

Danitech A/S

Bredholm 4, 6100 Haderslev

CVR no. 25 25 03 03

Annual report 2018

Approved at the Company's annual general meeting on *2019-05-22*

Chairman:

Ulf Baudel



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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Danitech A/S for the financial year 1 January - 31 December 2018.

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

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


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

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

Haderslev, 2019-05-22
Executive Board:


Arne Iversen

Board of Directors:


Carlo Bondioli
Chairman
Arne Iversen
Mads Haase Iversen
Rasmus Haase Iversen

Independent auditor's report

To the shareholders of Danitech A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Danitech A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 2018, and of the results of the Group's and Parent Company's operations as well as the consolidated 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 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 the 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 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 the financial statements.

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

Independent auditor's report

- ▶ 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 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.

Haderslev, *2019-05-22*
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

A handwritten signature in blue ink, appearing to read 'Lars Mortensen', written over the printed name.

Lars Mortensen
State Authorised Public Accountant
mne32743

Management's review

Company details

Name	Danitech A/S
Address, Postal code, City	Bredholm 4, 6100 Haderslev
CVR no.	25 25 03 03
Established	22 February 2000
Financial year	1 January - 31 December
Website	www.danitech.com
E-mail	infodk@danitech.com
Telephone	+45 76 34 23 00
Telefax	+45 76 34 23 01
Board of Directors	Carlo Bondioli, Chairman Arne Iversen Mads Haase Iversen Rasmus Haase Iversen
Executive Board	Arne Iversen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Norgesvej 24 B, 6100 Haderslev, Denmark

Management's review

Financial highlights for the Group

DKKt	2018	2017	2016	2015	2014
Key figures					
Gross margin	63,178	54,357	50,061	49,491	46,251
Operating profit/loss	18,523	22,303	20,596	20,261	17,755
Net financials	-600	-199	-55	333	-261
Profit/loss for the year	13,710	17,227	16,025	15,740	13,262
Total assets					
Equity	167,493	132,493	127,302	126,961	121,290
	113,286	96,565	95,338	93,312	89,573
Financial ratios					
Return on assets	12.3%	17.2%	16.2%	16.3%	14.6%
Equity ratio	65.4%	72.9%	74.9%	73.5%	73.9%
Return on equity	14.1%	18.0%	17.0%	17.2%	14.7%
Average number of employees					
	84	57	54	53	53

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

Business review

The parent company's activities consist of the development, production and integration of motion control systems, as well as the sale of stand-alone components and servicing of electrohydraulic and electromechanical equipment.

Danitech Group's activities consist of the development, production and integration of motion control systems, as well as the sale of stand-alone components and servicing of electrohydraulic and electromechanical equipment.

Financial review

The income statement for 2018 shows a profit of DKK 13,710 thousand against a profit of DKK 17,227 thousand last year, and the group's balance sheet at 31 December 2018 shows equity of DKK 113,286 thousand.

In a market with delivery times that increased from 10 to 25-50 weeks, the stock and delivery situation is very difficult. Orders are split into 2-4 deliveries which increases the transportation, administration and production costs, etc.

Danitech A/S acquired the controlling interest in Danitech Production A/S during the financial year, which means that Danitech A/S now prepares consolidated accounts. A share of Danitech Production A/S's results of operations is recognised in Danitech A/S's income statement and impacts it negatively with DKK 1.716 thousand because of difficult market conditions. The beginning of 2019 was favourable for both group companies, and this trend is expected to continue for the remainder of the year.

During the financial year Danitech A/S took over the domicile which houses Danitech Production A/S.

Based thereon, we consider the profit for the year satisfactory.

Knowledge resources

The staff's thorough knowledge of product properties and product application and prices is of crucial importance to the Group's position in the market and to future earnings.

Special risks

The Group is not exposed to any particular business or financial risks other than those which are normal within the line of business.

Impact on the external environment

Only the heating of the Company's premises and the transportation of goods, etc have an impact on the external environment.

Foreign branches

Danitech A/S has a sales branch in Sweden.

Events after the balance sheet date

No events materially affecting the Group's and the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The trend continues in 2019, and thereby the supply situation has become more difficult. A growth of 3-4% is expected for 2019 plus price increases of 3-5% globally due to the lack of raw materials followed by an immense price pressure.

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

Income statement

Note	DKK	Group		Parent company	
		2018	2017	2018	2017
	Gross margin	63,177,651	54,357,194	53,284,093	54,357,194
2	Staff costs	-40,501,767	-30,194,130	-30,338,124	-30,194,130
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-4,153,025	-1,860,283	-1,738,465	-1,860,283
	Profit before net financials	18,522,859	22,302,781	21,207,504	22,302,781
	Income from investments in group enterprises	0	0	-1,716,229	0
3	Financial income	937,489	709,893	1,190,704	709,893
	Financial expenses	-1,537,004	-908,417	-1,343,012	-908,417
	Profit before tax	17,923,344	22,104,257	19,338,967	22,104,257
4	Tax for the year	-4,212,956	-4,877,196	-4,784,136	-4,877,196
	Profit for the year	13,710,388	17,227,061	14,554,831	17,227,061
	Specification of the Group's results of operations:				
	Shareholders in Danitech A/S	14,554,831	17,227,061		
	Non-controlling interests	-844,443	0		
		13,710,388	17,227,061		

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

Balance sheet

Note	DKK	Group		Parent company	
		2018	2017	2018	2017
		ASSETS			
		Fixed assets			
5	Intangible assets				
	Goodwill	8,952,401	0	0	0
		<u>8,952,401</u>	<u>0</u>	<u>0</u>	<u>0</u>
6	Property, plant and equipment				
	Land and buildings	50,831,244	38,085,149	50,831,244	38,085,149
	Fixtures and fittings, other plant and equipment	10,945,816	1,357,811	1,429,835	1,357,811
	Leasehold improvements	358,776	0	0	0
		<u>62,135,836</u>	<u>39,442,960</u>	<u>52,261,079</u>	<u>39,442,960</u>
7	Investments				
	Investments in group enterprises	0	0	10,247,191	0
	Receivables from group enterprises	0	0	1,012,500	0
	Other securities and investments	300,000	300,000	300,000	300,000
	Other receivables	0	5,543,750	0	5,543,750
		<u>300,000</u>	<u>5,843,750</u>	<u>11,559,691</u>	<u>5,843,750</u>
	Total fixed assets	<u>71,388,237</u>	<u>45,286,710</u>	<u>63,820,770</u>	<u>45,286,710</u>
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	6,514,464	0	0	0
	Finished goods and goods for resale	57,504,190	42,114,511	57,504,190	42,114,511
		<u>64,018,654</u>	<u>42,114,511</u>	<u>57,504,190</u>	<u>42,114,511</u>
	Receivables				
	Trade receivables	28,471,479	24,211,463	24,655,641	24,211,463
	Corporation tax receivable	850,926	450,503	764,926	450,503
	Other receivables	200,080	179,118	200,080	179,118
8	Prepayments	1,032,364	587,668	800,597	587,668
		<u>30,554,849</u>	<u>25,428,752</u>	<u>26,421,244</u>	<u>25,428,752</u>
	Securities and investments	<u>85,252</u>	<u>108,150</u>	<u>85,252</u>	<u>108,150</u>
	Cash	<u>1,446,386</u>	<u>19,554,184</u>	<u>1,402,669</u>	<u>19,554,184</u>
	Total non-fixed assets	<u>96,105,141</u>	<u>87,205,597</u>	<u>85,413,355</u>	<u>87,205,597</u>
	TOTAL ASSETS	<u>167,493,378</u>	<u>132,492,307</u>	<u>149,234,125</u>	<u>132,492,307</u>

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

Balance sheet

Note	DKK	Group		Parent company	
		2018	2017	2018	2017
		EQUITY AND LIABILITIES			
		Equity			
9	Share capital	5,000,000	5,000,000	5,000,000	5,000,000
	Retained earnings	100,619,450	90,064,619	100,619,450	90,064,619
	Dividend proposed	4,000,000	1,500,000	4,000,000	1,500,000
	Shareholder in Danitech A/S' share of equity	109,619,450	96,564,619	109,619,450	96,564,619
	Non-controlling interests	3,666,922	0	0	0
	Total equity	113,286,372	96,564,619	109,619,450	96,564,619
	Provisions				
10	Deferred tax	2,683,800	1,412,100	2,485,700	1,412,100
	Total provisions	2,683,800	1,412,100	2,485,700	1,412,100
	Liabilities other than provisions				
11	Non-current liabilities other than provisions				
	Mortgage debt	16,006,015	10,405,174	16,006,015	10,405,174
	Lease liabilities	6,279,683	0	0	0
	Other payables	250,000	0	0	0
		22,535,698	10,405,174	16,006,015	10,405,174
	Current liabilities other than provisions				
11	Short-term part of long-term liabilities other than provisions	3,470,846	1,095,284	1,777,489	1,095,284
	Bank debt	72,680	76,727	69,656	76,727
	Trade payables	17,206,859	15,509,101	12,696,654	15,509,101
	Payables to group enterprises	0	0	277,805	0
	Other payables	8,237,123	7,429,302	6,301,356	7,429,302
		28,987,508	24,110,414	21,122,960	24,110,414
	Total liabilities other than provisions	51,523,206	34,515,588	37,128,975	34,515,588
	TOTAL EQUITY AND LIABILITIES	167,493,378	132,492,307	149,234,125	132,492,307

- 1 Accounting policies
- 12 Contractual obligations and contingencies, etc.
- 13 Collateral
- 14 Related parties



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

Statement of changes in equity

		Group						
Note	DKK	Share capital	Retained earnings	Dividend proposed	Total	Non-controlling interests	Total equity	
		Equity at 1 January 2018	5,000,000	90,064,619	1,500,000	96,564,619	0	96,564,619
		Additions on corporate acquisition	0	0	0	0	4,511,365	4,511,365
		Transfer through appropriation of profit	0	10,554,831	4,000,000	14,554,831	-844,443	13,710,388
		Dividend distributed	0	0	-1,500,000	-1,500,000	0	-1,500,000
		Equity at 31 December 2018	5,000,000	100,619,450	4,000,000	109,619,450	3,666,922	113,286,372

		Parent company				
Note	DKK	Share capital	Retained earnings	Dividend proposed	Total	
		Equity at 1 January 2018	5,000,000	90,064,619	1,500,000	96,564,619
15		Transfer, see "Appropriation of profit"	0	10,554,831	4,000,000	14,554,831
		Dividend distributed	0	0	-1,500,000	-1,500,000
		Equity at 31 December 2018	5,000,000	100,619,450	4,000,000	109,619,450

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

Cash flow statement

Note	DKK	Group	
		2018	2017
	Profit for the year	13,710,388	17,227,061
16	Adjustments	8,847,611	6,919,773
	Cash generated from operations (operating activities)	22,557,999	24,146,834
17	Changes in working capital	-12,346,365	-9,606,287
	Cash generated from operations (operating activities)	10,211,634	14,540,547
	Interest received, etc.	937,489	623,480
	Interest paid, etc.	-1,537,004	-822,004
	Income taxes paid	-4,083,956	-4,858,764
	Cash flows from operating activities	5,528,163	9,483,259
	Additions of intangible assets	-11,963,420	0
	Additions of property, plant and equipment	-12,819,242	-706,227
	Disposals of property, plant and equipment	520,640	0
18	Acquisition of companies and activities	-10,734,129	0
	Cash flows to investing activities	-34,996,151	-706,227
	Dividends paid	-1,500,000	-16,000,000
	Repayments, long-term liabilities	12,860,190	-1,122,409
	Cash flows from financing activities	11,360,190	-17,122,409
	Net cash flow	-18,107,798	-8,345,377
	Cash and cash equivalents at 1 January	19,554,184	27,899,561
19	Cash and cash equivalents at 31 December	1,446,386	19,554,184

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

Notes to the financial statements

1 Accounting policies

The annual report of Danitech A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

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

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company. Subsidiaries comprise Danitech Production A/S (Stake: 59,82 %).

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Investments in associates and joint ventures are recognised in the consolidated financial statements using the equity method.

The group's activities in joint operations are recognised on a line-by-line basis.

Non-controlling interests

On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' equity interest.

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

Notes to the financial statements

1 Accounting policies (continued)

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at closing rates. Non monetary items are translated at the exchange rate 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. However, items derived from non monetary items are translated at historical exchange rates for the non monetary item.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

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

Gross margin

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

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

Notes to the financial statements

1 Accounting policies (continued)

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Cost of sales

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

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and 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	50 years
Fixtures and fittings, other plant and equipment	5 - 7 years
Leasehold improvements	5 years
Goodwill	10-15 years

Land is not depreciated.

Profit from investments in subsidiaries

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 are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

The proportionate share of the individual subsidiaries' profit/loss after tax after full elimination of internal gains/losses are recognised in the parent company's income statement.

The item includes dividend received from subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

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

Notes to the financial statements

1 Accounting policies (continued)

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

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

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation. Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 10-15 years. The amortisation period is higher than 10 years, which is explained by strategically acquired activities with a long-term earnings profile.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method. Equity investments in joint ventures are also measured according to the equity method in the consolidated financial statements.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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 for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

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

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. Gains or losses are recognised in the income statement as financial income or financial expenses.

Other securities and investments

Securities and investments consisting of listed shares and bonds are measured at fair value (market price) at the balance sheet date. Investments not admitted to trading on an active market are measured at cost.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (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.

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 calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

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Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Securities and investments

Securities and investments consisting in listed shares and bonds are measured at fair value (market price) at the balance sheet date. Investments not admitted to trading on an active market are measured at cost.

Cash

Cash comprise bank balances.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the 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 goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition 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 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. Deferred tax assets 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

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

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net 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 liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

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

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

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Financial ratios

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

Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity excl. non-controlling interests, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year excl. non-controlling interests} \times 100}{\text{Average equity excl. non-controlling interests}}$

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

Notes to the financial statements

5 Intangible assets

DKK	Group	
		Goodwill
Cost at 1 January 2018		700,000
Additions on corporate acquisition		4,804,463
Additions		5,247,709
Cost at 31 December 2018		10,752,172
Impairment losses and amortisation at 1 January 2018		700,000
Impairment losses and amortisation of additions through corporate acquisition		320,298
Amortisation for the year		779,473
Impairment losses and amortisation at 31 December 2018		1,799,771
Carrying amount at 31 December 2018		8,952,401

6 Property, plant and equipment

DKK	Group			
	Land and buildings	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2018	47,264,411	14,196,676	0	61,461,087
Additions on corporate acquisition	9,643,237	11,113,925	482,569	21,239,731
Additions	4,910,501	7,537,593	371,148	12,819,242
Disposals	-1,051,975	-332,816	0	-1,384,791
Cost at 31 December 2018	60,766,174	32,515,378	853,717	94,135,269
Impairment losses and depreciation at 1 January 2018	9,179,262	12,838,865	0	22,018,127
Accumulated impairment losses and depreciation of additions through corporate acquisition	133,818	6,973,403	482,569	7,589,790
Impairment losses	272,099	0	0	272,099
Depreciation	1,082,995	2,006,086	12,372	3,101,453
Reversal of accumulated depreciation and impairment of assets disposed	-733,244	-248,792	0	-982,036
Impairment losses and depreciation at 31 December 2018	9,934,930	21,569,562	494,941	31,999,433
Carrying amount at 31 December 2018	50,831,244	10,945,816	358,776	62,135,836
Property, plant and equipment include finance leases with a carrying amount totalling	0	7,138,750	0	7,138,750

Note 13 provides more details on security for loans, etc. as regards property, plant and equipment.

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

Notes to the financial statements

DKK	Parent company		
	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2018	47,264,411	14,196,676	61,461,087
Additions	13,998,746	960,593	14,959,339
Disposals	-1,051,975	-332,816	-1,384,791
Cost at 31 December 2018	60,211,182	14,824,453	75,035,635
Impairment losses and depreciation at 1 January 2018	9,179,262	12,838,865	22,018,127
Depreciation	933,920	804,545	1,738,465
Reversal of accumulated depreciation and impairment of assets disposed	-733,244	-248,792	-982,036
Impairment losses and depreciation at 31 December 2018	9,379,938	13,394,618	22,774,556
Carrying amount at 31 December 2018	50,831,244	1,429,835	52,261,079

7 Investments

DKK	Group		
	Other securities and investments	Other receivables	Total
Cost at 1 January 2018	300,000	5,543,750	5,843,750
Transferred	0	-5,543,750	-5,543,750
Cost at 31 December 2018	300,000	0	300,000
Carrying amount at 31 December 2018	300,000	0	300,000

DKK	Parent company				
	Investments in group enterprises	Receivables from group enterprises	Other securities and investments	Other receivables	Total
Cost at 1 January 2018	0	0	300,000	5,543,750	5,843,750
Additions	11,963,420	0	0	0	11,963,420
Disposals	0	-4,531,250	0	0	-4,531,250
Transferred	0	5,543,750	0	-5,543,750	0
Cost at 31 December 2018	11,963,420	1,012,500	300,000	0	13,275,920
Loss for the year	-1,257,054	0	0	0	-1,257,054
Amortisation of group goodwill	-459,175	0	0	0	-459,175
Value adjustments at 31 December 2018	-1,716,229	0	0	0	-1,716,229
Carrying amount at 31 December 2018	10,247,191	1,012,500	300,000	0	11,559,691

Parent company

Name	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries				
Danitech Production A/S	Haderslev	59.82%	9,125,579	-2,101,497

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Notes to the financial statements

7 Investments (continued)

Differences on initial recognition of the subsidiary Danitech Production A/S consisting on group goodwill total DKK 5,208 thousand. Carrying amount of group goodwill at 31 December 2018 is DKK 4,789 thousand. (2017: DKK 0 thousand).

8 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including software licenses, insurance policies and other prepayments.

DKK	Parent company	
	2018	2017
9 Share capital		
Analysis of the share capital:		
5,000 shares of DKK 1,000.00 nominal value each	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>

DKK	Group		Parent company	
	2018	2017	2018	2017
10 Deferred tax				
Deferred tax at 1 January	1,412,100	1,264,400	1,412,100	1,264,400
Additions on corporate acquisition	487,800	0	0	0
Deferred tax adjustments in the year in the income statement	783,900	147,700	1,073,600	147,700
Deferred tax at 31 December	<u>2,683,800</u>	<u>1,412,100</u>	<u>2,485,700</u>	<u>1,412,100</u>

Group

Deferred tax is incumbent on goodwill, land and buildings, property, plant and equipment, inventories, current asset investments, borrowing costs, prepayments and lease liabilities.

11 Non-current liabilities other than provisions

DKK	Group			
	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	17,783,504	1,777,489	16,006,015	8,757,658
Bank debt	418,845	418,845	0	0
Lease liabilities	7,300,070	1,020,387	6,279,683	1,806,165
Other credit institutions	4,125	4,125	0	0
Other payables	500,000	250,000	250,000	0
	<u>26,006,544</u>	<u>3,470,846</u>	<u>22,535,698</u>	<u>10,563,823</u>

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

Notes to the financial statements

DKK	Parent company			
	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	17,783,504	1,777,489	16,006,015	8,757,658
	<u>17,783,504</u>	<u>1,777,489</u>	<u>16,006,015</u>	<u>8,757,658</u>

12 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	Group		Parent company	
	2018	2017	2018	2017
Rent and lease liabilities	1,032,709	176,740	378,209	176,740
	<u>1,032,709</u>	<u>176,740</u>	<u>378,209</u>	<u>176,740</u>

Parent company

The Parent Company is jointly taxed with its Danish subsidiary. As management company, the Company has joint and several unlimited liability, together with the subsidiary, for all Danish income taxes and withholding taxes on dividend, interest and royalties within the group of jointly taxed entities. The jointly taxed entities' total known net liability in respect of income taxes and withholding taxes payable on dividend, interest and royalties amounted to DKK 0 thousand at 31 December 2018. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc. could entail an increase in the entities' tax liability. The Group as a whole is not liable vis-à-vis any third parties.

13 Collateral

Group

Land and buildings at a carrying amount of DKK 37,608 thousand at 31 December 2018 have been put up as security for debt to mortgage credit institutions, totalling DKK 17,784 thousand.

Parent company

Land and buildings at a carrying amount of DKK 37,608 thousand at 31 December 2018 have been put up as security for debt to mortgage credit institutions, totalling DKK 17,784 thousand.

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

Notes to the financial statements

14 Related parties

Group

Related party transactions

DKK	2018	2017
Group		
Acquisition of companies from associates	11,963,420	0
Sales of goods to associates	401,359	328,610
Purchase of goods from associates	8,245,956	8,287,985
Receivables from associates	104,675	27,959
Payables to associates	897,131	1,561,193
Parent Company		
Acquisition of companies from associates	11,963,420	0
Purchase of property, plant and equipment from subsidiaries	13,234,000	0
Interest income from subsidiaries	262,500	0
Sale of goods to subsidiaries	864,444	0
Purchase of goods from subsidiaries	540,108	0
Dividend distributed to associates	1,500,000	16,000,000
Sales of goods to associates	401,359	328,610
Purchase of goods from associates	8,245,956	8,287,985
Receivables from subsidiaries	1,117,255	0
Payables to subsidiaries	277,805	0
Receivables from associates	104,675	27,959
Payables to associates	897,131	1,561,193

Parent company

Significant influence

Related party	Domicile	Basis for significant influence
Arne Iversen Holding ApS	Vidarsvej 4, 6100 Haderslev	Capital holding
Danifin Holding ApS	Bredholm 4, 6100 Haderslev	Capital holding
Finsuge (S.P.A.)	Via XXIII Aprile, 35/A 46029 Suzzara, Italy	Significant influence

DKK	Parent company	
	2018	2017
15 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	4,000,000	1,500,000
Retained earnings	10,554,831	15,727,061
	<u>14,554,831</u>	<u>17,227,061</u>

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Notes to the financial statements

DKK	Group	
	2018	2017
16 Adjustments		
Amortisation/depreciation and impairment losses	4,153,025	1,860,283
Gain/loss on the sale of non-current assets	-117,885	0
Financial income	-937,489	-639,710
Financial expenses	1,537,004	822,004
Tax for the year	3,429,071	4,729,496
Deferred tax	783,885	147,700
	<u>8,847,611</u>	<u>6,919,773</u>
17 Changes in working capital		
Change in inventories	-21,904,143	-6,649,642
Change in receivables	6,874,554	-7,894,334
Change in trade and other payables	2,683,224	4,937,689
	<u>-12,346,365</u>	<u>-9,606,287</u>
18 Acquisition of enterprises and activities		
Inventories	-6,127,276	0
Receivables	-303,244	0
Cash	-59,618	0
Bank debt	3,703,452	0
Mortgage credit loans	3,422,038	0
Trade payables	2,251,774	0
Other payables	7,847,003	0
Cost of acquisition paid in cash	<u>10,734,129</u>	<u>0</u>
19 Cash and cash equivalents at year-end		
Cash according to the balance sheet	<u>1,446,386</u>	<u>19,554,184</u>
	<u>1,446,386</u>	<u>19,554,184</u>