
Triscan A/S

Engmarken 11, DK-8220 Brabrand

Annual Report for 1 January - 31 December 2020

CVR No 27 75 59 68

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
19/5 2021

John Iversen
Chairman of the General
Meeting



pwc

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Triscan 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 Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations and cash flows for 2020.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Brabrand, 19 May 2021

Executive Board

Michael Juul Hansen
CEO

Board of Directors

John Blom Iversen
Chairman

Bente Jørgensen

Anders Borchert Iversen

Michael Juul Hansen

Hans Eric Nicolass Destrée

Leif Børge Larsen

Independent Auditor's Report

To the Shareholders of Triscan A/S

Opinion

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

We have audited the Financial Statements of Triscan A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstate-

Independent Auditor's Report

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Independent Auditor's Report

in a manner that gives a true and fair view.

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.

Skive, 19 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bjørn Jakobsen

statsautoriseret revisor

mne24813

Company Information

The Company

Triscan A/S
Engmarken 11
DK-8220 Brabrand

Telephone: + 45 86225811
E-mail: auto@triscan.dk
Website: www.triscan.dk

CVR No: 27 75 59 68
Financial period: 1 January - 31 December
Municipality of reg. office: Aarhus

Board of Directors

John Blom Iversen, Chairman
Bente Jørgensen
Anders Borchert Iversen
Michael Juul Hansen
Hans Eric Nicolass Destrée
Leif Børge Larsen

Executive Board

Michael Juul Hansen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Reservevej 81
Postboks 19
DK-7800 Skive

Bankers

Nordea A/S
Skt. Clemens Torv 2-6
8000 Aarhus

Sydbank A/S
Store Torv 12
8000 Aarhus

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Gross profit/loss	44.336	42.635	50.296	49.253	54.281
Operating profit/loss	6.388	3.556	10.334	11.542	14.617
Net financials	-177	-566	-1.228	-775	-1.363
Net profit/loss for the year	6.353	2.634	7.084	8.548	10.422
Balance sheet					
Balance sheet total	141.831	147.418	181.185	171.166	148.903
Equity	35.570	29.382	26.839	37.454	29.496
Cash flows					
Cash flows from:					
- operating activities	24.532	15.144	-2.717	3.237	5.790
- investing activities	-2.998	-695	-7.874	-3.053	-1.626
including investment in property, plant and equipment	-576	-1.531	-7.826	-1.475	-2.360
- financing activities	-17.660	-18.747	12.151	-5.955	-9.775
Change in cash and cash equivalents for the year	3.874	-4.298	1.560	-5.771	-5.611
Number of employees	72	80	88	83	83
Ratios					
Return on assets	5,7%	2,5%	5,7%	6,8%	10,0%
Solvency ratio	25,1%	19,9%	14,8%	21,9%	19,8%
Return on equity	19,6%	9,4%	22,0%	25,5%	42,9%
Solvency ratio incl. subordinate loan capital	46,3%	40,3%	31,4%	39,4%	40,1%

In connection with changes to accounting policies, the comparative figures 2016 back to 2015 have not been restated. See the description under accounting policies.

Management's Review

Key activities

The company manufacture, sells and distributes auto spare parts in the independent European after-market and invest in manufacturing companies as a part of our sourcing strategy.

Development in the year

The income statement of the Company including subsidiaries for 2020 shows a consolidated profit before tax of DKK 8,305,455 and a profit after tax of DKK 6,353,482 as tax in subsidiaries has reduced the income of investments with DKK 445,531, and at 31 December 2020 the balance sheet of the Company shows equity of DKK 35,570,233.

In the light of the COVID-19 situation, the result for 2020 is in line with our expectations. Due to COVID-19, the activity level in most our markets has been affected negatively. This has been fully compensated by internal and external countermeasures.

Foreign exchange risks

Significant parts of the company's purchases are made abroad, and part of the company's sales are in foreign currency, which is why the company is affected by price developments in the main currencies.

Interest rate risks

Interest-bearing debt constitutes a non-insignificant part of the company's debt. Therefore, continuous monitoring is carried out for optimization purposes.

Targets and expectations for the year ahead

Sales and earnings in the first quarter of 2021 were at a satisfactory level, but the remaining year will be impacted negatively by effects of the Covid-19 situation.

Research and development

The company is continuously developing and improving the products. The costs associated with this are expensed on an ongoing basis through the income statement.

External environment

Triscan A/S undertakes to carry out all its activities in such a way that the environmental impact is minimized and that health and safety of the employee at all times is best possible.

Management's Review

Intellectual capital resources

It is essential for the company's continued growth to maintain qualified labor. In order to ensure a competitive efficiency, the company uses the most modern technological aids. This requires a high level of competence, and we continue investments in further empowerment of the staff.

Statement of corporate social responsibility

Triscan A/S with affiliates works according to a defined code that clarifies the behavior of employees and managers in relation to ethical and legal challenges. This ensures uncompromising access to high ethics and morals in all circumstances.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Gross profit/loss		44.336.144	42.634.847
Staff expenses	1	-33.546.199	-36.125.846
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-2.705.821	-2.884.159
Other operating expenses		-47.300	0
Profit/loss before financial income and expenses		8.036.824	3.624.842
Income from investments in subsidiaries		1.037.522	1.351.331
Financial income	3	176.469	34.273
Financial expenses	4	-1.390.891	-1.951.694
Profit/loss before tax		7.859.924	3.058.752
Tax on profit/loss for the year	5	-1.506.442	-424.790
Net profit/loss for the year		6.353.482	2.633.962

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Goodwill		1.750.000	2.000.000
Intangible assets	6	1.750.000	2.000.000
Other fixtures and fittings, tools and equipment		6.410.129	8.472.835
Property, plant and equipment	7	6.410.129	8.472.835
Investments in subsidiaries	8	4.594.468	3.682.325
Other investments	9	465.282	465.282
Deposits	9	4.049.332	1.531.657
Fixed asset investments		9.109.082	5.679.264
Fixed assets		17.269.211	16.152.099
Inventories	10	90.969.769	98.878.049
Trade receivables		23.910.629	26.802.834
Receivables from group enterprises		1.059.519	808.963
Other receivables		2.072.546	1.692.081
Prepayments	11	2.104.475	2.513.520
Receivables		29.147.169	31.817.398
Cash at bank and in hand		4.444.811	570.603
Currents assets		124.561.749	131.266.050
Assets		141.830.960	147.418.149

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		666.667	666.667
Reserve for net revaluation under the equity method		2.271.359	1.359.216
Retained earnings		32.632.207	27.356.247
Equity		35.570.233	29.382.130
Provision for deferred tax	13	493.000	672.000
Provisions		493.000	672.000
Subordinate loan capital		30.000.000	30.000.000
Lease obligations		1.786.310	2.514.474
Payables to group enterprises		20.000.000	20.000.000
Long-term debt	14	51.786.310	52.514.474
Credit institutions		0	19.677.866
Lease obligations	14	729.041	718.463
Trade payables		15.514.496	16.381.043
Payables to group enterprises	14	12.569.227	9.833.606
Payables to owners and Management		5.857.397	3.968.858
Payables to group enterprises relating to corporation tax		1.685.442	482.790
Other payables		17.625.814	13.786.919
Short-term debt		53.981.417	64.849.545
Debt		105.767.727	117.364.019
Liabilities and equity		141.830.960	147.418.149
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK
2020				
Equity at 1 January	666.667	1.359.216	27.356.247	29.382.130
Exchange adjustments relating to foreign entities	0	-14.896	0	-14.896
Other equity movements	0	-150.483	0	-150.483
Net profit/loss for the year	0	1.077.522	5.275.960	6.353.482
Equity at 31 December	666.667	2.271.359	32.632.207	35.570.233
2019				
Equity 1. januar	666.667	98.324	26.073.616	26.838.607
Exchange adjustments relating to foreign entities	0	-1.303	0	-1.303
Other equity movements	0	-89.136	0	-89.136
Net profit/loss for the year	0	1.351.331	1.282.631	2.633.962
Equity at 31 December	666.667	1.359.216	27.356.247	29.382.130

Cash Flow Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Net profit/loss for the year		6.353.482	2.633.962
Adjustments	15	4.436.463	3.869.031
Change in working capital	16	<u>15.439.390</u>	<u>12.412.959</u>
Cash flows from operating activities before financial income and expenses		26.229.335	18.915.952
Financial income		176.469	34.273
Financial expenses		<u>-1.390.886</u>	<u>-1.951.702</u>
Cash flows from ordinary activities		25.014.918	16.998.523
Corporation tax paid		<u>-482.790</u>	<u>-1.854.160</u>
Cash flows from operating activities		24.532.128	15.144.363
Purchase of property, plant and equipment		-576.015	-1.531.204
Fixed asset investments made etc		-2.557.675	-21.576
Sale of property, plant and equipment		<u>135.600</u>	<u>857.779</u>
Cash flows from investing activities		-2.998.090	-695.001
Repayment of loans from credit institutions		-19.677.866	-20.250.603
Reduction of lease obligations		-717.586	-881.659
Change of payables with group enterprises		<u>2.735.622</u>	<u>2.385.383</u>
Cash flows from financing activities		-17.659.830	-18.746.879
Change in cash and cash equivalents		3.874.208	-4.297.517
Cash and cash equivalents at 1 January		<u>570.603</u>	<u>4.868.120</u>
Cash and cash equivalents at 31 December		4.444.811	570.603
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		<u>4.444.811</u>	<u>570.603</u>
Cash and cash equivalents at 31 December		4.444.811	570.603

Notes to the Financial Statements

	2020	2019
	DKK	DKK
1 Staff expenses		
Wages and salaries	32.153.851	34.681.113
Pensions	2.276.396	2.595.806
Other social security expenses	457.085	648.877
Other staff expenses	183.307	106.561
	35.070.639	38.032.357
Transfer to production wages	-1.524.440	-1.906.511
	33.546.199	36.125.846
Including remuneration to the Executive Board and Board of Directors	3.285.669	3.899.412
Average number of employees	72	80
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	250.000	250.000
Depreciation of property, plant and equipment	2.455.821	2.634.159
	2.705.821	2.884.159
3 Financial income		
Interest received from group enterprises	6.257	10.444
Other financial income	154.573	23.829
Exchange gains	15.639	0
	176.469	34.273
4 Financial expenses		
Interest paid to group enterprises	975.866	957.654
Other financial expenses	415.025	744.292
Exchange loss	0	249.748
	1.390.891	1.951.694

Notes to the Financial Statements

	2020 DKK	2019 DKK
5 Tax on profit/loss for the year		
Current tax for the year	1.685.442	482.790
Deferred tax for the year	-179.000	-58.000
	1.506.442	424.790
 6 Intangible assets		
		Goodwill DKK
Cost at 1 January		5.000.000
Cost at 31 December		5.000.000
Impairment losses and amortisation at 1 January		3.000.000
Amortisation for the year		250.000
Impairment losses and amortisation at 31 December		3.250.000
Carrying amount at 31 December		1.750.000
Amortised over		20 years
 7 Property, plant and equipment		
		Other fixtures and fittings, tools and equipment DKK
Cost at 1 January		24.139.749
Additions for the year		576.008
Disposals for the year		-497.875
Cost at 31 December		24.217.882
Impairment losses and depreciation at 1 January		15.666.907
Depreciation for the year		2.455.821
Reversal of impairment and depreciation of sold assets		-314.975
Impairment losses and depreciation at 31 December		17.807.753
Carrying amount at 31 December		6.410.129

Notes to the Financial Statements

7 Property, plant and equipment (continued)

	Other fixtures and fittings, tools and equipment
	DKK
Depreciated over	<u>3-10 years</u>
Including assets under finance leases amounting to	<u>2.512.365</u>

	<u>2020</u>	<u>2019</u>
	DKK	DKK
8 Investments in subsidiaries		
Cost at 1 January	<u>2.323.109</u>	<u>2.323.109</u>
Cost at 31 December	<u>2.323.109</u>	<u>2.323.109</u>
Value adjustments at 1 January	1.359.216	98.324
Exchange adjustment	-14.896	-1.303
Net profit/loss for the year	1.037.522	1.351.331
Other adjustments	<u>-110.483</u>	<u>-89.136</u>
Value adjustments at 31 December	<u>2.271.359</u>	<u>1.359.216</u>
Carrying amount at 31 December	<u>4.594.468</u>	<u>3.682.325</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Triscan Manufacturing A/S	Brabrand	DKK 500.000	100%
Triscan GmbH	Iserlohn	EUR 25.000	100%
Triscan Software Solutions ApS	Brabrand	DKK 40.000	100%

Notes to the Financial Statements

9 Other fixed asset investments

	Other investments DKK	Deposits DKK
Cost at 1 January	465.282	1.531.657
Additions for the year	0	2.517.675
Cost at 31 December	<u>465.282</u>	<u>4.049.332</u>
Carrying amount at 31 December	<u>465.282</u>	<u>4.049.332</u>

10 Inventories

	2020 DKK	2019 DKK
Finished goods and goods for resale	77.608.887	93.301.247
Goods in transit	<u>13.360.882</u>	<u>5.576.802</u>
	<u>90.969.769</u>	<u>98.878.049</u>

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

12 Distribution of profit

	2020 DKK	2019 DKK
Reserve for net revaluation under the equity method	1.077.522	1.351.331
Retained earnings	<u>5.275.960</u>	<u>1.282.631</u>
	<u>6.353.482</u>	<u>2.633.962</u>

13 Provision for deferred tax

Provision for deferred tax at 1 January	672.000	730.000
Amounts recognised in the income statement for the year	<u>-179.000</u>	<u>-58.000</u>
Provision for deferred tax at 31 December	<u>493.000</u>	<u>672.000</u>

Notes to the Financial Statements

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2020 DKK	2019 DKK
Subordinate loan capital		
Between 1 and 5 years	30.000.000	30.000.000
Long-term part	30.000.000	30.000.000
Within 1 year	0	0
	30.000.000	30.000.000
Lease obligations		
Between 1 and 5 years	1.786.310	2.514.474
Long-term part	1.786.310	2.514.474
Within 1 year	729.041	718.463
	2.515.351	3.232.937
Payables to group enterprises		
Between 1 and 5 years	20.000.000	20.000.000
Long-term part	20.000.000	20.000.000
Other short-term debt to group enterprises	12.569.227	9.833.606
	32.569.227	29.833.606
15 Cash flow statement - adjustments		
Financial income	-176.469	-34.273
Financial expenses	1.390.891	1.951.694
Depreciation, amortisation and impairment losses, including losses and gains on sales	2.753.121	2.878.151
Income from investments in subsidiaries	-1.037.522	-1.351.331
Tax on profit/loss for the year	1.506.442	424.790
	4.436.463	3.869.031

Notes to the Financial Statements

	2020	2019
	DKK	DKK
16 Cash flow statement - change in working capital		
Change in inventories	7.908.281	14.682.588
Change in receivables	2.670.227	13.864.067
Change in trade payables, etc	4.860.882	-16.133.696
	15.439.390	12.412.959

17 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	285.123	460.261
Between 1 and 5 years	105.102	144.341
	390.225	604.602

Other contingent liabilities

The company has entered a commitment on rental of buildings with a non-cancellation agreement from 8 months to 12 years with a total obligation on DKK 58.369.003 as per 31 December 2020.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Iverson Invest ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

18 Related parties

	<u>Basis</u>
Controlling interest	
Iverson Invest ApS	Controlling shareholder
John Blom Iversen	Majority shareholder of Iverson Invest ApS
Other related parties	
Triscan Manufacturing A/S	Subsidiary
Triscan GmbH	Subsidiary
Triscan Holding A/S	Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The company is included in the consolidated report for the parent company

<u>Name</u>	<u>Place of registered office</u>
Iverson Invest ApS	Egå

The consolidated report for Iverson Invest ApS can be obtained from the following address:

Skæring Højsagervej 16
8250 Egå

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Triscan A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Iverson Invest ApS, the Company has not prepared consolidated financial statements.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in

Notes to the Financial Statements

19 Accounting Policies (continued)

the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Notes to the Financial Statements

19 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

19 Accounting Policies (continued)

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 20 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Inventory equipment	10 years
Vehicles	5 years
Other equipment	3-5 years

Notes to the Financial Statements

19 Accounting Policies (continued)

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Fixed asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposits and other investments measured at the lower of cost and recoverable amount.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable

Notes to the Financial Statements

19 Accounting Policies (continued)

value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$
Solvency ratio incl. subordinate loan capital	$\frac{\text{Equity at year end} + \text{subordinate loan capital} \times 100}{\text{Total assets at year end}}$