

Danitech A/S

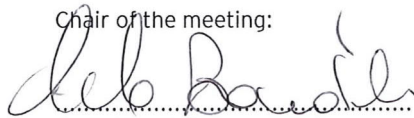
Bredholm 4, 6100 Haderslev

CVR no. 25 25 03 03

Annual report 2020

Approved at the Company's annual general meeting on 10 June 2021

Chair of the meeting:



Carlo Bondioli





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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 2020.

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 2020 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 2020.

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, 10 June 2021
Executive Board:

.....
Arne Iversen

Board of Directors:

.....
Carlo Bondioli
Chair

.....
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 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 10 June 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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, Chair Arne Iversen Mads Haase Iversen Rasmus Haase Iversen
Executive Board	Arne Iversen
Auditors	EY Godkendt Revisionspartnerselskab Norgesvej 24 B, 6100 Haderslev, Denmark

Management's review

Financial highlights for the Group

DKK'000	2020	2019	2018	2017	2016
Key figures					
Gross profit	58,309	62,707	63,178	54,357	50,061
Profit before interest and tax (EBITA)	16,451	18,070	18,523	23,305	23,689
Operating profit/loss	11,256	12,830	13,267	22,303	20,596
Net financials	-119	-469	-600	-199	-55
Profit for the year	12,650	13,571	13,710	17,227	16,025
Total assets					
Total assets	176,747	172,908	167,493	132,493	127,302
Investment in property, plant and equipment	-2,470	-1,156	-12,819	-706	-775
Equity	127,814	122,164	113,286	96,565	95,338
Financial ratios					
Return on assets	6.4%	7.5%	8.8%	17.2%	16.2%
Equity ratio	70.3%	68.5%	65.4%	72.9%	74.9%
Return on equity	10.6%	12.2%	13.1%	18.0%	17.0%
Average number of employees					
Average number of employees	76	84	84	57	54

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 2020 shows a profit of DKK 12,650 thousand against a profit of DKK 13,571 thousand last year, and the group's balance sheet at 31 December 2020 shows equity of DKK 127,814 thousand.

The year 2020 started out like 2019 but the corona pandemic in beginning 2020 turned all our intentions for 2020 upside down.

In the beginning, we saw that all the global distributors of machines immediately started to reduce their stocks. The same happened with the manufactures for some months until the levels reached the minimum.

This resulted in large fluctuations in sales in the last three quarters of 2020 and was the reason for our results in 2020.

Since the summer 2020, we have seen that the price of some raw materials such as copper and aluminium started to increase again, and we decided to increase the stock levels in the beginning of 2021 to be ready for the growth that is expected when the corona pandemic ends.

We have invested in four new automatic storage systems, so we now have eight interconnected systems also connected to our central business platform to make sure we are ready for 2021. We have also updated our IOT platform to Microsoft Azure, and in 2021, we will continue to improve this to be able to handle machines as well. 2021 may turn out to be a difficult year due to the limited amount of products available, which may affect our growth potential in 2021.

Even though this is the largest catastrophe in the past 100 years, we have survived it keeping our employees in good health and the business running with limited loss of revenue and profit.

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.

Financial risks and use of financial instruments

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



Management's review

Outlook for 2021 - we expect a difficult year due to the lack of materials and products, which will limit our growth in sales and profit to 5-10%. It will be a good year for sure.

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

Income statement

Note	DKK	Group		Parent company	
		2020	2019	2020	2019
	Gross profit	58,309,153	62,706,699	48,148,980	50,923,093
2	Staff costs	-37,896,672	-40,300,633	-29,225,474	-30,155,447
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-3,961,568	-4,335,997	-1,603,677	-1,518,727
	Profit before net financials	16,450,913	18,070,069	17,319,829	19,248,919
	Income from investments in group enterprises	0	0	-777,832	-2,067,175
3	Financial income	771,941	582,859	719,060	597,926
	Financial expenses	-890,676	-1,051,817	-682,371	-813,265
	Profit before tax	16,332,178	17,601,111	16,578,686	16,966,405
4	Tax for the year	-3,682,415	-4,030,169	-3,680,753	-4,220,144
	Profit for the year	12,649,763	13,570,942	12,897,933	12,746,261
	Specification of the Group's results of operations:				
	Shareholders in Danitech A/S	12,897,933	13,924,004		
	Non-controlling interests	-248,170	-353,062		
		12,649,763	13,570,942		

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

Balance sheet

Note	DKK	Group		Parent company	
		2020	2019	2020	2019
		ASSETS			
		Fixed assets			
5	Intangible assets				
	Goodwill	6,949,417	7,750,240	0	0
		<u>6,949,417</u>	<u>7,750,240</u>	<u>0</u>	<u>0</u>
6	Property, plant and equipment				
	Land and buildings	48,855,135	49,819,007	48,855,135	49,819,007
	Fixtures and fittings, other plant and equipment	9,935,151	9,824,146	3,261,532	1,697,913
	Leasehold improvements	284,330	314,862	0	0
		<u>59,074,616</u>	<u>59,958,015</u>	<u>52,116,667</u>	<u>51,516,920</u>
7	Investments				
	Investments in group enterprises	0	0	7,679,684	8,457,516
	Receivables from group enterprises	0	0	1,245,962	1,237,608
		<u>0</u>	<u>0</u>	<u>8,925,646</u>	<u>9,695,124</u>
	Total fixed assets	<u>66,024,033</u>	<u>67,708,255</u>	<u>61,042,313</u>	<u>61,212,044</u>
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	6,888,052	8,318,588	0	0
	Finished goods and goods for resale	38,518,571	44,863,756	38,518,571	44,863,756
		<u>45,406,623</u>	<u>53,182,344</u>	<u>38,518,571</u>	<u>44,863,756</u>
	Trade receivables	25,007,330	22,896,477	22,177,478	19,730,553
	Receivables from group enterprises	0	0	27,791	0
	Corporation tax receivable	1,554,319	2,238,823	1,554,319	2,238,823
	Other receivables	158,114	189,825	155,114	187,050
8	Prepayments	974,660	1,313,856	734,891	1,080,695
		<u>27,694,423</u>	<u>26,638,981</u>	<u>24,649,593</u>	<u>23,237,121</u>
	Securities and investments	49,487	84,826	49,487	84,826
	Cash	37,572,012	25,293,765	37,465,200	25,115,173
	Total non-fixed assets	<u>110,722,545</u>	<u>105,199,916</u>	<u>100,682,851</u>	<u>93,300,876</u>
	TOTAL ASSETS	<u>176,746,578</u>	<u>172,908,171</u>	<u>161,725,164</u>	<u>154,512,920</u>

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

Balance sheet

Note	DKK	Group		Parent company	
		2020	2019	2020	2019
		EQUITY AND LIABILITIES			
		Equity			
9	Share capital	5,000,000	5,000,000	5,000,000	5,000,000
	Retained earnings	109,263,643	106,365,710	109,263,643	106,365,710
	Dividend proposed	10,000,000	7,000,000	10,000,000	7,000,000
	Shareholders in Danitech				
	A/S' share of equity	124,263,643	118,365,710	124,263,643	118,365,710
	Non-controlling interests	3,550,533	3,798,703	0	0
	Total equity	127,814,176	122,164,413	124,263,643	118,365,710
	Provisions				
10	Deferred tax	3,478,400	3,380,100	3,479,000	3,347,000
	Total provisions	3,478,400	3,380,100	3,479,000	3,347,000
	Liabilities other than provisions				
11	Non-current liabilities other than provisions				
	Mortgage debt	12,409,730	14,214,793	12,409,730	14,214,793
	Lease liabilities	4,287,272	5,336,247	0	0
	Other payables	988,116	537,320	0	0
		17,685,118	20,088,360	12,409,730	14,214,793
	Current liabilities other than provisions				
11	Short-term part of long-term liabilities other than provisions				
	Bank debt	3,025,641	2,987,449	1,805,062	1,791,222
	Trade payables	1,499,292	4,108,628	22,784	104,997
	Payables to group enterprises	12,381,926	13,062,725	10,800,234	10,896,368
	Other payables	0	0	0	79,875
	Deferred income	10,856,786	7,103,537	8,944,711	5,712,955
		5,239	12,959	0	0
		27,768,884	27,275,298	21,572,791	18,585,417
		45,454,002	47,363,658	33,982,521	32,800,210
	TOTAL EQUITY AND LIABILITIES	176,746,578	172,908,171	161,725,164	154,512,920

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

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

Cash flow statement

Note	DKK	Group	
		2020	2019
	Profit for the year	12,649,763	13,570,942
16	Adjustments	7,503,851	8,870,058
	Cash generated from operations (operating activities)	20,153,614	22,441,000
17	Changes in working capital	9,100,505	11,162,636
	Cash generated from operations (operating activities)	29,254,119	33,603,636
	Interest received, etc.	771,941	582,859
	Interest paid, etc.	-890,676	-1,051,391
	Income taxes paid	-2,899,611	-4,721,766
	Cash flows from operating activities	26,235,773	28,413,338
	Additions of property, plant and equipment	-2,469,914	-1,155,910
	Disposals of property, plant and equipment	451,434	45,000
	Sale of financial assets	35,339	254,560
	Cash flows to investing activities	-1,983,141	-856,350
	Dividends paid	-7,000,000	-4,000,000
	Proceeds of long-term liabilities	-2,365,050	3,612,976
	Repayments, long-term liabilities	-2,609,335	-3,045,085
	Acquisition of treasury shares	0	-2,000,000
	Sale of treasury shares	0	1,000,000
	Cash capital increase	0	1,000,000
	Acquisition of minority interests	0	-277,500
	Cash flows from financing activities	-11,974,385	-3,709,609
	Net cash flow	12,278,247	23,847,379
	Cash and cash equivalents at 1 January	25,293,765	1,446,386
18	Cash and cash equivalents at 31 December	37,572,012	25,293,765

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 2020 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

The item comprises amortisation/depreciation 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.

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.

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

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

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

Notes to the financial statements

DKK	Group		Parent company	
	2020	2019	2020	2019
2 Staff costs				
Wages/salaries	32,589,918	35,103,560	24,898,154	26,115,850
Pensions	2,504,805	2,700,405	1,931,557	2,028,399
Other social security costs	514,000	654,859	334,776	424,096
Other staff costs	2,287,949	1,841,809	2,060,987	1,587,102
	<u>37,896,672</u>	<u>40,300,633</u>	<u>29,225,474</u>	<u>30,155,447</u>
	Group		Parent company	
	2020	2019	2020	2019
Average number of full-time employees	<u>76</u>	<u>84</u>	<u>56</u>	<u>60</u>

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.

DKK	Group		Parent company	
	2020	2019	2020	2019
3 Financial income				
Interest receivable, group entities	0	0	33,416	30,208
Other financial income	771,941	582,859	685,644	567,718
	<u>771,941</u>	<u>582,859</u>	<u>719,060</u>	<u>597,926</u>
4 Tax for the year				
Estimated tax charge for the year	3,584,115	3,333,869	3,548,753	3,358,844
Deferred tax adjustments in the year	98,300	696,300	132,000	861,300
	<u>3,682,415</u>	<u>4,030,169</u>	<u>3,680,753</u>	<u>4,220,144</u>

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

Notes to the financial statements

5 Intangible assets

	Group
	<u>Goodwill</u>
DKK	
Cost at 1 January 2020	10,294,085
Cost at 31 December 2020	10,294,085
Impairment losses and amortisation at 1 January 2020	2,543,845
Amortisation for the year	800,823
Impairment losses and amortisation at 31 December 2020	3,344,668
Carrying amount at 31 December 2020	<u>6,949,417</u>
	<u>Parent company</u>
	<u>Goodwill</u>
DKK	
Cost at 1 January 2020	700,000
Cost at 31 December 2020	700,000
Impairment losses and amortisation at 1 January 2020	700,000
Impairment losses and amortisation at 31 December 2020	700,000
Carrying amount at 31 December 2020	<u>0</u>

6 Property, plant and equipment

	Group			
DKK	Land and buildings	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2020	60,271,343	46,842,281	408,376	107,522,000
Additions	109,419	2,321,072	39,423	2,469,914
Disposals	0	-4,333,239	0	-4,333,239
Cost at 31 December 2020	<u>60,380,762</u>	<u>44,830,114</u>	<u>447,799</u>	<u>105,658,675</u>
Impairment losses and depreciation at 1 January 2020	10,452,336	37,018,135	93,514	47,563,985
Depreciation	1,073,291	2,017,500	69,955	3,160,746
Reversal of accumulated depreciation and impairment of assets disposed	0	-4,140,672	0	-4,140,672
Impairment losses and depreciation at 31 December 2020	<u>11,525,627</u>	<u>34,894,963</u>	<u>163,469</u>	<u>46,584,059</u>
Carrying amount at 31 December 2020	<u>48,855,135</u>	<u>9,935,151</u>	<u>284,330</u>	<u>59,074,616</u>
Property, plant and equipment include finance leases with a carrying amount totalling	<u>0</u>	<u>5,443,821</u>	<u>0</u>	<u>5,443,821</u>

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

6 Property, plant and equipment (continued)

DKK	Parent company		
	Land and buildings	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2020	60,271,343	15,423,276	75,694,619
Additions	109,419	2,286,572	2,395,991
Disposals	0	-4,333,239	-4,333,239
Cost at 31 December 2020	60,380,762	13,376,609	73,757,371
Impairment losses and depreciation at 1 January 2020	10,452,336	13,725,363	24,177,699
Depreciation	1,073,291	530,386	1,603,677
Reversal of accumulated depreciation and impairment of assets disposed	0	-4,140,672	-4,140,672
Impairment losses and depreciation at 31 December 2020	11,525,627	10,115,077	21,640,704
Carrying amount at 31 December 2020	48,855,135	3,261,532	52,116,667

7 Investments

DKK	Parent company		
	Investments in group enterprises	Receivables from group enterprises	Total
Cost at 1 January 2020	10,880,818	1,237,608	12,118,426
Additions	0	8,354	8,354
Cost at 31 December 2020	10,880,818	1,245,962	12,126,780
Value adjustments at 1 January 2020	-2,423,302	0	-2,423,302
Loss for the year	-297,307	0	-297,307
Value adjustments for the year	-480,525	0	-480,525
Value adjustments at 31 December 2020	-3,201,134	0	-3,201,134
Carrying amount at 31 December 2020	7,679,684	1,245,962	8,925,646

Parent company

Name	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries				
Danitech Production A/S	Haderslev	54.50%	7,804,071	-545,477

Differences on initial recognition of the subsidiary Danitech Production A/S consisting on group goodwill total DKK 4.790 thousand. Carrying amount of group goodwill at 31 December 2020 is DKK 3,426 thousand. (2019: DKK 3,907 thousand).

8 Prepayments

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

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

Notes to the financial statements

DKK	Parent company	
	2020	2019
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	
	2020	2019	2020	2019
10 Deferred tax				
Deferred tax at 1 January	3,380,100	2,683,800	3,347,000	2,485,700
Deferred tax adjustments in the year in the income statement	29,200	696,300	132,000	861,300
Other deferred tax	69,100	0	0	0
Deferred tax at 31 December	<u>3,478,400</u>	<u>3,380,100</u>	<u>3,479,000</u>	<u>3,347,000</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 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	14,214,792	1,805,062	12,409,730	5,048,934
Lease liabilities	5,507,851	1,220,579	4,287,272	0
Other payables	988,116	0	988,116	0
	<u>20,710,759</u>	<u>3,025,641</u>	<u>17,685,118</u>	<u>5,048,934</u>

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

Notes to the financial statements

11 Non-current liabilities other than provisions (continued)

DKK	Parent company			
	Total debt at 31/12 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	14,214,792	1,805,062	12,409,730	5,048,934
	14,214,792	1,805,062	12,409,730	5,048,934

12 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	Group		Parent company	
	2020	2019	2020	2019
Rent and lease liabilities	876,813	484,289	557,471	140,595

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 2020. Any subsequent corrections of income subject to joint taxation and withholding taxes, etc. could entail an increase in the entities' tax liability.

13 Collateral

Group

Land and buildings at a carrying amount of DKK 34,488 thousand at 31 December 2020 have been put up as security for debt to mortgage credit institutions, totalling DKK 14,215 thousand.

Parent company

Land and buildings at a carrying amount of DKK 34,488 thousand at 31 December 2020 have been put up as security for debt to mortgage credit institutions, totalling DKK 14,215 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	2020	2019
Group		
Sales of goods to associates	245,000	318,000
Purchase of goods from associates	7,253,000	6,905,000
Receivables from associates	0	71,448
Payables to associates	0	1,354,697
Parent Company		
Interest income from subsidiaries	33,416	30,208
Sale of goods to subsidiaries	1,122,000	960,000
Purchase of goods from subsidiaries	892,000	687,000
Dividend distributed to associates	7,000,000	4,000,000
Sales of goods to associates	245,000	318,000
Purchase of goods from associates	7,253,000	6,905,000
Receivables from subsidiaries	1,245,962	1,237,608
Payables to subsidiaries	23,689	79,875
Receivables from associates	0	71,448
Payables to associates	1,368,957	1,354,697

Parent company

DKK	2020	2019
15 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	10,000,000	7,000,000
Retained earnings	2,897,933	5,746,261
	<u>12,897,933</u>	<u>12,746,261</u>



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

Notes to the financial statements

DKK	Group	
	2020	2019
16 Adjustments		
Amortisation/depreciation and impairment losses	3,961,568	4,335,996
Gain/loss on the sale of non-current assets	-258,867	34,935
Financial income	-771,941	-582,859
Financial expenses	890,676	1,051,817
Tax for the year	3,584,115	3,333,869
Deferred tax	98,300	696,300
	<u>7,503,851</u>	<u>8,870,058</u>
17 Changes in working capital		
Change in inventories	7,775,721	10,836,310
Change in receivables	-1,739,946	5,303,765
Change in trade and other payables	3,064,730	-4,977,439
	<u>9,100,505</u>	<u>11,162,636</u>
18 Cash and cash equivalents at year-end		
Cash according to the balance sheet	<u>37,572,012</u>	<u>25,293,765</u>
	<u>37,572,012</u>	<u>25,293,765</u>

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Mads Haase Iversen

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