Ordyhna Holding A/S

c/o Simatek A/S
Energivej 3
4180 Sorø

CVR no. 27 61 61 27

Annual report 2019

The annual report was presented and approved at the Company's annual general meeting

On 28 May 2020

Jens Jørgensen
chairman of the annual general meeting

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Ordyhna Holding A/S for the financial year 1 January – 31 December 2019.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and 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 Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

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

Sorø, 6 May 2020
Executive Board:

Jens Jørgensen
CEO

Board of Directors:

Kenneth E. Ajslev Chairman	Torben von Lowzow Deputy Chairman	Thomas W. Dedert
Arve Johan Andresen	Jannick E. Ajslev	

Independent auditor's report

To the shareholders of Ordyhna Holding A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Ordyhna Holding A/S for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. 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 Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and 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" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company 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 that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company 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

- identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 Company to cease to continue as a going concern

- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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.

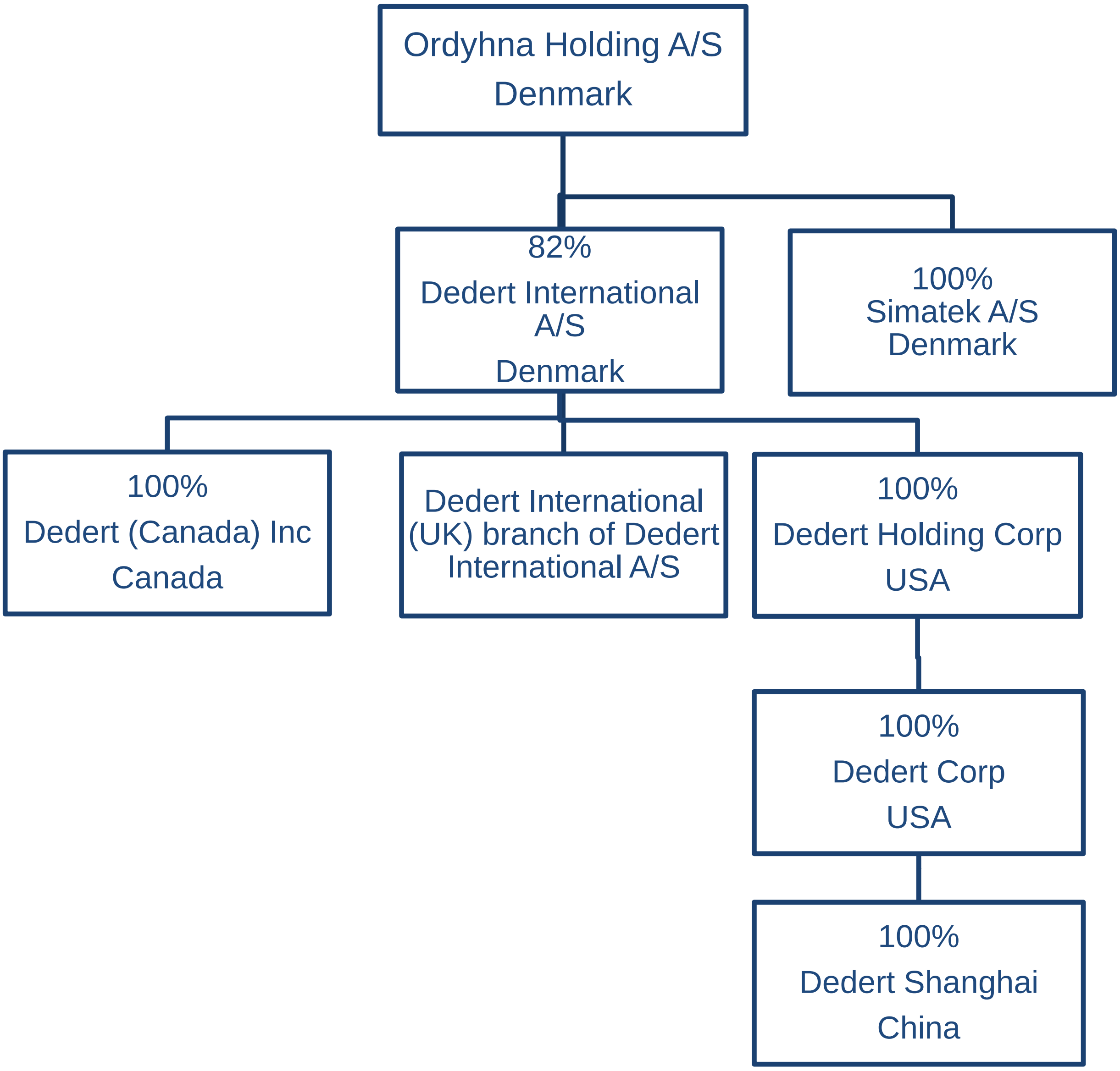
Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 6 May 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
State Authorised
Public Accountant
mne32271

Management's review

Group chart



Management's review

Financial highlights for the Group

DKKm	2019	2018	2017	2016	2015
Revenue	528	404	415	308	316
Gross profit	132	87	112	84	89
EBITDA	19	-7	19	2	11
Profit/loss from financial income and expenses	-1	-2	-1	1	7
Profit/loss for the year	7	-9	4	-5	11
Total assets	323	218	214	187	226
Equity	78	63	71	105	123
Cash flows from operating activities	31	-17	0	12	20
Cash flows from investing activities	-1	1	-7	0	-8
Cash flows from financing activities	8	-6	-2	-15	-10
Total cash flows	38	-22	-9	-3	2
Gross margin	25.0	21.5	27.0	27.3	28.1
Operating margin	3.6	Neg.	3.3	Neg.	2.2
Solvency ratio	24.2	28.9	33.2	56.1	54.5
Average number of full-time employees	142	133	114	111	108

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities

At 31 December 2019, Ordyhna Holding A/S owns two operating companies: Simatek A/S and Dedert International A/S with Dedert group companies.

Development in activities and financial position

Net result for the year amounted to a profit of DKK 7,374 thousand (2018: loss of DKK 8,854 thousand).

Dedert's operational results for 2019 were in line with expectations.

Simatek A/S's results were unsatisfactory. Sales improved, but late order intake did have a significant negative impact on the 2019 results.

Equity improved to DKK 78,101 thousand at 31 December 2018 (31 December 2018: DKK 62,982 thousand).

Uncertainty regarding measurement of deferred tax assets

The Group's deferred tax assets amounts to DKK 33,203 thousand whereof DKK 18,480 thousand has been capitalized as at 31 December 2019 as full utilization within 3-5 years is considered linked with uncertainty. The measurement of deferred tax assets is based on different assumptions, including the Danish joint taxation, development in revenue and profit. These assumptions are linked with uncertainty and a different outcome than expected could lead to a change (increase as well as decrease) in the valuation which could be significant.

Outlook for 2020

The outlook for the markets, on which the Group operates, are stable with a positive trend, although the corona virus and subsequent possible consequences increases the uncertainty for the outlook. Our subsidiaries operate primarily in markets, which are less cyclical than the general economy, but we must expect an impact on investments and delayed buying decisions.

Servicing the global customers and the group companies ability to sell and execute projects globally remains important for the development of the organisation in 2020.

For Dedert Corp, the strong ending backlog from 2019 supports the expectations for a positive result in 2020.

Simatek A/S also expects a profitable result in 2020 due to a likewise strong 2019 ending backlog, but also from a continued strong order intake in the first quarter of 2020

Human resources

The total number of employees at year end 2019 amounted to 145; 64 employees in Denmark and 81 employees in the USA, UK, Canada and China.

Financial risks

Due to the Group's international activities, results, cash flows and equity are influenced by exchange rate developments.

According to the group exchange policy, commercial foreign exchange risks are considered hedged, where investments and loans designated as equity are not hedged.Management's review

Operating review

Intellectual capital

To ensure future operations, the operating companies must be able to attract and keep on board a broad line of specialists, including engineers and technological experts with dedicated knowledge and experience, to continuously develop state-of-the-art technology and competitive solutions.

Research and development

The subsidiaries continue to develop solutions and standard components to comply with customer demand for enhanced products and lower production costs.

Corporate social responsibility

Dryers, evaporators and filters have a high energy consumption when being in operation and the largest impact our business has on the climate and the environment come from our customer's usage of our equipment in their production. This is why it has been and continues to be our policy to invest in developing industry leading equipment and deliver training and maintenance services enabling our customers to become best in class in their industry at reducing the energy consumption and wasted rawmaterial per ton of product produced.

The Groups business model is to develop and deliver engineer-to-order production equipment to selected industries. Most equipment are being manufactured by carefully selected sub suppliers and after quality inspection shipped directly to the customers, where we ensure installation and commissioning. We have a manufacturing site in Denmark as well as a testing and assembly site in US.

Environmental impact – After careful consideration for implementing policy to this area and taking into consideration that we primarily are an engineering Group with limited environmental impact following the environmental laws imposed upon we see no need to further implement individual company specific policy.

Climate impact - After careful consideration for implementing policy to this area and taking into consideration that we are a Group with very limited climate impact, following the environmental laws imposed upon we see no need to further implement individual company specific policy.

Anticorruption – After careful consideration for implementing policy to this area and taking into consideration that we are a Group present in EU, Shanghai, Canada and US, following the anti-corruption laws imposed upon us from EU and US, we see no need to further implement individual company specific policy.

Social and Staff matters – After careful consideration for implementing policy to this area and taking into consideration that we are a Group present in EU, Shanghai, Canada and US, following the labour laws imposed upon us from EU and US, we see no need to further implement individual company specific policy.

Human rights – After careful consideration for implementing policy to this area and taking into consideration that we are a Group present in EU, Shanghai, Canada and US, following the labour laws imposed upon us from EU and US, we see no need to further implement individual company specific policy.

Gender equality in Management and the Board of Directors

The Group is active within specialized engineering activities in a historically male-dominated industry, however, it is the intention that women and men should be represented in the Group’s Board of Directors and in the Group’s Management. However Board Members and Management must have relevant industry know-how to support the governance and management of the Group. We have several very talented young female employees and it is our long-term objective to grow and develop both male and female managers for the future management of the company.

The Board of Directors consists presently of five males. The target is to have one female board member appointed within the next four years. For future replacements of board members at least one woman will be considered for election every time. There was no replacement of board members in 2019.

The Board of Directors for the subsidiaries consist presently of males. The target is to have one female board member appointed within the next four years. For future replacements of board members at least one woman will be considered for election every time. There was no replacement of board members in 2019.

In our Group, the CEOs are male. Dedert have no females reporting to the CEO, however several females are appointed to the 2nd tier management level. In Simatek 20% of the management group is female. In our Group, the percentage has been reduced in 2019 due to a reorganisation of the management, which has significantly reduced the number of managers. We have had no new hires for management positions in 2019. It is our aim to have more than 35% female managers within the next five years. We are quite aware of the challenges with increasing the gender underrepresentation in our management level and therefore, we work proactively with our HR department to strengthen our recruitment and development strategies.

Events after the balance sheet date

As stated in the Outlook the corona virus increases the uncertainty of the outlook. No other events have occurred after the balance sheet date that could significantly affect the Group's financial position.

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

Income statement

		Group		Parent Company	
DKK'000	Note	2019	2018	2019	2018
Revenue		528,357	403,663	0	0
Other operating income		305	93	2,471	2,982
Raw materials, consumables and goods for resale		-345,774	-267,547	0	0
Other external costs		-50,675	-49,443	-4,095	-3,736
Gross profit/loss		132,213	86,766	-1,624	-754
Staff costs	2	-113,362	-93,979	-861	-853
EBITDA		18,851	-7,213	-2,485	-1,607
Depreciation on property, plant and equipment		-4,017	-3,475	0	0
Amortisation of intangible assets		-1,534	-2,464	0	0
Operating profit/loss		13,300	-13,152	-2,485	-1,607
Profit/loss in subsidiaries after tax		0	0	8,438	-9,202
Financial income	3	710	271	3,364	3,059
Financial expenses	4	-2,027	-2,275	-1,823	-1,193
Profit/loss before tax		11,983	-15,156	7,494	-8,943
Tax on profit/loss for the year	5	-4,609	6,302	-346	89
Profit/loss for the year	6	7,374	-8,854	7,148	-8,854

Ordyhna Holding A/S share of the profit		7,148	-8,854
Non-controlling interests' share of subsidiaries' profit		226	0
		7,374	-8,854

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

Balance sheet

DKK'000	Note	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
ASSETS					
Fixed assets					
Intangible assets	7				
Development projects		25	269	0	0
Patents and licences		3,337	2,968	0	0
Development projects in progress		2,659	1,120	0	0
		6,021	4,357	0	0
Property, plant and equipment	8				
Land and buildings		4,159	4,306	0	0
Plant and machinery		1,824	2,018	0	0
Fixtures and fittings, tools and equipment		12,388	12,246	0	0
Leasehold improvements		7,143	7,364	0	0
Assets under construction		1,927	2,039	0	0
		27,441	27,973	0	0
Investments					
Equity investments in subsidiaries	9	0	0	16,965	15,595
Receivables from subsidiaries	10	0	0	88,801	68,896
Other receivables		6,306	0	6,306	0
Non-current receivables		4,140	3,886	0	0
		10,446	3,886	112,072	84,491
Total fixed assets		43,908	36,216	112,072	84,491

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

Balance sheet

		Group		Parent Company	
DKK'000	Note	2019	2018	2019	2018
Current assets					
Inventories					
Raw materials and consumables		8,842	8,410	0	0
Finished goods and goods for resale		11,378	8,472	0	0
		20,220	16,882	0	0
Receivables					
Trade receivables		135,046	78,251	0	0
Contract work in progress	11	46,931	36,536	0	0
Receivables from subsidiaries		0	0	532	3,350
Other receivables		2,540	5,350	733	250
Corporation tax		1,377	590	0	295
Deferred tax assets	12	18,480	20,472	0	0
Prepayments	13	3,304	2,210	30	134
Deposited cash and cash equivalents		0	6,798	0	0
		207,678	150,207	1295	4,029
Cash at bank and in hand		51,260	14,722	25,648	3,246
Total current assets		279,158	181,811	26,943	7,275
TOTAL ASSETS		323,066	218,027	139,015	91,766

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

Balance sheet

DKK'000	Note	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
EQUITY AND LIABILITIES					
Equity					
Contributed capital	14	49,574	49,574	49,574	49,574
Retained earnings		32,699	13,408	32,699	13,408
Shareholders in Ordyhna Holding A/S' share of equity		82,273	62,982	82,273	62,982
Non-controlling interests		-4,172	0	0	0
Total equity		78,101	62,982	82,273	62,982
Provisions					
Provision for deferred tax	15	26	39	0	0
Other provisions	16	21,887	22,523	0	0
Total provisions		21,913	22,562	0	0
Liabilities other than provisions					
Non-current liabilities other than provisions	17				
Finance lease		0	31	0	0
		0	31	0	0
Current liabilities other than provisions					
Current portion of non-current liabilities other than provisions	17	31	27	0	0
Intercompany cashpool		0	0	24,339	3,184
Payables to subsidiaries		0	0	302	0
Progress billings/work in progress	11	77,670	45,036	0	0
Credit institutions		31,530	23,751	31,530	23,751
Trade payables		81,840	50,790	346	1,754
Income tax payable		1,343	42	144	0
Deferred income		2,341	2,733	0	0
Other payables		28,297	10,073	81	95
		223,052	132,452	56,742	28,784
Total liabilities other than provisions		223,052	132,483	56,742	28,784
TOTAL EQUITY AND LIABILITIES		323,066	218,027	139,015	91,766

Contractual obligations, contingencies, etc.	18
Related parties	19

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

Statement of changes in equity

	Group					
DKK'000	Contri-buted capital	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total equity
Equity at 1 January 2019	49,574	13,408	0	62,982	0	62,982
Divestment of shares in Dedert International A/S	0	10,533	0	10,533	-4,227	6,306
Transferred over the distribution of profit/loss	0	7,148	0	7,148	226	7,374
Foreign exchange rate adjustment, quasi equity loans	0	3,366	0	3,366	146	3,512
Foreign exchange rate adjustment, foreign subsidiary	0	-1,675	0	-1,675	-278	-1,953
Actuarial gains and losses on pension obligations	0	-137	0	- 137	-30	- 167
Other equity adjustments	0	56	0	56	-9	47
Equity at 31 December 2019	49,574	32,699	0	82,273	-4,172	78,101

	Parent company			
DKK'000	Con-tributed capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2019	49,574	13,408	0	62,982
Profit of divestment of shares in Dedert International A/S	0	10,533	0	10,533
Transferred over the distribution of profit/loss	0	7,148	0	7,148
Foreign exchange rate adjustment, quasi equity loans	0	3,366	0	3,366
Foreign exchange rate adjustment, foreign subsidiary	0	-1,675	0	-1,675
Actuarial gains and losses on pension obligations	0	-137	0	-137
Other equity adjustments	0	56	0	56
Equity at 31 December 2019	49,574	32,699	0	82,273

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

Cash flow statement

DKK'000	Note	Group 2019	Group 2018
Operating profit/loss		13,300	-13,152
Adjustment for non-cash operating items, etc.:			
Depreciation, amortisation and impairment losses		5,551	5,939
Changes in provisions		-675	2,358
Loss on disposal of fixed assets		236	0
Cash generated from operations before changes in working capital		18,412	-4,855
Changes in working capital	20	12,704	-11,156
Cash generated from operations		31,116	-16,011
Financial income		182	70
Financial expense		-1,084	-1,158
Corporation tax paid		780	302
Cash flows from operating activities		30,994	-16,797
Disposal of property, plant and equipment		87	0
Acquisition of intangible assets		-3,143	-762
Acquisition of property, plant and equipment		-4,068	-3,649
Changes in non-current receivables		-254	-431
Changes in deposited cash and cash equivalents		6,801	5,966
Cash flows from investing activities		-577	1,124
Repayment of non-current liabilities other than provisions		-27	-25
Change in debt to credit institutions		7,779	-5,951
Cash flows from financing activities		7,752	-5,976
Cash flows for the year		38,169	-21,649
Cash and cash equivalents at the beginning of the year		14,722	38,717
Foreign exchange adjustment		-1,631	-2,346
Cash and cash equivalents at year end		51,260	14,722

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

Notes

1 Accounting policies

The annual report of Ordyhna Holding A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C-large entities under the Danish Financial Statements Act.

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

The classification of internal invoicing from the Parent Company to the subsidiaries for internal services has been changed. Previous the invoicing was offsetted against other external costs but is now recognized as other income (gross recognition). The reclassification effect in 2018 amounts to tDKK 2,982 and in 2019 to tDKK 2,211.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Ordyhna Holding A/S, and subsidiaries in which Ordyhna Holding A/S directly or indirectly holds more than 50% of the votes or in some other way exercises control. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates. A group chart is included on page 6.

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

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

Non-controlling interests

Items of subsidiaries are fully recognised in the consolidated financial statements. The non-controlling interests' proportionate share of the subsidiaries' profit and of equity is included as part of the Group's profit and equity, respectively, but is presented separately.

Business combinations

The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Company. The uniting of interests is considered to have been completed at the date of the merger/transaction without restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity is recognised in equity.

Foreign currency translation

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

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

Upon recognition of foreign subsidiaries and associates which are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity. Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

Revenue

Revenue from the sale of goods for resale, finished goods and contract work in progress which do not meet the criteria for applying the percentage of completion method is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured excluding VAT and taxes charged on behalf of third parties.

Contract work in progress which meet the criteria for applying the percentage of completion method is recognised in accordance herewith. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method). Revenue is recognised when total income and expenses relating to the construction contract and the percentage of completion at the balance sheet date can be reliably measured, and when it is probable that future economic benefits, including payments, will flow to the Company.

Other operating income

Other operating income comprises items secondary to the activities of the Group, including gains on the disposal of intangible assets and property, plant and equipment.

Raw materials, consumables and goods for resale

The item comprises costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables and rent and leases.

The item also comprises research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Also, provision for losses on construction contracts is included.

Other external expenses

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

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension contributions and other social security costs, etc., to the Group's employees, excluding reimbursements from public authorities.

Other operating costs

Other operating costs comprise items secondary to the activities of the Group, including losses on the disposal of intangible assets and property, plant and equipment.

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

Notes

1 Accounting policies (continued)

Profit/loss in subsidiaries

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Parent Company's income statement after full elimination of intra-group gains/losses.

Financial income and expenses

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

Commission paid in connection with bank guarantees provided in relation to contract work in progress is recognised under financial expenses.

Interest expense and other borrowing costs to finance intangible assets and property, plant and equipment which relate to the production period are recognised in cost of the assets.

Tax on profit/loss for the year

Ordyhna Holding A/S is jointly taxed with the Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses). The jointly taxed companies are taxed under the on-account tax scheme.

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

Balance sheet

Intangible assets

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well as development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually five to ten years.

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Notes

1 Accounting policies (continued)

Patents, licences and trademarks

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 10 years.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, energy consumption, staff and depreciation of machinery used.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	25-40 years
Plant and machinery	4-10 years
Fixtures and fittings, tools and equipment	2-20 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

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

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, 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 depreciated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

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Notes

1 Accounting policies (continued)

Investments

Equity investments in subsidiaries in the Parent Company are measured according to the equity method.

Equity investments in subsidiaries are measured at the proportionate share of the entities' net asset value calculated in accordance with the Group's accounting policies with deduction or addition of unrealised gains and losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments in subsidiaries with negative net asset values are measured at DKK 0, and any receivables from these entities are written down to the extent that the receivables are deemed irrecoverable. To the extent that the Parent Company has a legal or constructive obligation to cover a negative balance exceeding the receivable, the residual amount is recognised as provisions.

Other receivables and deposits are recognised at amortised cost.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the weighted-average cost method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

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

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production costs. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

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1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made.

Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and expected losses. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual construction contract. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual construction contract.

When the selling price of a construction contract cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual construction contract is recognised in the balance sheet as receivables or payables, respectively. Net assets comprise the total of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of construction contracts where progress billings exceed the selling price.

Costs arising from sales work and contracting are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Net revaluation reserve according to the equity method

Net revaluation reserve according to the equity method comprises net revaluation of equity investments in associates in proportion to cost.

Dividends that expected to be received before the balance sheet date are not tied to the reserve.

Reserves may be eliminated in connection with loss, realisation of equity investments or changes in accounting estimates.

Reserves cannot be recognised at a negative amount.

By disposal of shares with a negative equity value the reserve is not re-established, but profits and loss is recognized under retained earnings.

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Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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.

Deferred tax is measured in accordance with 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.

Provisions

Pension obligations

Pension obligations are the net liabilities of defined benefit obligations and plan assets. The defined benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance sheet date. Plan assets are measured at fair value. Actuarial gains and losses are recognised in other comprehensive income.

Warranties and projects

Provisions comprise anticipated costs related to warranties, losses on work in progress, restructurings, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Warranties comprise obligations to make good any defects within the warranty period. Provisions are measured at net realisable value and recognised based on past experience.

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract. The provided amount is recognised in production costs.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprises the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

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1 Accounting policies (continued)

Cash flow statement

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

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

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 corporation tax paid.

Cash flows from investing activities

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

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's contributed capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividend to owners.

Financial ratios

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Gross margin $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Operating margin $$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

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

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

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		Group		Parent Company	
	DKK'000	2019	2018	2019	2018
2	**Staff costs**				
	Remuneration of the Board of Directors and the Executive Board of the Parent Company	861	846	861	846
	Wages and salaries	93,876	77,910	0	7
	Pensions	6,486	5,200	0	0
	Other social security costs	12,139	10,023	0	0
		113,362	93,979	861	853
	Average number of full-time employees	142	133	1	1

With reference to section 98b(3)(i) of the Danish Financial Statements Act, information on remuneration to the Executive Board and Board of Directors has been shown together.

		Group		Parent Company	
	DKK'000	2019	2018	2019	2018
3	**Financial income**				
	Interest income from subsidiaries	0	0	3,182	3,039
	Other financial income	182	70	182	20
	Exchange rate adjustments	528	201	0	0
		710	271	3,364	3,059
4	**Financial expenses**				
	Interest income to subsidiaries	0	0	855	0
	Other financial expenses	1,084	1,158	740	968
	Exchange rate adjustments	943	1,117	228	225
		2,027	2,275	1,823	1,193
5	**Tax on profit/loss for the year**				
	Current tax	-1,929	-1,144	0	0
	Adjustment of deferred tax	-2,454	6,638	0	0
	Adjustment relating to prior years	-226	808	-346	89
		-4,609	6,302	-346	89

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DKK'000	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
6 Proposed profit appropriation				
Retained earnings	7,148	-8,854	7,148	-8,854
Non-controlling interests' share of subsidiaries' profit	226	0	0	0
	7,374	-8,854	7,148	-8,854

7 Intangible assets

Patents and licences	Group: Develop-ment projects	Patents and Licences	Develop-ment projects in progress	Total
Cost at 1 January 2019	22,878	11,021	1,120	35,019
Exchange rate adjustments	0	113	0	113
Additions	0	77	3,067	3,144
Disposals	0	-47	0	-47
Transfer	0	1,528	-1,528	0
Cost at 31 December 2019	22,878	12,692	2,659	38,229
Amortisation and impairment losses at 1 January 2019	-22,609	-8,053	0	-30,662
Exchange rate adjustments	0	-59	0	-59
Amortisation	-244	-1,290	0	-1,534
Disposals	0	47	0	47
Amortisation and impairment losses at 31 December 2019	-22,853	-9,355	0	-32,208
Carrying amount at 31 December 2019	25	3,337	2,659	6,021

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

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8 Property, plant and equipment

	Group					
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equip-ment	Leasehold improve-ments	Assets under construc-tion	Total
Cost at 1 January 2019	9,537	9,616	31,991	10,651	2,039	63,834
Foreign exchange adjustments in foreign entities	0	129	723	270	49	1,171
Additions	139	731	683	460	2,055	4,068
Disposals	0	-771	0	-42	0	- 813
Transfers for the year	0	0	1,411	0	-2,216	-805
Cost at 31 December 2019	9,676	9,705	34,808	11,339	1,927	67,455
Depreciation and impairment losses at 1 January 2019	-5,231	-7,598	-19,745	-3,287	0	-35,861
Foreign exchange adjustments in foreign entities	0	-104	-436	-86	0	- 626
Depreciation	-286	-662	-2,239	-830	0	-4,017
Depreciation on disposals	0	483	0	7	0	490
Depreciation and impairment losses at 31 December 2019	-5,517	-7,881	-22,420	-4,196	0	-40,014
Carrying amount at 31 December 2019	4,159	1,824	12,388	7,143	1,927	27,441
Assets held under finance leases	0	33	0	0	0	33

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DKK'000	Parent Company 2019	Parent Company 2018
9 Equity investments in subsidiaries		
Cost at 1 January	343,060	338,060
Capital increase	7,000	5,000
Disposals	-59,009	0
Cost at 31 December	291,051	343,060
Value adjustments at 1 January	-358,963	-345,935
Disposals for the year	63,236	0
Foreign exchange adjustment	-720	-2,540
Actuarial gains and losses on pension obligations	-137	-1,796
Profit/loss for the year	8,438	-9,202
Other adjustments	52	510
Value adjustments at 31 December	-288,094	-358,963
Carrying amount at 31 December	2,957	-15,903
Recognised as follows in the financial statements:		
Negative investments set off against receivables from the subsidiaries in question	-14,008	-31,498
Recognised as investments	16,965	15,595
	2,957	-15,903

Name/legal form	Registered office	Equity interest
Subsidiaries:		
Dedert International A/S	Denmark	82%
Simatek A/S	Denmark	100%

DKK'000	Parent Company 2019	Parent Company 2018
10 Receivables from subsidiaries		
Non-current receivable from subsidiary	102,809	100,394
Negative investment set off against receivable from subsidiary	-14,008	-31,498
	88,801	68,896

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DKK'000	Group 2019	Group 2018
11 Contract work in progress		
Contract work in progress	535,190	428,795
Progress billings	-565,929	-437,295
	-30,739	-8,500
that can be specified as follows:		
Contract work in progress (assets)	46,931	36,536
Contract work in progress (liabilities)	-77,670	-45,036
	-30,739	-8,500

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
12 Deferred tax asset				
Deferred tax at 1 January	20,472	12,615	0	0
Foreign exchange adjustments, foreign entities	475	650	0	0
Adjustment of deferred tax	-2,467	7,207	0	0
	18,480	20,472	0	0

The Group has deferred tax assets of DKK 33.2 million, and the Parent Company has deferred tax assets of DKK 3.0 million. The difference (to the recognized amounts) have not been recognised in the financial statements due to uncertainty regarding the future utilisation.

13 Prepaid costs

Prepaid costs, DKK 3,304 thousand (2018: DKK 2,210 thousand), comprise payments made to suppliers relating to the subsequent financial year.

14 Contributed capital

The contributed capital comprises 49,574,000 shares at a nominal value of DKK 1 per share. All shares rank equally.

Changes in contributed capital during the past five years can be specified as follows:

DKK'000	2019	2018	2017	2016	2015
Balance at 1 January	49,574	49,574	81,574	81,574	81,574
Redemption of contributed capital	0	0	-32,000	0	0
	49,574	49,574	49,574	81,574	81,574

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	Group		Parent Company	
DKK'000	2019	2018	2019	2018
15 Deferred tax liability				
Deferred tax at 1 January	39	669	0	0
Adjustment of deferred tax	-13	-630	0	0
	26	39	0	0

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
16 Other provisions				
Warranties	2,364	2,947	0	0
Project specific warranties	835	326	0	0
Pension obligations	18,688	19,250	0	0
Other provisions at 31 December	21,887	22,523	0	0

Pension obligations can be specified as follows:

	Group	
DKK'000	2019	2018
Defined benefit obligation	75,132	66,340
Fair value of plan assets	-56,444	-47,090
Net pension obligation	18,688	19,250

Of provisions, DKK 18,688 (2018:19,250) thousand is expected to fall due after more than five years.

17 Non-current liabilities other than provisions

Non-current liabilities other than provisions can be specified as follows:

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
Finance leases				
Long-term	0	31	0	0
Short-term	31	27	0	0
	31	58	0	0

Of total non-current liabilities other than provisions, DKK 0 falls due after more than five years.

Collateral is disclosed in note 20.

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Notes

18 Contractual obligations, contingencies, etc. (continued)

Contingent liabilities

Legal matters

Some current and former executives of the group have been sued with a claim of €1.7 million (DKK 12.7 million) related to a project delivered before 2010. Our legal assessments have inferred that the claim is unfounded in its entirety. In addition, the claim is subject to insurance coverage before it could impact the Company.

Lease obligations

Lease obligations (operating leases) falling due within five years amount to DKK 2,577 thousand.

Obligations relating to the lease of office premises amount to DKK 15,181 thousand of which DKK 2,816 falls due after 5 years.

Guarantees

The Group has provided delivery and performance guarantees relating to projects. These guarantees may entail a liability that will not be recognised until the facilities have been delivered or put into operation. It is Management's assessment that the Group has met the provided guarantees, and consequently, no costs have been recognised in this respect. Bank guarantees of DKK 37.4 million have been provided in this respect.

Parent Company

Ordyhna Holding A/S has provided suretyship for a number of subsidiaries' banking arrangements with Danske Bank.

The Parent Company is jointly taxed with the Danish subsidiaries. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. At 31 December 2019, the net taxes payable to the Danish tax authorities by the companies included in the joint taxation amounted to DKK 0 thousand which is covered in full by on-account payments. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase. The Group as a whole is not liable to others.

19 Related party disclosures

Parties exercising control

No single shareholder exercises control.

Related party transactions

DKK'000	2019
Group	
There has not been any transactions with related parties in 2019.	
Parent Company	
Sale of services to related parties	1,367
Adjustment of sale of services to related parties from prior years	844
Purchase of services from related parties	-321
Sale of shares in subsidiary	6,306

Remuneration to the Parent Company's Executive Board and Board of Directors is disclosed in note 2.

Payables to associates and subsidiaries are disclosed in the balance sheet, and interest is disclosed in note 3 and 4.

20 Change in working capital

	Group	
DKK'000	2019	2018
Change in inventories	-3,338	-2,507
Change in receivables	-65,474	-25,009
Change in trade and other payables	81,516	16,360
	12,704	-11,156

21 Fees to auditor appointed at the general meeting

	Group		Parent Company	
DKK'000	2019	2018	2019	2018
Statutory audit	210	234	35	41
Tax assistance	56	70	29	31
Other assurance engagements	24	22	0	0
Non-audit services	123	68	15	26
Total fees to KPMG	413	394	79	98