



C. Hansson Holding ApS

Fjordvej 116
6000 Kolding
CVR No. 28118902

Annual report 01.10.2019 - 30.09.2020

The Annual General Meeting adopted the
annual report on 09.12.2020

Claus Hansson

Chairman of the General Meeting

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Entity details

Entity

C. Hansson Holding ApS

Fjordvej 116

6000 Kolding

Business Registration No.: 28118902

Registered office: Kolding

Financial year: 01.10.2019 - 30.09.2020

Executive Board

Claus Hansson

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of C. Hansson Holding ApS for the financial year 01.10.2019 - 30.09.2020

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

In my opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2019 - 30.09.2020.

I believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

I recommend the annual report for adoption at the Annual General Meeting.

Kolding, 09.12.2020

Executive Board

Claus Hansson

Independent auditor's report

To the shareholders of C. Hansson Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of C. Hansson Holding ApS for the financial year 01.10.2019 - 30.09.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2019 - 30.09.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 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 Entity'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 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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Kolding, 09.12.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Bjerregaard Nielsen

State Authorised Public Accountant
Identification No (MNE) mne29393

Management commentary

Financial highlights

	2019/20	2018/19	2017/18	2016/17	2015/16
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	187,033	57,862	39,660	49,553	74,044
Operating profit/loss	162,976	24,864	11,359	18,810	42,937
Net financials	4,295	(311)	9,850	2,234	(3,024)
Profit/loss for the year	166,522	18,148	17,372	16,814	36,789
Profit for the year excl. minority interests	60,761	14,366	15,924	13,624	32,741
Balance sheet total	216,959	114,491	91,880	96,868	102,207
Investments in property, plant and equipment	750	3,731	1,542	1,978	6,505
Equity	202,702	76,406	68,588	69,689	60,845
Equity excl. minority interests	122,671	67,509	61,815	62,707	54,950
Cash flows from operating activities	187,322	23,949	10,246	24,557	24,263
Cash flows from investing activities	(28,137)	499	(3,654)	4,512	(4,288)
Cash flows from financing activities	(40,231)	(13,078)	(19,009)	(10,525)	15,860
Ratios					
Equity ratio (%)	56.54	58.96	67.28	64.73	53.76

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Equity ratio (%):

Equity excl. minority interests * 100

Balance sheet total

Primary activities

The operating activities of the C Hansson Group comprises development, production and sale of high grade moulded plywood components and solutions to the contract furniture market as well as residential segments. Until February 2020 the Group also produced and sold advanced ergonomic height adjustable tables.

Development in activities and finances

The Executive board considers the result of the ordinary activities of the group as satisfactory. The result is in general negatively impacted by the Covid-19 pandemic.

The division for height adjustable tables (Rufac and SIS-USA) was sold in February 2020 and therefore only 4 months of operating activities are included in the consolidated profit and loss statement. When comparing to last year this changes shall be observed.

The group realized a profit on the sale which has been included in the profit and loss statement.

The moulded plywood business still reports a loss. Significant improvements have, however, been realized during the year and the outlook is positive.

The Group is the majority shareholder of TableAir in Lithuania, an innovative IT-company with main focus on IT solutions for height adjustable tables and seating systems. The company is still building up competences and sales channels and therefore a loss was realized.

Outlook

The continued focus on production improvements and by expanding the sales channels as well as the reduced cost structure is expected to show positive impact in earnings for 2020/21. Continuing investments in technology and geographical expansion will, however, impact costs.

Particular risks

The group has no particular business and financial risks beyond risks of common occurrence within the industry.

Knowledge resources

The group has thorough knowledge of the market for moulded shaped plywood and have built up a considerable competence within this area. Also the know-how in TableAir is of high importance for the Groups future development.

Environmental performance

The group has a considerable own production which to a high extent consists in assembly and mounting. The environmental impact by the group is limited. The group is continuously trying to reduce the environmental impact by investing in new technology.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Gross profit/loss		187,033	57,862
Staff costs	2	(22,282)	(30,648)
Depreciation, amortisation and impairment losses	3	(1,775)	(2,350)
Operating profit/loss		162,976	24,864
Other financial income		4,682	1,385
Other financial expenses		(387)	(1,696)
Profit/loss before tax		167,271	24,553
Tax on profit/loss for the year	4	(749)	(6,405)
Profit/loss for the year	5	166,522	18,148

Consolidated balance sheet at 30.09.2020

Assets

	Notes	2019/20 DKK'000	2018/19 DKK'000
Completed development projects	7	213	389
Goodwill		1,205	1,301
Intangible assets	6	1,418	1,690
Land and buildings		11,332	15,575
Other fixtures and fittings, tools and equipment		2,345	5,834
Property, plant and equipment	8	13,677	21,409
Other investments		34,361	0
Fixed asset investments	9	34,361	0
Fixed assets		49,456	23,099
Raw materials and consumables		4,982	11,894
Work in progress		0	676
Manufactured goods and goods for resale		0	14,208
Inventories		4,982	26,778
Trade receivables		1,638	17,693
Deferred tax	10	1,202	1,759
Other receivables		414	1,625
Joint taxation contribution receivable		1,145	3,397
Prepayments	11	247	1,101
Receivables		4,646	25,575
Other investments		17,887	8,536
Investments		17,887	8,536

Cash	139,988	30,503
Current assets	167,503	91,392
Assets	216,959	114,491

Equity and liabilities

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		125	125
Retained earnings		112,546	67,384
Proposed dividend for the financial year		10,000	0
Equity belonging to Parent's shareholders		122,671	67,509
Equity belonging to minority interests		80,031	8,897
Equity		202,702	76,406
Deferred tax	10	1,502	1,769
Provisions		1,502	1,769
Mortgage debt		4,019	4,429
Non-current liabilities other than provisions	12	4,019	4,429
Current portion of non-current liabilities other than provisions	12	415	419
Bank loans		91	209
Trade payables		709	18,811
Payables to group enterprises		0	28
Tax payable		353	8,902
Other payables		7,168	3,518
Current liabilities other than provisions		8,736	31,887
Liabilities other than provisions		12,755	36,316
Equity and liabilities		216,959	114,491
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	14		
Assets charged and collateral	15		
Transactions with related parties	16		
Subsidiaries	17		

Consolidated statement of changes in equity for 2019/20

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Proposed dividend for the financial year DKK'000	Equity belonging to Parent's shareholders DKK'000
Equity beginning of year	125	67,384	0	0	67,509
Adjustment of material errors	0	12,434	0	0	12,434
Adjusted equity, beginning of year	125	79,818	0	0	79,943
Effect of mergers and business combinations	0	0	0	0	0
Extraordinary dividend paid	0	0	(18,000)	0	(18,000)
Exchange rate adjustments	0	(33)	0	0	(33)
Dividends from group enterprises	0	0	0	0	0
Profit/loss for the year	0	32,761	18,000	10,000	60,761
Equity end of year	125	112,546	0	10,000	122,671

	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	8,897	76,406
Adjustment of material errors	(12,754)	(320)
Adjusted equity, beginning of year	(3,857)	76,086
Effect of mergers and business combinations	(4,317)	(4,317)
Extraordinary dividend paid	0	(18,000)
Exchange rate adjustments	(56)	(89)
Dividends from group enterprises	(17,500)	(17,500)
Profit/loss for the year	105,761	166,522
Equity end of year	80,031	202,702

Consolidated cash flow statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Operating profit/loss		162,976	24,864
Amortisation, depreciation and impairment losses		1,775	2,350
Working capital changes	13	25,022	10
Cash flow from ordinary operating activities		189,773	27,224
Financial income received		4,682	1,385
Financial expenses paid		(387)	(1,696)
Taxes refunded/(paid)		(6,746)	(2,964)
Cash flows from operating activities		187,322	23,949
Acquisition etc. of property, plant and equipment		(750)	(3,731)
Sale of property, plant and equipment		6,974	631
Acquisition of fixed asset investments		(34,361)	0
Sale of shares		0	1,700
Nonmonetary effect of group restructuring		0	1,899
Cash flows from investing activities		(28,137)	499
Free cash flows generated from operations and investments before financing		159,185	24,448
Repayments of loans etc.		(414)	(412)
Dividend paid		(18,000)	(9,926)
Acquisition of treasury shares		(22,500)	0
Dividend to minorities		(17,500)	(2,740)
Other cash flows from financing activities		18,183	0
Cash flows from financing activities		(40,231)	(13,078)
Increase/decrease in cash and cash equivalents		118,954	11,370
Cash and cash equivalents beginning of year		38,830	27,460
Cash and cash equivalents end of year		157,784	38,830

Cash and cash equivalents at year-end are composed of:

Cash	139,988	30,503
Securities	17,887	8,536
Short-term bank loans	(91)	(209)
Cash and cash equivalents end of year	157,784	38,830

Notes to consolidated financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Staff costs

	2019/20	2018/19
	DKK'000	DKK'000
Wages and salaries	21,594	29,125
Pension costs	603	1,236
Other staff costs	85	287
	22,282	30,648
Average number of full-time employees	46	58

Referring to section 98 B, 2, 2 of the danish financial statements act, remuneration to the management has not been disclosed.

3 Depreciation, amortisation and impairment losses

	2019/20	2018/19
	DKK'000	DKK'000
Amortisation of intangible assets	269	279
Depreciation on property, plant and equipment	1,569	2,208
Profit/loss from sale of intangible assets and property, plant and equipment	(63)	(137)
	1,775	2,350

4 Tax on profit/loss for the year

	2019/20	2018/19
	DKK'000	DKK'000
Current tax	1,062	6,607
Change in deferred tax	(290)	(143)
Adjustment concerning previous years	(23)	(59)
	749	6,405

5 Proposed distribution of profit/loss

	2019/20	2018/19
	DKK'000	DKK'000
Ordinary dividend for the financial year	10,000	0
Extraordinary dividend distributed in the financial year	18,000	4,113
Retained earnings	32,761	10,253
Minority interests' share of profit/loss	105,761	3,782
	166,522	18,148

6 Intangible assets

	Completed development projects	Goodwill
	DKK'000	DKK'000
Cost beginning of year	1,296	1,402
Exchange rate adjustments	0	(4)
Cost end of year	1,296	1,398
Amortisation and impairment losses beginning of year	(907)	(101)
Exchange rate adjustments	0	1
Amortisation for the year	(176)	(93)
Amortisation and impairment losses end of year	(1,083)	(193)
Carrying amount end of year	213	1,205

7 Development projects

The products that forms the basis of the capitalized development projects are still produced and sold by the company and the company will continue to market and sell the products. No impairments have been identified.

8 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	16,324	22,643
Exchange rate adjustments	0	(2)
Additions	0	750
Disposals	(4,213)	(11,461)
Cost end of year	12,111	11,930
Revaluations beginning of year	6,000	0
Revaluations end of year	6,000	0
Depreciation and impairment losses beginning of year	(6,749)	(16,809)
Depreciation for the year	(372)	(1,197)
Reversal regarding disposals	342	8,421
Depreciation and impairment losses end of year	(6,779)	(9,585)
Carrying amount end of year	11,332	2,345

9 Fixed asset investments

	Other investments DKK'000
Additions	34,361
Cost end of year	34,361
Carrying amount end of year	34,361

10 Deferred tax

	2019/20 DKK'000
Changes during the year	
Beginning of year	(10)
Recognised in the income statement	(290)
End of year	(300)

The Group's plans and budgets indicates, that the deferred tax asset can and will be utilized within a short period of time.

11 Prepayments

Prepayments comprises of prepaid insurance and subscriptions.

12 Non-current liabilities other than provisions

	Due within 12 months 2019/20 DKK'000	Due within 12 months 2018/19 DKK'000	Due after more than 12 months 2019/20 DKK'000
Mortgage debt	415	419	4,019
	415	419	4,019

13 Changes in working capital

	2019/20 DKK'000	2018/19 DKK'000
Increase/decrease in inventories	21,796	(5,696)
Increase/decrease in receivables	18,120	(2,442)
Increase/decrease in trade payables etc.	(14,894)	8,148
	25,022	10

14 Unrecognised rental and lease commitments

	2019/20 DKK'000	2018/19 DKK'000
Total liabilities under rental or lease agreements until maturity	57,548	6,118

15 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

Bank debt and other credit institutions are secured by way of deposited mortgage deed registered to the mortgagor on the property of totally DKK 7,200k nominal.

The carrying amount of mortgaged properties is DKK 10,147k.

Bank debt is secured by way of a company pledge with security in an allmoneys mortgage of DKK 17,000k comprising unsecured receivables from sale of goods and services, inventories of raw materials, semimanufactured goods and finished goods, fixtures and fittings etc. and operating equipment as well as goodwill, domain names and intellectual rights.

The carrying amount of inventories pledged is DKK 2,267k.

The carrying amount of other fixtures and fittings, etc. pledged is DKK 107k.

The carrying amount of trade receivables pledged is DKK 659k.

16 Transactions with related parties

With reference to the exception rule, in section 98c of the Danish Financial Statement Act, information about transaction with related parties has been omitted, as these are entered into on market terms.

17 Subsidiaries

	Registered in	Corporate form	Ownership %
Hansson Family Holding ApS	Middelfart	ApS	40
Midform Holding ApS	Middelfart	ApS	36
Midform A/S	Middelfart	A/S	36
Midform SP. Z.o.o.	Poland	SP. Z.o.o.	36
TableAir UAB	Vilnius, Lithuania	UAB	18,4

Parent income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Gross profit/loss		(84)	(120)
Income from investments in group enterprises		42,587	15,401
Other financial income		30,719	936
Other financial expenses		(11)	(1,222)
Profit/loss before tax		73,211	14,995
Tax on profit/loss for the year	2	(557)	(176)
Profit/loss for the year	3	72,654	14,819

Parent balance sheet at 30.09.2020

Assets

	Notes	2019/20 DKK'000	2018/19 DKK'000
Investments in group enterprises		49,160	7,091
Fixed asset investments	4	49,160	7,091
Fixed assets		49,160	7,091
Receivables from group enterprises		0	39,605
Other receivables		162	165
Tax receivable		600	0
Receivables		762	39,770
Other investments		17,514	8,536
Investments		17,514	8,536
Cash		54,783	12,998
Current assets		73,059	61,304
Assets		122,219	68,395

Equity and liabilities

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		125	125
Reserve for net revaluation according to the equity method		49,143	6,908
Retained earnings		62,385	60,485
Proposed dividend for the financial year		10,000	0
Equity		121,653	67,518
Payables to group enterprises		544	213
Tax payable		0	544
Other payables		22	120
Current liabilities other than provisions		566	877
Liabilities other than provisions		566	877
Equity and liabilities		122,219	68,395

Events after the balance sheet date	1
Working conditions	5
Contingent liabilities	6
Related parties with controlling interest	7
Transactions with related parties	8

Parent statement of changes in equity for 2019/20

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Proposed dividend for the year DKK'000
Equity beginning of year	125	6,908	60,485	0	0
Extraordinary dividend paid	0	0	0	(18,000)	0
Other entries on equity	0	(519)	0	0	0
Profit/loss for the year	0	42,754	1,900	18,000	10,000
Equity end of year	125	49,143	62,385	0	10,000

	Total DKK'000
Equity beginning of year	67,518
Extraordinary dividend paid	(18,000)
Other entries on equity	(519)
Profit/loss for the year	72,654
Equity end of year	121,653

Notes to parent financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Tax on profit/loss for the year

	2019/20 DKK'000	2018/19 DKK'000
Current tax	557	176
	557	176

3 Proposed distribution of profit and loss

	2019/20 DKK'000	2018/19 DKK'000
Ordinary dividend for the financial year	10,000	0
Extraordinary dividend distributed in the financial year	18,000	4,113
Retained earnings	44,654	10,706
	72,654	14,819

4 Fixed asset investments

	Investments in group enterprises DKK'000
Cost beginning of year	16
Cost end of year	16
Revaluations beginning of year	7,075
Share of profit/loss for the year	42,587
Other adjustments	(519)
Revaluations end of year	49,143
Carrying amount end of year	49,159

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

5 Working conditions

Average number of full-time employees in 2019/20 is 0.

6 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

7 Related parties with controlling interest

Claus Hansson, Kolding, owns all shares in the Entity, thus exercising control.

8 Transactions with related parties

With reference to the exception rule, in section 98c of the Danish Financial Statement Act, information about transactions with related parties has been omitted, as these are entered into on market terms.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, costs of raw materials and consumables and external expenses.

Revenue

Revenue is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent is jointly taxed with all of its Danish group enterprises and other Danish consolidated companies. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Goodwill**

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually 10 years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 2-5 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Other fixtures and fittings, tools and equipment	3-10 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date, and unlisted equity investments measured at the lower of cost and net realisable value.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each assets

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other investments (current assets)

Securities recognised under current assets comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Minority interests

Minority interests comprise the minority interests' share of subsidiaries' equity in which the subsidiary is not wholly owned by the Parent.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds

to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.