u><b>5.037.656</b></u>	<u><b>3.577.156</b></u>
which breaks down as follows:		
Development projects	2.199.924	1.183.280
Software	22.644	77.924
Other fixtures and fittings, tools and equipment	2.417.383	1.943.940
Leasehold improvements	397.705	385.889
Amortisation/depreciation capitalized	0	-13.877
	<u><b>5.037.656</b></u>	<u><b>3.577.156</b></u>



## Notes to the Annual Report

	<u>2018</u>	<u>2017</u>
	DKK	DKK
<b>3 Financial income</b>		
Interest received from intercompany	411.556	697.820
Other financial income	316.708	155.632
Exchange adjustments	1.797.764	0
	<u><b>2.526.028</b></u>	<u><b>853.452</b></u>
<b>4 Financial costs</b>		
Other financial costs	59.759	80.565
Exchange adjustments	0	11.311.006
	<u><b>59.759</b></u>	<u><b>11.391.571</b></u>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	7.078.192	9.400.424
Deferred tax for the year	-919.202	-813.226
Adjustment of tax concerning previous years	0	2.332
Adjustment of deferred tax concerning previous years	0	-2.340
	<u><b>6.158.990</b></u>	<u><b>8.587.190</b></u>

## Notes to the Annual Report

### 6 Intangible assets

	Development projects	Software	Total
Cost at 1 January 2018	10.989.308	1.272.809	12.262.117
Additions for the year	0	67.933	67.933
Disposals for the year	-453.888	-127.252	-581.140
Cost at 31 December 2018	<u>10.535.420</u>	<u>1.213.490</u>	<u>11.748.910</u>
Impairment losses and amortisation at 1 January 2018	6.073.463	1.272.810	7.346.273
Amortisation for the year	2.199.924	22.644	2.222.568
Reversal of impairment and amortisation of sold assets	-453.888	-127.252	-581.140
Impairment losses and amortisation at 31 December 2018	<u>7.819.499</u>	<u>1.168.202</u>	<u>8.987.701</u>
<b>Carrying amount at 31 December 2018</b>	<b><u>2.715.921</u></b>	<b><u>45.288</u></b>	<b><u>2.761.209</u></b>

## Notes to the Annual Report

### 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2018	12.405.147	5.441.199	648.919	18.495.265
Additions for the year	4.762.199	89.895	1.725.129	6.577.223
Disposals for the year	-30.902	0	0	-30.902
Transfers for the year	648.919	0	-648.919	0
Cost at 31 December 2018	<u>17.785.363</u>	<u>5.531.094</u>	<u>1.725.129</u>	<u>25.041.586</u>
Impairment losses and depreciation at 1 January 2018	7.028.298	3.953.992	0	10.982.290
Depreciation for the year	2.417.383	397.705	0	2.815.088
Reversal of impairment and depreciation of sold assets	-19.056	0	0	-19.056
Impairment losses and depreciation at 31 December 2018	<u>9.426.625</u>	<u>4.351.697</u>	<u>0</u>	<u>13.778.322</u>
<b>Carrying amount at 31 December 2018</b>	<b><u>8.358.738</u></b>	<b><u>1.179.397</u></b>	<b><u>1.725.129</u></b>	<b><u>11.263.264</u></b>

### 8 Equity

The share capital consists of 25.000 shares of a nominal value of DKK 1.000. No shares carry any special rights.

The share capital has developed as follows:

	2018 DKK	2017 DKK	2016 DKK	2015 DKK	2014 DKK
Share capital at 1 January 2018	25.000.000	25.000.000	25.000.000	1.100.000	1.100.000
Additions for the year	0	0	0	23.900.000	0
<b>Share capital</b>	<b><u>25.000.000</u></b>	<b><u>25.000.000</u></b>	<b><u>25.000.000</u></b>	<b><u>25.000.000</u></b>	<b><u>1.100.000</u></b>

## Notes to the Annual Report

### 9 Contingencies, etc.

#### Other contingent liabilities

The Company has entered into tenancy agreements and leases for a period up to and including 2023. Rent at lease payments for the period total DKK 10.859 thousands.

### 10 Related parties and ownership structure

#### Controlling interest

Related party having a controlling interest is the parent BITZER SE, Sindelfingen, Germany, due to this company's ownership of the entire share capital in the company.

The annual report is incorporated in the Group Consolidated Accounts of BITZER SE, Eschenbrünnlestrasse 15, 71065 Sindelfingen, Germany.

	<u>2018</u> DKK	<u>2017</u> DKK
<b>11 Cash flow statement - adjustments</b>		
Financial income	-2.526.028	-853.452
Financial costs	59.759	11.391.571
Depreciation, amortisation and impairment losses, including losses and gains on sales	5.049.502	3.781.122
Tax on profit/loss for the year	6.158.990	8.587.190
Change in other provisions	98.627	4.869.256
	<u><b>8.840.850</b></u>	<u><b>27.775.687</b></u>
<b>12 Cash flow statement - change in working capital</b>		
Change in inventories	9.535.529	-20.373.255
Change in receivables	7.884.639	20.585.811
Change in trade payables, etc	-30.517.109	26.741.126
	<u><b>-13.096.941</b></u>	<u><b>26.953.682</b></u>

## **Accounting policies**

The annual report of Lodam electronics a/s for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

The annual report for 2018 is presented in DKK.

### **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 amortisation, depreciation and impairment losses, 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 the asset 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 the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

### **Income statement**

#### **Gross profit**

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

#### **Revenue**

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

## **Accounting policies**

### **Other operating income**

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and property, plant and equipment.

### **Other operating expenses**

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and property, plant and equipment.

### **Staff expenses**

Staff expenses include wages and salaries as well as payroll expenses.

### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### **Financial income and expenses**

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

### **Tax on profit/loss for the year**

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement, whereas the tax attributable to the equity transactions is recognised directly in the equity.

### **Balance sheet**

#### **Intangible assets**

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable losses. Patents and licenses are amortised on a straight-line basis over a period of 3 years.

## Accounting policies

Development projects that are clearly defined and identifiable and in respect of which the technological feasibility, sufficient resources and a potential future market or development potential in the enterprise can be demonstrated, and where the intention is to produce, market or use the project or the process, are recognised as intangible assets provided, that it is sufficiently certain that the future earnings are adequate to cover the production, sales and administrative expenses and the aggregate development costs. Other development costs are expensed in the income statement as incurred.

Development costs are measured at direct costs and a portion of the costs that can be related indirectly to the individual development projects.

Development projects are amortised over a period of 3 years.

### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	3-10	years

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

### Leases

All leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingent assets, liabilities and other financial obligations'.

## **Accounting policies**

### **Inventories**

Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables and direct cost of labour.

The net realisable value of inventories is determined as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

### **Receivables**

Receivables are measured at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### **Prepayments**

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

### **Equity**

#### **Dividends**

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

#### **Provisions**

Provisions comprise expected expenses relating to guarantee commitments, reconstructions, etc. Provisions are recognised when as a result of a past event the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

#### **Income tax and deferred tax**

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



## **Accounting policies**

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

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

Any changes in deferred tax resulting from changes in tax rates are recognised in the income statement. For the current year the tax rate is 22%.

### **Liabilities**

Liabilities are measured at amortised cost, which is usually equivalent to nominal value.

### **Foreign currency translation**

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

Receivables and 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.

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

### **Cash flow statement**

The cash flow statement shows the company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and at the end of the year.

### **Cash flows from operating activities**

Cash flows from operating activities are stated as the profit or loss for the year, adjusted for changes in working capital and non-cash operating items such as depreciations, amortisation and impairment losses as well as provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

## Accounting policies

### Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of intangible assets, property, plant and equipment as well as fixed asset investments.

### Cash flows from financing activities

Cash flows from financing activities comprise cash flow from raising and repayment of long-term debts as well as payments to and from shareholders.

### Cash and cash equivalents

Cash and cash equivalents comprise cash.

The cash flow statement cannot be immediately derived from the published financial records.

### Financial highlights

Definitions of financial ratios.

Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$