

Danitech A/S

Bredholm 4, 6100 Haderslev

CVR no. 25 25 03 03

Annual report 2019

Approved at the Company's annual general meeting on 24 August 2020

Chairman:






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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 2019.

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 2019 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 2019.

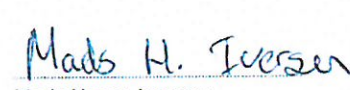
Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Haderslev, 4 May 2020
Executive Board:


Arne Iversen

Board of Directors:


Carlo Bondioli
Chairman
Arne Iversen
Mads H. 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 2019, 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 2019, 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 2019 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, 4 May 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

A handwritten signature in blue ink, appearing to read 'Lars Mortensen', is 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

t	2019	2018	2017	2016	2015
Key figures					
Gross profit	62,707	63,178	54,357	50,061	49,491
Profit before interest and tax (EBITA)	18,070	18,523	23,305	23,689	21,203
Operating profit/loss	12,901	13,267	22,303	20,596	20,261
Net financials	-469	-600	-199	-55	333
Profit for the year	13,571	13,710	17,227	16,025	15,740
Total assets					
Total assets	172,792	167,493	132,493	127,302	126,961
Investment in property, plant and equipment	-1,156	-12,819	-706	-775	-145
Equity	122,048	113,286	96,565	95,338	93,312
Financial ratios					
Return on assets	7.6%	8.8%	17.2%	16.2%	16.3%
Equity ratio	68.4%	65.4%	72.9%	74.9%	73.5%
Return on equity	12.2%	14.1%	18.0%	17.0%	17.2%
Average number of employees	84	84	57	54	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 2019 shows a profit of DKK 13,571 thousand against a profit of DKK 13,710 thousand last year, and the group's balance sheet at 31 December 2019 shows equity of DKK 122,048 thousand.

We noted a busy 2018 with an extreme supply situation, which resulted in global stock building at machine manufacturers up until the summer of 2019. Then the response came in the autumn of 2019, where we noted a 6-15% reduction of inventories at some of the customers.

Brexit and other geopolitical circumstances create some uncertainty as to the development trends from the summer of 2019 and probably some of 2020.

We note a modest increase in revenue of 1.4% and still report an acceptable performance in the light of our considerable investments in upgrading our IT platform to a new dynamic business central, implementing a planning model and shop floor solution and purchasing a new PIM system, which have strengthened our technical platform in respect of marketing, technology and our web shop.

We established a new 400kW test bench so that we have one of Northern Europe's best pilot plants. We upgraded our automatic storage system and thereby formed the basis for our future strategy.

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 corona virus outbreak will have a major impact on our sales in 2020, primarily in the period from April to December.

Our expectation for 2020 is a reduced turnover between 20-30 % which will result in a reduction of our manpower capacity of at least 12-15 %. Profit is expected to be reduced by 50-70 %. We don't expect a positive increase in the demand before the fourth quarter.

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

Income statement

Note	DKK	Group		Parent company	
		2019	2018	2019	2018
	Gross profit	62,706,699	63,177,651	50,923,093	53,284,093
2	Staff costs	-40,300,633	-40,501,767	-30,155,447	-30,338,124
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-4,335,997	-4,153,025	-1,518,727	-1,738,465
	Profit before net financials	18,070,069	18,522,859	19,248,919	21,207,504
	Income from investments in group enterprises	0	0	-2,067,175	-1,716,229
3	Financial income	582,859	937,489	597,926	1,190,704
	Financial expenses	-1,051,817	-1,537,004	-813,265	-1,343,012
	Profit before tax	17,601,111	17,923,344	16,966,405	19,338,967
4	Tax for the year	-4,030,169	-4,212,956	-4,220,144	-4,784,136
	Profit for the year	<u>13,570,942</u>	<u>13,710,388</u>	<u>12,746,261</u>	<u>14,554,831</u>
	Specification of the Group's results of operations:				
	Shareholders in Danitech A/S	13,924,004	14,554,831		
	Non-controlling interests	-353,062	-844,443		
		<u>13,570,942</u>	<u>13,710,388</u>		

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

Balance sheet

Note	DKK	Group		Parent company	
		2019	2018	2019	2018
		ASSETS			
		Fixed assets			
5	Intangible assets				
	Goodwill	7,633,580	8,952,401	0	0
		<u>7,633,580</u>	<u>8,952,401</u>	<u>0</u>	<u>0</u>
6	Property, plant and equipment				
	Land and buildings	49,819,007	50,831,239	49,819,007	50,831,239
	Fixtures and fittings, other plant and equipment	9,824,146	10,945,820	1,697,913	1,429,839
	Leasehold improvements	314,862	358,776	0	0
		<u>59,958,015</u>	<u>62,135,835</u>	<u>51,516,920</u>	<u>52,261,078</u>
7	Investments				
	Investments in group enterprises	0	0	8,457,516	10,247,191
	Receivables from group enterprises	0	0	1,237,608	1,012,500
	Other securities and investments	0	300,000	0	300,000
		<u>0</u>	<u>300,000</u>	<u>9,695,124</u>	<u>11,559,691</u>
	Total fixed assets	<u>67,591,595</u>	<u>71,388,236</u>	<u>61,212,044</u>	<u>63,820,769</u>
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	8,318,588	6,514,464	0	0
	Finished goods and goods for resale	44,863,756	57,504,190	44,863,756	57,504,190
		<u>53,182,344</u>	<u>64,018,654</u>	<u>44,863,756</u>	<u>57,504,190</u>
	Receivables				
	Trade receivables	22,896,477	28,471,479	19,730,553	24,655,641
	Corporation tax receivable	2,238,823	850,926	2,238,823	764,926
	Other receivables	189,825	200,080	187,050	200,080
8	Prepayments	1,313,856	1,032,364	1,080,695	800,597
		<u>26,638,981</u>	<u>30,554,849</u>	<u>23,237,121</u>	<u>26,421,244</u>
	Securities and investments	<u>84,826</u>	<u>85,252</u>	<u>84,826</u>	<u>85,252</u>
	Cash	<u>25,293,765</u>	<u>1,446,386</u>	<u>25,115,173</u>	<u>1,402,669</u>
	Total non-fixed assets	<u>105,199,916</u>	<u>96,105,141</u>	<u>93,300,876</u>	<u>85,413,355</u>
	TOTAL ASSETS	<u>172,791,511</u>	<u>167,493,377</u>	<u>154,512,920</u>	<u>149,234,124</u>



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

Balance sheet

Note	DKK	Group		Parent company	
		2019	2018	2019	2018
		EQUITY AND LIABILITIES			
		Equity			
9	Share capital	5,000,000	5,000,000	5,000,000	5,000,000
	Retained earnings	106,249,051	100,619,450	106,365,711	100,619,450
	Dividend proposed	7,000,000	4,000,000	7,000,000	4,000,000
	Shareholders in Danitech A/S' share of equity	118,249,051	109,619,450	118,365,711	109,619,450
	Non-controlling interests	3,798,703	3,666,922	0	0
	Total equity	122,047,754	113,286,372	118,365,711	109,619,450
	Provisions				
10	Deferred tax	3,380,100	2,683,800	3,347,000	2,485,700
	Total provisions	3,380,100	2,683,800	3,347,000	2,485,700
	Liabilities other than provisions				
11	Non-current liabilities other than provisions				
	Mortgage debt	14,214,793	16,006,015	14,214,793	16,006,015
	Lease liabilities	5,336,247	6,279,683	0	0
	Other payables	537,320	250,000	0	0
		20,088,360	22,535,698	14,214,793	16,006,015
	Current liabilities other than provisions				
11	Short-term part of long-term liabilities other than provisions				
	Bank debt	2,987,449	3,470,846	1,791,222	1,777,489
	Trade payables	4,108,628	72,680	104,997	69,656
	Payables to group enterprises	13,062,724	17,206,858	10,896,367	12,696,653
	Other payables	0	0	79,875	277,805
	Deferred income	7,103,537	8,237,123	5,712,955	6,301,356
		12,959	0	0	0
		27,275,297	28,987,507	18,585,416	21,122,959
	Total liabilities other than provisions	47,363,657	51,523,205	32,800,209	37,128,974
	TOTAL EQUITY AND LIABILITIES	172,791,511	167,493,377	154,512,920	149,234,124

- 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

Note	DKK	Group					
		Share capital	Retained earnings	Dividend proposed	Total	Non-controlling interests	Total equity
		5,000,000	100,619,450	4,000,000	109,619,450	3,666,922	113,286,372
		0	0	0	0	484,843	484,843
		0	1,000,000	0	1,000,000	0	1,000,000
		0	6,924,004	7,000,000	13,924,004	-353,062	13,570,942
		0	-2,762,343	0	-2,762,343	0	-2,762,343
		0	467,940	0	467,940	0	467,940
		0	0	-4,000,000	-4,000,000	0	-4,000,000
		5,000,000	106,249,051	7,000,000	118,249,051	3,798,703	122,047,754

The year's change in non-controlling interests' share of the subsidiaries' equity consists of a share of the profit for the year, DKK -353 thousand. In addition, the change consists of investments purchased/sold between the majority shareholder and the non-controlling interests at a nominal interest of 6,81% and an impact in terms of numbers of DKK 485 thousand.

Note	DKK	Parent company			
		Share capital	Retained earnings	Dividend proposed	Total
		5,000,000	100,619,450	4,000,000	109,619,450
		0	5,746,261	7,000,000	12,746,261
		0	0	-4,000,000	-4,000,000
		5,000,000	106,365,711	7,000,000	118,365,711

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

Cash flow statement

Note	DKK	Group	
		2019	2018
	Profit for the year	13,570,942	13,710,388
16	Adjustments	8,870,058	8,847,611
	Cash generated from operations (operating activities)	22,441,000	22,557,999
17	Changes in working capital	11,162,636	-12,346,367
	Cash generated from operations (operating activities)	33,603,636	10,211,632
	Interest received, etc.	582,859	937,489
	Interest paid, etc.	-1,051,391	-1,537,004
	Income taxes paid	-4,721,766	-4,083,956
	Cash flows from operating activities	28,413,338	5,528,161
	Additions of intangible assets	0	-11,963,420
	Additions of property, plant and equipment	-1,155,910	-12,819,242
	Disposals of property, plant and equipment	45,000	520,640
	Sale of financial assets	254,560	0
18	Acquisition of companies and activities	0	-10,734,129
	Cash flows to investing activities	-856,350	-34,996,151
	Dividends paid	-4,000,000	-1,500,000
	Proceeds of long-term liabilities	3,612,976	0
	Repayments, long-term liabilities	-3,045,085	12,860,192
	Acquisition of treasury shares	-2,000,000	0
	Sale of treasury shares	1,000,000	0
	Cash capital increase	1,000,000	0
	Acquisition of minority interests	-277,500	0
	Cash flows from financing activities	-3,709,609	11,360,192
	Net cash flow	23,847,379	-18,107,798
	Cash and cash equivalents at 1 January	1,446,386	19,554,184
19	Cash and cash equivalents at 31 December	25,293,765	1,446,386

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 2019 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: 54,50 %).

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.

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 profit

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

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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

Goodwill	10-15 years
Buildings	50 years
Fixtures and fittings, other plant and equipment	5 - 7 years
Leasehold improvements	5 years

Land is not depreciated.

Profit/loss 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.

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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".

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.

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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.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

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:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
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	$\frac{\text{Profit/loss excl. non-controlling interests} \times 100}{\text{Average equity excl. non-controlling interests}}$



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

Notes to the financial statements

	Group		Parent company	
	2019	2018	2019	2018
DKK				
2 Staff costs				
Wages/salaries	35,103,560	35,066,895	26,115,850	26,092,475
Pensions	2,700,405	2,671,175	2,028,399	1,973,790
Other social security costs	654,859	597,611	424,096	410,404
Other staff costs	1,841,809	2,166,086	1,587,102	1,861,455
	<u>40,300,633</u>	<u>40,501,767</u>	<u>30,155,447</u>	<u>30,338,124</u>
	Group		Parent company	
	2019	2018	2019	2018
Average number of full-time employees	84	84	60	60

Group

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to the group Management is not disclosed.

Parent company

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

	Group		Parent company	
	2019	2018	2019	2018
DKK				
3 Financial income				
Interest receivable, group entities	0	0	30,208	262,500
Other financial income	582,859	937,489	567,718	928,204
	<u>582,859</u>	<u>937,489</u>	<u>597,926</u>	<u>1,190,704</u>
4 Tax for the year				
Estimated tax charge for the year	3,333,869	3,429,071	3,358,844	3,710,536
Deferred tax adjustments in the year	696,300	783,885	861,300	1,073,600
	<u>4,030,169</u>	<u>4,212,956</u>	<u>4,220,144</u>	<u>4,784,136</u>

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Notes to the financial statements

5 Intangible assets

	Group
	Goodwill
DKK	
Cost at 1 January 2019	10,752,172
Disposals	-583,079
Cost at 31 December 2019	10,169,093
Impairment losses and amortisation at 1 January 2019	1,799,771
Amortisation for the year	786,761
Reversal of accumulated amortisation and impairment of assets disposed	-51,019
Impairment losses and amortisation at 31 December 2019	2,535,513
Carrying amount at 31 December 2019	7,633,580
	Parent company
	Goodwill
DKK	
Cost at 1 January 2019	700,000
Cost at 31 December 2019	700,000
Impairment losses and amortisation at 1 January 2019	700,000
Impairment losses and amortisation at 31 December 2019	700,000
Carrying amount at 31 December 2019	0

6 Property, plant and equipment

	Group			
DKK	Land and buildings	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2019	60,211,181	44,825,589	371,148	105,407,918
Additions	60,162	1,308,520	37,228	1,405,910
Disposals	0	-396,828	0	-396,828
Cost at 31 December 2019	60,271,343	45,737,281	408,376	106,417,000
Impairment losses and depreciation at 1 January 2019	9,379,942	33,879,769	12,372	43,272,083
Depreciation	1,072,394	2,395,699	81,142	3,549,235
Reversal of accumulated depreciation and impairment of assets disposed	0	-362,333	0	-362,333
Impairment losses and depreciation at 31 December 2019	10,452,336	35,913,135	93,514	46,458,985
Carrying amount at 31 December 2019	49,819,007	9,824,146	314,862	59,958,015
Property, plant and equipment include finance leases with a carrying amount totalling	0	6,234,821	0	6,234,821

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

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Notes to the financial statements

	Parent company		
	Land and buildings	Fixtures and fittings, other plant and equipment	Total
DKK			
Cost at 1 January 2019	60,211,181	14,824,453	75,035,634
Additions	60,162	748,901	809,063
Disposals	0	-150,078	-150,078
Cost at 31 December 2019	60,271,343	15,423,276	75,694,619
Impairment losses and depreciation at 1 January 2019	9,379,942	13,394,614	22,774,556
Depreciation	1,072,394	446,332	1,518,726
Reversal of accumulated depreciation and impairment of assets disposed	0	-115,583	-115,583
Impairment losses and depreciation at 31 December 2019	10,452,336	13,725,363	24,177,699
Carrying amount at 31 December 2019	49,819,007	1,697,913	51,516,920

7 Investments

	Group
	Other securities and investments
DKK	
Cost at 1 January 2019	300,000
Disposals	-300,000
Carrying amount at 31 December 2019	0

	Parent company			
	Investments in group enterprises	Receivables from group enterprises	Other securities and investments	Total
DKK				
Cost at 1 January 2019	11,963,420	1,012,500	300,000	13,275,920
Additions	277,500	225,108	0	502,608
Disposals	-1,360,102	0	-300,000	-1,660,102
Cost at 31 December 2019	10,880,818	1,237,608	0	12,118,426
Value adjustments at 1 January 2019	-1,716,229	0	0	-1,716,229
Loss for the year	-422,969	0	0	-422,969
Amortisation of group goodwill	-474,796	0	0	-474,796
Reversals of impairment losses on assets disposed	190,692	0	0	190,692
Value adjustments at 31 December 2019	-2,423,302	0	0	-2,423,302
Carrying amount at 31 December 2019	8,457,516	1,237,608	0	9,695,124

Parent company

Name	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries				
Danitech Produktion A/S	Haderslev	54.50%	8,349,548	-776,031

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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 4,841 thousand. Carrying amount of group goodwill at 31 December 2019 is DKK 3,907 thousand. (2018: DKK 4,789 thousand).

8 Prepayments

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

DKK	Parent company	
	2019	2018
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	
	2019	2018	2019	2018
10 Deferred tax				
Deferred tax at 1 January	2,683,800	1,412,100	2,485,700	1,412,100
Additions on corporate acquisition	0	487,800	0	0
Deferred tax adjustments in the year in the income statement	696,300	783,900	0	1,073,600
Other deferred tax	0	0	861,300	0
Deferred tax at 31 December	<u>3,380,100</u>	<u>2,683,800</u>	<u>3,347,000</u>	<u>2,485,700</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 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	16,006,015	1,791,222	14,214,793	6,910,432
Lease liabilities	6,532,474	1,196,227	5,336,247	0
Other payables	537,320	0	537,320	0
	<u>23,075,809</u>	<u>2,987,449</u>	<u>20,088,360</u>	<u>6,910,432</u>

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Notes to the financial statements

11 Non-current liabilities other than provisions (continued)

DKK	Parent company			
	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	16,006,015	1,791,222	14,214,793	6,910,432
	<u>16,006,015</u>	<u>1,791,222</u>	<u>14,214,793</u>	<u>6,910,432</u>

12 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	Group		Parent company	
	2019	2018	2019	2018
Rent and lease liabilities	484,289	1,032,709	140,595	797,209
	<u>484,289</u>	<u>1,032,709</u>	<u>140,595</u>	<u>797,209</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 2019. 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 36,818 thousand at 31 December 2019 have been put up as security for debt to mortgage credit institutions, totalling DKK 16,006 thousand.

Parent company

Land and buildings at a carrying amount of DKK 36,818 thousand at 31 December 2019 have been put up as security for debt to mortgage credit institutions, totalling DKK 16,006 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	2019	2018
Group		
Acquisition of companies from associates	0	11,963,420
Sales of goods to associates	318,000	401,359
Purchase of goods from associates	6,905,000	8,245,956
Receivables from associates	71,448	104,675
Payables to associates	1,354,697	897,131
Parent Company		
Acquisition of companies from associates	0	11,963,420
Purchase of property, plant and equipment from subsidiaries	0	13,234,000
Interest income from subsidiaries	30,208	262,500
Sale of goods to subsidiaries	960,000	864,444
Purchase of goods from subsidiaries	687,000	540,108
Dividend distributed to associates	4,000,000	1,500,000
Sales of goods to associates	318,000	401,359
Purchase of goods from associates	6,905,000	8,245,956
Receivables from subsidiaries	1,237,608	1,117,255
Payables to subsidiaries	79,875	277,805
Receivables from associates	71,448	104,675
Payables to associates	1,354,697	897,131

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	
	2019	2018
15 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	7,000,000	4,000,000
Retained earnings	5,746,261	10,554,831
	<u>12,746,261</u>	<u>14,554,831</u>

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31 December

Notes to the financial statements

DKK	Group	
	2019	2018
16 Adjustments		
Amortisation/depreciation and impairment losses	4,335,996	4,153,025
Gain/loss on the sale of non-current assets	34,935	-117,885
Financial income	-582,859	-937,489
Financial expenses	1,051,817	1,537,004
Tax for the year	3,333,869	3,429,071
Deferred tax	696,300	783,885
	<u>8,870,058</u>	<u>8,847,611</u>
17 Changes in working capital		
Change in inventories	10,836,310	-21,904,143
Change in receivables	5,303,765	6,874,554
Change in trade and other payables	-4,977,439	2,683,222
	<u>11,162,636</u>	<u>-12,346,367</u>
18 Acquisition of enterprises and activities		
Inventories	0	-6,127,276
Receivables	0	-303,244
Cash	0	-59,618
Bank debt	0	3,703,452
Mortgage credit loans	0	3,422,038
Trade payables	0	2,251,774
Other payables	0	7,847,003
Cost of acquisition paid in cash	<u>0</u>	<u>10,734,129</u>
19 Cash and cash equivalents at year-end		
Cash according to the balance sheet	<u>25,293,765</u>	<u>1,446,386</u>
	<u>25,293,765</u>	<u>1,446,386</u>