

**Hydratech Industries  
Holding A/S**  
Sigenvej 2  
9760 Vrå  
Central Business Registration  
No 31 59 27 20

**Annual report 2020**

The Annual General Meeting adopted the annual report on 14.07.2021

**Chairman of the General Meeting**

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Name: Rasmus Sandorff Jacobsen

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## Entity details

### Entity

Hydratech Industries Holding A/S  
Sigenvvej 2  
9760 Vrå

Central Business Registration No: 31592720  
Registered in: Hjørring  
Financial year: 01.01.2020 - 31.12.2020  
Website: [www.hydratech-industries.com](http://www.hydratech-industries.com)

### Executive Board

Knud Andersen  
Rasmus Sandorff Jacobsen

### Board of Directors

John Staunbjerg Dueholm, chairman  
Jacob Østergaard Bergenholtz, deputy chairman  
Erik Laursen  
Peter Kjærsgaard Sørensen, employee representative  
Ove Østergaard, employee representative

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
City Tower, Værkmestergade 2  
8000 Aarhus C

## Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Hydratech Industries Holding A/S for the financial year 1 January 2020 - 31 December 2020.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and disclosure requirements of 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 31 December 2020 and of the results of their operations and cash flows for the financial year 1 January 2020 - 31 December 2020.

We believe that the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

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

Vrå, 12.07.2021

### Executive Board

Knud Andersen

Rasmus Sandorff Jacobsen

### Board of Directors

John Staunsberg Dueholm  
chairman

Jacob Østergaard Bergenholtz  
deputy chairman

Erik Laursen

Peter Kjærsgaard Sørensen  
employee representative

Ove Østergaard  
employee representative

## Independent auditor's report

### To the shareholders of Hydratech Industries Holding A/S

#### Opinion

We have audited the consolidated financial statements and the parent financial statements of Hydratech Industries Holding A/S for the financial year 1 January 2020 - 31 December 2020, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 31 December 2020, and of the results of their operations and cash flows for the financial year 1 January 2020 - 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 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.

#### Emphasis of Matter

The group has recognized goodwill of DKK 276,9 million as at 31 December 2020. Management have prepared an impairment test which is based on a 7 year forecast horizon and subsequently a terminal period.

The recorded goodwill is sensitive to changes in the assumptions applied including forecast and budgets applied for the impairment test. If the used assumptions differs from expectations, it may prove necessary to record a not insignificant goodwill impairment.

We draw attention to note 12 of the financial statements, which describes significant assumptions used in the impairment test.

Our opinion is not modified in respect of this matter.

#### 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.

## Independent auditor's report

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.

### **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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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 Parent'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 Group or the Entity or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for 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 these 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:

## Independent auditor's report

- 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 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.

Aarhus, 12.07.2021

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556

Jacob Nørmark  
State Authorised Public Accountant  
Identification number (MNE) mne30176

Jakob Olesen  
State Authorised Public Accountant  
Identification number (MNE) mne34492

## Management commentary

	IFRS 2020 DKK'000	IFRS 2019 DKK'000	IFRS 2018 DKK'000	IFRS 2017 DKK'000	DK GAAP 2016 DKK'000
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	544.465	539.360	456.507	527.090	561.311
Gross profit/loss	111.466	63.040	82.396	139.356	147.569
Operating profit/loss	(24.158)	(75.891)	(32.269)	(3.119)	(31.141)
Net financials	(49.754)	(32.385)	(35.568)	(43.867)	(30.650)
Profit/loss for the year	(74.805)	(93.695)	(59.721)	(45.476)	(67.575)
Total assets	591.927	620.797	636.611	639.359	633.563
Investments in property, plant and equipment	13.275	37.414	4.656	1.959	11.932
Equity	980	62.012	145.952	163.464	78.765
<b>Ratios</b>					
Gross margin (%)	20,5	11,7	18,1	26,4	26,3
Net margin (%)	(13,7)	(17,4)	(13,1)	(8,6)	(12,0)
Return on equity (%)	(237,5)	(90,1)	(38,6)	(37,6)	(80,4)
Equity ratio (%)	0,2	10,0	22,0	25,0	12,4

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2020" issued by the CFA Society Denmark.

The figures stated for 2017, 2018, 2019 and 2020 have been prepared in accordance with IFRS. 2016 has been prepared in accordance with the Danish Financial Statement Act.

<b>Ratios</b>	<b>Calculation formulas</b>	<b>Explanation</b>
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operation profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.



## Management commentary

### Primary activities

The primary activities are to develop, manufacture, sell and service hydraulic components.

The Group consists of three divisions (Wind, Fluid and Service) and is headquartered in Denmark, with subsidiaries in the US, China, India, Czech Republic and Hong Kong. The group serves as sub-supplier in the market segments of wind, oil, gas, mining, industry and marine with related service activities. The Group is positioned as a major supplier in both Europe, Asia and the Americas, and are serving the largest OEM-producers around the world.

### Development in activities and finances

The financial year was characterised by a satisfying activity level in the Wind divisions whereas the Fluid divisions continued to see challenges driven by the drop in oil prices due to Covid19. The Covid 19 pandemic lasting throughout the entire 2020 has posed challenges in respect of restrictions and temporary closing of factories and made it difficult to travel in relation to service. The situation has led to additional costs which have been absorbed in the operating expenses.

During 2020 the Company's Wind divisions in both the Czech Republic and in China have experienced significant growth and in particular the development in China was very satisfying.

The general price pressure in the wind industry continues. This also impacts Hydratech Industries A/S but a new strategy plan in 2020 and a continued management focus on cost out and efficiency have made Hydratech Industries A/S able to increase the margins.

### Financial development in 2020

#### **Revenue**

Revenue in 2020 held the same level as 2019. Revenue in 2020 was DKK 544m against DKK 539m in 2019. There was a slight decrease in the Wind division, which was offset against an increase in the Service division.

#### **Gross margin**

The gross margin increased from 11.7% to 20.5% from 2019 to 2020, due to improved efficiency after setting up the new factory in the Czech Republic and higher output in China.

#### **Equity**

Equity has been increased by DKK 150m in July 2021 as a subordinated loan of DKK 125M has been converted into equity and a cash injection of DKK 25M has been made. This has decreased the interest-bearing debt with DKK 125m and will lead to a saving of DKK 19m per annum in financial cost.

The solvency ratio would be 24,5% if the conversion and cash injection were considered by 31.12.

### Outlook

#### **Revenue**

The Group expects revenue in all three divisions to continue on a stable level in 2021.

## Management commentary

### Outlook, continuing

#### **Fluid Division**

The oil prices have again seen an increase to a level, where investments are variable and Hydratech Industries A/S currently experiences an increase in requests for quotations in the Fluid business. Management thus expects a pickup in activity level H2 of 2021. During H2 of 2020 a cost reduction programme was implemented in the Fluid business. Thus improvement in operating results are expected in 2021 compared to last year. The divisions activity level is still reduced by the Covid-19 travel restrictions.

#### **Wind Division**

The Group expects a flat development in revenue in the Wind Division fully in line with all market estimates, where pickup is expected again in 2022.

The Group is now well positioned to produce regionally where our customers are located and in this way able to reduce global transportation to a minimum. This will both offset the high transportation cost, reduce lead time, increase flexibility and play into our customers ESG agenda.

Over the year 2020 the Group experienced a positive development in margins, quality and on time delivery. It is management's assessment that the Group stands in a good position for the future.

#### **Service Division**

The Group expects the positive development from 2020 to continue in 2021. It is supported by a huge and still increasing installed base and the aging profile of the installed base. Combined with customers inquiring Hydratech Industries replacement products for the original installed as well as more new partnumbers are included in the agreements with customers.

#### **Gross margin**

The gross margin in 2020 developed positively as a consequence of the more cost effective set-up and the constant focus on cost out. Improving the gross margin has been the key priority in 2020 and will continue to be the key priority in 2021.

The gross margin is expected to be stable in 2021 because:

- The new factory in the Czech Republic is fully up and running and efficiency is still increasing.
- Significant cost out programs have been executed in our Chinese factory
- A new worldwide cost out program focusing on the companys core products was kicked off in H2 of 2020 and is expected to yield improvements in 2021.
- During Q4/2020 and into Q1/2021 huge material price increases have been recognised. The company expects to be able to mitigate this through efficiency programs, engineering and production optimisations, change of suppliers to more competitive suppliers and internal cost efficiency programs.

The initiatives above are expected to contribute to a stable gross margin in the range from DKK 0-10m and improved competitiveness towards the customers.

## Management commentary

### **Particular risks**

The main operating risk relates to the ability of being strongly positioned in the markets where the products are sold and to ensure an always competitive production price.

The Group experienced a close down in its Chinese and Indian operation due to Covid-19 in the first half of 2020. Management emphasise that even though we managed to keep the supply chain operating through 2020, it has been a big challenge and posed a significant risk. With the development of Covid-19 worldwide there is still a risk for temporary operational stops due to Covid-19 either at Hydratech Industries factories or at our suppliers.

In the Fluid division the Group is engaged in the Oil and Gas industry, which is characterised by a cyclical level of activity that is affected by developments in crude oil prices and the US dollar rate. Furthermore, products are sold to the global Marine and Shipbuilding industry, traditionally a market sensitive to market fluctuations.

### **Warranty commitments**

As a supplier to the wind turbine industry, the Group has contracts with longer warranty coverage and extended coverage for serial claims if it can be proven that deliverables are defective.

### **Price risks**

The use of steel as a raw material involves a risk of general increases in the price of this type of commodity. However, for most production, the Group may include possible increases in the prices of commodities in the prices of the finished products.

### **Currency risks**

Selling the products abroad means that results, cash flows and equity are affected by exchange rate developments in a number of currencies. Currency risk hedging takes place primarily by purchases and billing being effected in the same currency. No speculative foreign currency transactions are conducted.

Currency adjustments of investments in subsidiaries are recognised in other comprehensive income. As a main rule, related currency risks are not hedged, as the Group believes that current hedging of such long-term investments will not be optimal from an overall risk and cost point of view.

### **Interest-rate risks**

The Groups loan financing is exposed to fluctuations in the interest-rate level.

### **Funding risk**

The Group has entered into a committed financing agreement with credit facilities enabling both current operations and planned expansion. Treasury management is centralised and ensures that sufficient financial resources are available to meet planned requirements.

## Management commentary

### Credit risk

Credit risk mainly relates to trade receivables and other receivables. The aggregate amounts recognized under these items in the balance sheet constitute the maximum credit risk. Receivables primarily relate to sales from the Wind and Fluid divisions. Handling increased credit risk in the wind and fluid industry, the Group's global credit function monitors the creditworthiness of existing and new customers and assists in debt collection. The Group conducts individual assessments of its customers' creditworthiness, managed globally. The majority of trade receivables are credit ensured. Cash is held with banks with high credit ratings. Receivables from Group enterprises are monitored closely from the global credit function.

### Financial reporting

The mitigation of the key risks relating to the Group's financial reporting is ensured through group policies, internal controls and the statutory audit. The Group adheres to firm budgeting and reporting schedules and monitors the performance of its business units on a monthly basis. Structured business review meetings are held quarterly.

### Compliance with regulations

The Group is committed to conducting its business in compliance with all applicable laws and other regulation and adhering to principles of good corporate citizenship in all the countries in which it is active. The manager of each business unit, supported by group functions, is responsible for monitoring and enforcing the Group's policies as well as ensuring compliance with national legislation and local requirements.

### Intellectual capital resources

The Group constantly works to develop and make customised products and solutions. A large portion of revenue arises from projects and turnkey solutions, and this poses considerable demands on the knowledge resources of staff within each of the segments that its products are sold to.

To meet the Group's own high demands for the development and production of these solutions, it is vital to be able to recruit and retain staff with a high level of education as well as staff with technical experience. The Group thus intends to remain an attractive place of work and uses the global presence to attract the best candidates around the world.

### Research and development activities

The range of products is adjusted and developed on a regular basis to accommodate the customers' demands.

Also, in the financial year 2020 the Group has participated in several development projects together with current customers. These are projects that will help expand the range of products.

### Statutory report on corporate social responsibility

For description of the business model please see paragraph "primary activities" above.

Main risks are related to child labour, bribery, health and environmental issues at our sites and with our partners.

## Management commentary

### **Statutory report on corporate social responsibility, continuing**

Hydratech Industries operates globally and is exposed to risks related to these regions. In order to mitigate the identified risks the Group has implemented a code of conduct with internal guidelines, objectives and strategies, under which a targeted effort is made to ensure a safe and healthy working environment so that both environmental and climatic matters are considered in the processes.

We have created a zero-philosophy within Health, Safety and Environment with a goal of 0-accidents and 0-impact on environment.

We are committed to the health and safety of our employees. We control our activities and working environment to comply to the local legislative requirements and to the prevention of injuries and ill health of our employees.

Our management system reflects the continuous improvement of our internal and external processes towards proactively to identify hazards and performance of risk assessments to increase the health and safety of our employees. We will maintain a certified occupational health and safety management system in full compliance with the requirements of ISO 45001 version 2018.

The company culture is built on the statement: "safety first", and the whole organisation is bound to the pledge of taking the necessary actions to avoid any accidents.

As mentioned above, efforts are made to ensure a healthy working environment, for example, by focusing on the working environment in the daily operation, target setting and reporting.

With respect to the working environment, we arrange training sessions on a safe working environment. Also in this area, the efforts in 2020 have helped sustain a healthy and safe working environment for the staff, and there have been no serious accidents in 2020. We will continue to sustain these efforts in the coming year.

We are committed to be responsible for the environmental impact of our products, processes, and services. We control our activities to comply to the local legislative requirements and to the protection of the environment. We have entered a commitment with our main customers to reduce the environmental footprint from our production. In 2020 we have focused on utilising our operational footprint and produce on the factory closest to the customer in order to reduce the carbon emission. In 2021 we will continue to identify areas we can improve to reduce our environmental footprint.

Our management system reflects the continuous improvement of our internal and external processes towards proactively identifying and evaluating risks and reducing the environmental impact of our products, processes and services. We have maintained a certified environmental management system in full compliance with the requirements of ISO 14001 version 2015.

The companies are certified by external parties with respect to the quality of processes with both the companies and their suppliers. These are requirements also posed by the customers, and the companies comply with them partly through internal processes and control procedures, partly through site visits to the suppliers.

## Management commentary

### **Statutory report on corporate social responsibility, continuing**

The Group has set up a global quality and process department to ensure that guidelines are drawn up in this respect and to subsequently check that the companies comply with them. To ensure a common and integrated approach to our quality, environment and health & safety work we have a certified management system according to ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2008

Management believes that the organisational processes are at a satisfactory and necessary level and that the measures implemented will improve results in the years ahead within quality, environmental and health & safety management.

The Group respects international conventions and observes national law for protecting human rights, and preventing corruption and has implemented this as part of the code of conduct. All employees are educated in the code of conduct and formal procedures are set up to secure that both employees and business partners are compliant with the code of conduct. As a result of the clear rules in our code of conduct and the training and communication provided, we believe that we have maintained a high level of business integrity and ethics in our companies in 2020 and will continue to make the same efforts in the coming year.

### **Statutory report on the underrepresented gender**

The Board of Directors and the Executive Board aim for equal opportunity for both genders at management levels and believe that diversity generates business value. In 2013, the Board of Directors laid down objectives for diversity on the Board of Directors and at other management levels. When nominating new candidates for the Board of Directors, the Board carefully considers what knowledge and professional experience are needed to ensure that the competencies required exist on the Board. Also, the Board of Directors strives to have the best composition possible based on background, gender etc.

### ***Gender composition of Management***

When engaging managers, the knowledge and professional experience needed are considered carefully to ensure that the competencies required exist at all management levels. The employment process is designed to ensure that men and women have equal opportunities to apply for a management position. Vacancies are advertised and women are among the candidates if possible. At least two executives are involved in the appointment of managers to ensure that the biggest management talents are hired, regardless of gender.

The Board of Directors has set the following target figures for the gender composition:

- That both genders are represented on the Board of Directors by a share of at least 33%;
- That both genders are represented at management levels globally by a share of at least 33%.

At the balance sheet date, the Executive Board consists of two men. There have not been any changes in 2020. We are not yet closer to meeting the target but the aim is to meet the target before 2025. When nominating candidates for the Board of Directors and Executive Board, the Board pursues the objective of adding more women to the Board. However, this must not affect the other recruiting criteria.

At year-end 2020, the gender composition at the other management levels was 1 woman and 13 men. The efforts will continue in 2021.

## Management commentary

### Statutory report on corporate governance

The Company complies with the Danish Venture Capital and Private Equity Association's guidelines for disclosures in the annual report. Please refer to [www.dvca.dk](http://www.dvca.dk) for further information.

The Company's share capital is divided into share classes. HTHH ApS is the parent whereas the private equity fund BWB Partners is the ultimate parent to HTHH ApS holding an ultimate ownership share of 98%.

### Board of directors and management team

The board of directors consist of 5 members of which 2 are employee representatives. The composition follows in the table below.

Name	<b>John Staunbjerg Dueholm (Chairman)</b>	<b>Jacob Østergaard Ber-genholtz</b>	<b>Erik Laursen</b>
Position	Senior advisor	Managing Partner - BWB Partners	CEO – Tajco Group
Joined the board	25.10.2016	18.06.2018	01.02.2020
Chairman of the Board of Directors in	Hydratech Industries A/S, Hydratech Industries Holding A/S, HTHH ApS, Intermail A/S	14. oktober 2013 A/S, 28. JUNI 2012 II A/S, JACKUP HOLDING A/S, SH GROUP A/S	
Deputy chairman of the Board of Directors in	DPF Svendborg A/S, SBS Automotive A/S, Scandinavian Brake Systems A/S	HOLMRIS B8 A/S, Holmris Holding A/S, HYDRATECH INDUSTRIES HOLDING A/S	
Member of the Board of Directors in	BWBP Fonden, Globus Wine A/S	BWB Partners P/S, BWBP Fonden, HTHH ApS, HYDRATECH INDUSTRIES A/S, ZITON A/S, Green Wind Enterprise ApS, Wind Enterprise P/S	Hydratech Industries Holding A/S
Member of the Executive Board in	BWB Partners I K/S, BWB Partners II K/S	ANPARTSSELSKABET AF 31. OKTOBER 2007, ANPARTSSELSKABET AF 1. DECEMBER 2011, ANPARTSSELSKABET AF 14. OKTOBER 2013, ANPARTSSELSKABET AF 28. JUNI 2012, ANPARTSSELSKABET AF 4. JULI 2008, ANPARTSSELSKABET AF 7. JUNI 2007, BWB Partners GP ApS, BWB Partners P/S, BWBP CIV GP ApS, JB1 ApS	Tajco Group A/S, Tajco A/S
Name	<b>Peter Kjærsgaard Sørensen</b>		<b>Ove Østergaard</b>
Position	Employee representative		Employee representative

## Management commentary

The management team consists of two members.

Name	Knud Andersen	Rasmus Sandorff Jacobsen
Position	CEO - Hydratech Industries A/S	CFO - Hydratech Industries A/S
Chairman of the Board of Directors in	POLYTECH A/S, VC VIII Polytech Holding ApS, PolyTech Manufacturing A/S, PolyTech Test & Validation A/S	
Deputy chairman of the Board of Directors in		
Member of the Board of Directors in	SH GROUP A/S, HYDRATECH INDUSTRIES A/S, 28. JUNI 2012 II A/S	RareWine Invest ApS, RareWine ApS, RARE WINE A/S, RWH ApS, Cavius ApS, Cavius Holding Aps
Member of the Executive Board in	HTHH ApS, HYDRATECH INDUSTRIES A/S, HYDRATECH INDUSTRIES HOLDING A/S, Klosterdal ApS	Hydratech Industries A/S, Hydratech Industries Holding A/S, HTHH ApS

### Events after the balance sheet date

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

After the balance sheet has the equity has been increased by DKK 150m in July 2021 as a subordinated loan of DKK 125M has been converted into equity and a cash injection of DKK 25M has been made. This has decreased the interest-bearing debt with DKK 125m and will lead to a saving of DKK 19m per annum in financial cost. The solvency ratio would be 24,5% if the conversion and cash injection were considered by 31.12.



## Consolidated income statement for 2020

	<u>Notes</u>	<u>2020</u> <u>DKK'000</u>	<u>2019</u> <u>DKK'000</u>
Revenue	2	544.465	539.360
Cost of sales		(393.325)	(434.626)
Other external expenses		(39.674)	(41.694)
<b>Gross profit/loss</b>		<b>111.466</b>	<b>63.040</b>
Staff costs	3	(109.770)	(104.114)
Depreciation and amortisation	4	(25.854)	(34.817)
<b>Operating profit/loss</b>		<b>(24.158)</b>	<b>(75.891)</b>
Other financial income	5	17.210	8.604
Other financial expenses	6	(66.964)	(40.989)
<b>Profit/loss before tax</b>		<b>(73.912)</b>	<b>(108.276)</b>
Tax on profit/loss for the year	7	(893)	14.581
<b>Profit/loss</b>	8	<b>(74.805)</b>	<b>(93.695)</b>

## Statement of comprehensive income

<b>Profit for the year</b>	<b>(74.805)</b>	<b>(93.695)</b>
<b>Other comprehensive income</b>		
<b>Items that can be reclassified to the income statement when certain conditions are met:</b>		
Exchange differences, foreign entities	4.113	(807)
Other adjustments	(340)	562
<b>Total comprehensive income</b>	<b>(71.032)</b>	<b>(93.940)</b>

## Consolidated cash flow statement for 2020

	<u>Notes</u>	<u>2020</u> <u>DKK'000</u>	<u>2019</u> <u>DKK'000</u>
Operating profit/loss		(24.158)	(75.891)
Amortisation and depreciation		25.854	34.817
Other provisions		1.300	805
Working capital changes	9	(7.746)	13.546
<b>Cash flow from ordinary operating activities</b>		<b>(4.750)</b>	<b>(26.723)</b>
Financial income received		1	74
Financial income paid		(41.528)	(33.676)
Income taxes refunded		3.295	2.003
<b>Cash flows from operating activities</b>		<b>(42.982)</b>	<b>(58.322)</b>
Acquisition etc of intangible assets		(3.843)	(8.906)
Acquisition etc of property, plant and equipment		(5.790)	(11.423)
Acquisition of enterprises		0	(1.499)
Acquisition etc of fixed asset investments		(39)	(112)
Sales of fixed assets investments		26	0
<b>Cash flows from investing activities</b>		<b>(9.646)</b>	<b>(21.940)</b>
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		0	10.000
Loans raised		104.030	20.247
Instalments of loans etc.		(12.421)	0
Instalments of leasing etc.		(9.125)	0
Instalments of bank loans		(38.918)	0
Increase of bank loans		0	45.190
Cash increase of capital		10.000	0
<b>Cash flows from financing activities</b>		<b>53.566</b>	<b>75.437</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>938</b>	<b>(4.825)</b>
Cash and cash equivalents beginning of year		2.762	8.544
Currency translation adjustments of cash and cash equivalents		(258)	(957)
<b>Cash and cash equivalents end of year</b>		<b>3.442</b>	<b>2.762</b>
Cash and cash equivalents at year-end are composed of:			
Cash		3.442	2.762
<b>Cash and cash equivalents end of year</b>		<b>3.442</b>	<b>2.762</b>
Non cash transactions	10		
Reconciliation of liabilities from financial activities	11		

## Consolidated balance sheet at 31.12.2020

	<u>Notes</u>	<u>2020</u> <u>DKK'000</u>	<u>2019</u> <u>DKK'000</u>
Completed development projects		23.597	15.028
Acquired licences		1.268	2.917
Goodwill		276.870	276.870
Development projects in progress		118	12.758
<b>Intangible assets</b>	<b>12</b>	<b><u>301.853</u></b>	<b><u>307.573</u></b>
Land and buildings		69.145	75.399
Plant and machinery		14.812	17.068
Other fixtures and fittings, tools and equipment		6.165	2.842
Leasehold improvements		4.937	5.343
Property, plant and equipment in progress		743	0
<b>Property, plant and equipment</b>	<b>13</b>	<b><u>95.802</u></b>	<b><u>100.652</u></b>
Other investments	14	159	184
Deposits	14	1.962	1.923
Deferred tax	18	11.613	14.665
<b>Fixed asset investments</b>		<b><u>13.734</u></b>	<b><u>16.772</u></b>
<b>Non-current assets</b>		<b><u>411.389</u></b>	<b><u>424.997</u></b>
Raw materials and consumables		54.175	75.219
Work in progress		3.782	7.890
<b>Inventories</b>		<b><u>57.957</u></b>	<b><u>83.109</u></b>
Trade receivables	15	54.520	43.518
Contract assets	16	28.475	32.804
Receivables from group enterprises	17	21.294	15.357
Other receivables		12.095	13.800
Income tax receivable		756	1.850
Prepayments		1.999	2.600
<b>Receivables</b>		<b><u>119.139</u></b>	<b><u>109.929</u></b>
<b>Cash</b>		<b><u>3.442</u></b>	<b><u>2.762</u></b>
<b>Current assets</b>		<b><u>180.538</u></b>	<b><u>195.800</u></b>
<b>Assets</b>		<b><u>591.927</u></b>	<b><u>620.797</u></b>

## Consolidated balance sheet at 31.12.2020

	<u>Notes</u>	<u>2020</u> <u>DKK'000</u>	<u>2019</u> <u>DKK'000</u>
Contributed capital	19	15.080	15.080
Reserve for development expenditure		18.324	20.858
Retained earnings		(33.306)	29.305
Foreign currency translation adjustments		882	(3.231)
<b>Shareholders' share of equity</b>		<b><u>980</u></b>	<b><u>62.012</u></b>
<b>Non-controlling interests</b>		<b><u>0</u></b>	<b><u>0</u></b>
<b>Equity</b>		<b><u>980</u></b>	<b><u>62.012</u></b>
Other provisions		605	1.905
Subordinate loan capital	20	146.074	129.804
Mortgage debts	20	4.656	9.613
Bank loans	20	84.000	0
Lease liabilities	20	44.473	52.410
Other payables	20	63.210	39.171
<b>Non-current liabilities</b>		<b><u>343.018</u></b>	<b><u>232.903</u></b>
Current portion of long-term liabilities	20	42.613	40.020
Bank loans		33.139	72.057
Prepayments received from customers	21	21.824	13.542
Trade payables		90.648	140.458
Payables to shareholders and management		5.998	443
Other payables		53.707	59.362
<b>Current liabilities</b>		<b><u>247.929</u></b>	<b><u>325.882</u></b>
<b>Liabilities</b>		<b><u>590.947</u></b>	<b><u>558.785</u></b>
<b>Equity and liabilities</b>		<b><u>591.927</u></b>	<b><u>620.797</u></b>
Contingent liabilities	22		
Mortgages and securities	23		
Subsidiaries	24		
Related parties with controlling interest	25		
Financial risks and financial instruments	26		
Events after the reporting period	27		

## Consolidated statement of shareholders' equity

DKK'000	Share capital	Retained earnings	Foreign currency translation adjustment	Reserve for develop- ment expen- diture	Non- controlling interest	Total
<b>2020</b>						
<b>Shareholders equity at end of year</b>	<b>15.080</b>	<b>29.305</b>	<b>(3.231)</b>	<b>20.858</b>	<b>0</b>	<b>62.012</b>
Profit for the year	0	(74.805)	0	0	0	(74.805)
Other comprehensive income	0	0	4.113	0	0	4.113
Other adjustments	0	(340)	0	0	0	(340)
<b>Total comprehensive income</b>	<b>0</b>	<b>(75.145)</b>	<b>4.113</b>	<b>0</b>	<b>0</b>	<b>(71.032)</b>
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control	0	0	0	0	10.000	10.000
Adjustments preference right to distribution	0	10.000	0	0	(10.000)	0
<b>Transactions with non-controlling interest</b>	<b>0</b>	<b>10.000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10.000</b>
Transfer to reserves	0	2.534	0	(2.534)	0	0
<b>Transfers</b>	<b>0</b>	<b>2.534</b>	<b>0</b>	<b>(2.534)</b>	<b>0</b>	<b>0</b>
<b>Shareholders equity at end of year</b>	<b>15.080</b>	<b>(33.306)</b>	<b>882</b>	<b>18.324</b>	<b>0</b>	<b>980</b>
<b>2019</b>						
<b>Shareholders equity at beginning of year</b>	<b>15.080</b>	<b>110.039</b>	<b>(2.424)</b>	<b>23.257</b>	<b>0</b>	<b>145.952</b>
Profit for the year	0	(93.695)	0	0	0	(93.695)
Other comprehensive income	0	0	(807)	0	0	(807)
Other adjustments	0	562	0	0	0	562
<b>Total comprehensive income</b>	<b>0</b>	<b>(93.133)</b>	<b>(807)</b>	<b>0</b>	<b>0</b>	<b>(93.940)</b>
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control	0	0	0	0	10.000	10.000
Adjustments preference right to distribution	0	10.000	0	0	(10.000)	0
<b>Transactions with non-controlling interest</b>	<b>0</b>	<b>10.000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10.000</b>
Transfer to reserves	0	2.399	0	(2.399)	0	0
<b>Transfers</b>	<b>0</b>	<b>2.339</b>	<b>0</b>	<b>(2.339)</b>	<b>0</b>	<b>0</b>
<b>Shareholders equity at end of year</b>	<b>15.080</b>	<b>29.305</b>	<b>(3.231)</b>	<b>20.858</b>	<b>0</b>	<b>62.012</b>

In November 2019 Hydratech Industries A/S received a cash loan of DKK 10m from Anpartsselskabet af 4. juli 2008. Anpartsselskabet af 4. juli 2008 converted the loan of DKK 10m to equity.

In July 2020 Anpartsselskabet af 4. juli 2008 made a capital injection of DKK 10m.

Number of shares is 15.080.000 with the nominal value of DKK 15.080.000.

No dividend was declared in 2020.

## Notes to consolidated financial statements

### 1. Basis of preparation

The consolidated financial statements of Hydratech Industries Holding A/S have been prepared in accordance with the international Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statement Act.

#### 1.1 New and revised IFRSs in issue but not yet effective

At the time of publication of the 2020 financial statements of Hydratech Industries Holding A/S, there are a number of new or changed standards and interpretations.

The implementation has not had a significant impact on recognition, measurement or disclosures in the Annual Report 2020 and is not expected to have significant impact on the financial reporting for future periods.

#### 1.2 Critical accounting judgements and key sources of estimation uncertainty continuing

In the application of the accounting policies the Management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statement

#### Key Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The key assumptions used in the impairments tests of goodwill are disclosed in note 12.

## Notes to consolidated financial statements

### 1.2 Critical accounting judgements and key sources of estimation uncertainty continuing

#### *Deferred tax assets*

Determining whether deferred tax assets is impaired requires an estimation of the value in use of the profit-generating units to which deferred tax assets has been allocated. The value in use calculation requires the directors to estimate the future profits expected to arise from the profit-generating unit. Where the actual future profits are less than expected, a material impairment loss may arise. The key assumptions used in the impairments tests of deferred tax assets are disclosed in note 18.

The estimation uncertainty is related to the fact, that future expected efficiencies in the Company will be realized and thereby create positive taxable profit.

## Notes to consolidated financial statements

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>2. Net Sales</b>		
Europe	245.132	305.182
Asia	197.475	141.473
North America	75.801	82.889
Other regions	26.057	9.816
	<b>544.465</b>	<b>539.360</b>
Wind	372.556	367.238
Fluid	29.012	40.612
Service	142.897	131.510
	<b>544.465</b>	<b>539.360</b>

The Group is not listed or in the process of becoming listed, and no segment information is disclosed according to IFRS. Revenue is split between geographical regions and activity. This information does not amount to segment information to IFRS.

Change in contracts assets regarding revenue recognized from contracts with customers recognized over time amounts to -4,3 mio.kr. as of 31 December 2020 (2019: DKK -14,4 mio.kr ). Contract assets amount to DKK 28,5 mio. as of 31 December 2020 (2019: DKK 32,8 mio.). All unsatisfied performance obligations at year end are part of contracts with customers that has an original expected duration of one year or less, and consequently, the aggregate amount of the transaction prices allocated to unsatisfied performance obligations are not disclosed.

Revenue is recognized over time to the extend that each of the vendors' performance obligations is satisfied. Hydratech evaluates the stage of completion on revenue recognized over time based on the input method. Contract assets as of 31 December 2020 is completed in 2021.

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>3. Staff costs</b>		
Wages and salaries	89.678	80.223
Pension costs	10.907	13.109
Other social security costs	9.185	10.782
	<b>109.770</b>	<b>104.114</b>
Average number of employees	455	483



## Notes to consolidated financial statements

	<b>Executive board DKK'000</b>	<b>Board of directors DKK'000</b>	<b>Other top manage- ment DKK'000</b>	<b>Total DKK'000</b>
<b>3. Staff costs continuing</b>				
<b>2020</b>				
Remuneration and salary	6.688	541	11.539	18.768
Pension, company contributions	0	0	1.053	1.053
Benefits (car, housing, phone etc.)	162	0	953	1.115
<b>Cost at end of year</b>	<b>6.850</b>	<b>541</b>	<b>13.545</b>	<b>20.936</b>

	<b>Executive board DKK'000</b>	<b>Board of directors DKK'000</b>	<b>Other top manage- ment DKK'000</b>	<b>Total DKK'000</b>
<b>3. Staff costs continuing</b>				
<b>2019</b>				
Remuneration and salary	3.282	435	9.933	13.650
Pension, company contributions	0	0	950	950
Benefits (car, housing, phone etc.)	598	0	1.251	1.849
<b>Cost at end of year</b>	<b>3.880</b>	<b>435</b>	<b>12.134</b>	<b>16.449</b>

The Executive Board and a number of members of other top management are comprised by special bonus arrangements in the parent company Hydratech Industries Holding A/S, which becomes effective at sale of Hydratech Industries Holding A/S if certain enterprise values are met. The bonus arrangements are maximized at 14 mDKK.

Niether the Executive Board nor members of other top management are comprised by special bonus arrangements besides the above mentioned exitbonus.

## Notes to consolidated financial statements

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>4. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	8.277	9.419
Depreciation of property, plant and equipment	16.432	19.139
Profit/loss from sale of intangible assets and property, plant and equipment	72	129
	<b>24.781</b>	<b>28.687</b>
Impairment losses of intangible assets	1.073	6.130
	<b>25.854</b>	<b>34.817</b>
Hereof depreciation of right of use assets	11.260	11.802

Hydratech leases several assets including buildings, plants and other fixtures, tools and equipment.

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>5. Financial income</b>		
Exchange rate adjustments	17.209	8.530
Other financial income	1	74
	<b>17.210</b>	<b>8.604</b>

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>6. Financial expenses</b>		
Exchange rate adjustments	25.436	7.313
Interest expenses on lease liabilities	3.865	4.011
Financial expenses to external lenders	37.663	29.665
	<b>66.964</b>	<b>40.989</b>

## Notes to consolidated financial statements

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>7. Income tax</b>		
<i>Current tax:</i>		
Current tax on profit for the year	893	(1.867)
Adjustment in respect of prior years	(3.052)	0
Total current tax	(2.159)	(1.867)
<i>Deferred tax:</i>		
Adjustment of deferred tax asset	0	(12.714)
Adjustment of deferred tax asset in respect of prior years	3.052	0
Total deferred tax	3.052	(12.714)
<b>Total income tax</b>	<b>893</b>	<b>(14.581)</b>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profit of the consolidated entities as follows:

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>Earnings before tax</b>	<b>(73.912)</b>	<b>(108.276)</b>
Calculated tax at Danish statutory rate of 22%	(16.261)	(23.821)
Effect of difference in tax rate in foreign subsidiaries	(862)	(617)
Income / expenses not subject to tax	460	9.857
Not recognized tax asset	17.556	0
<b>Tax charge</b>	<b>893</b>	<b>(14.581)</b>

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>8. Proposed distribution of profit/loss</b>		
Retained earnings	(74.805)	(93.695)
	<b>(74.805)</b>	<b>(93.695)</b>

## Notes to consolidated financial statements

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>9. Change in working capital</b>		
Increase/decrease in inventories	25.152	16.117
Increase/decrease in receivables	(15.309)	12.753
Increase/decrease in trade payables etc	(17.589)	(15.324)
	<b>(7.746)</b>	<b>13.546</b>
<b>10. Non cash transactions</b>		
Conversion of debt to equity	0	10.000
Leases	7.485	26.445
	<b>7.485</b>	<b>36.445</b>

In November 2019 Hydratech Industries A/S received a cash loan of DKK 10m from Anpartsselskabet af 4. juli 2008. Anpartsselskabet af 4. juli 2008 converted the loan of DKK 10m to equity.

### 11. Reconciliation of liabilities arising from financing activities

	<b>Long-term borrowings</b>	<b>Short-term borrowings</b>	<b>Total</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>1 January 2020</b>	<b>230.998</b>	<b>112.077</b>	<b>343.075</b>
Cash flows	0	(51.339)	(51.399)
Loans raised	104.030	0	104.030
Leases	7.485	(10.485)	(3.000)
Other	22.240	4.235	26.475
Foreign exchange movement	(1.076)	0	(1.076)
Reclassifications	(21.264)	21.264	0
<b>31 December 2020</b>	<b>342.413</b>	<b>75.752</b>	<b>418.165</b>
	<b>Long-term borrowings</b>	<b>Short-term borrowings</b>	<b>Total</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>1 January 2019</b>	<b>179.827</b>	<b>77.689</b>	<b>257.516</b>
Cash flows	20.247	45.190	65.437
Loans raised	13.014	0	13.014
Leases	25.254	1.191	26.445
Sale of enterprises	0	(10.000)	(10.000)
Non cash transactions	0	(10.000)	(10.000)
Foreign exchange movement	0	663	663
Reclassifications	(7.344)	7.344	0
<b>31 December 2019</b>	<b>230.998</b>	<b>112.077</b>	<b>343.075</b>

## Notes to consolidated financial statements

	Goodwill DKK'000	Completed develop- ment projects DKK'000	Acquired lincences DKK'000	Development projects in progress DKK'000
<b>12. Intangible assets</b>				
<b>2020</b>				
<b>Cost at beginning of year</b>	<b>276.870</b>	<b>34.991</b>	<b>16.272</b>	<b>13.247</b>
Transfer	0	12.641	0	(12.641)
Additions	0	3.438	404	1
Disposals	0	(103)	0	0
<b>Total cost at end of year</b>	<b>276.870</b>	<b>50.967</b>	<b>16.676</b>	<b>607</b>
<b>Amortisation at beginning of year</b>	<b>0</b>	<b>(19.963)</b>	<b>(13.355)</b>	<b>(489)</b>
Exchange rate adjustments	0	0	(110)	0
Amortisation for the year	0	(6.334)	(1.943)	0
Impairment losses for the year	0	(1.073)	0	0
<b>Total amortisation at end of year</b>	<b>0</b>	<b>(27.370)</b>	<b>(15.408)</b>	<b>(489)</b>
<b>Carrying amount at end of year</b>	<b>276.870</b>	<b>23.597</b>	<b>1.268</b>	<b>118</b>
Management have cancelled and consequently impaired completed development projects with a total of 1,073k.				
<b>2019</b>				
<b>Cost at beginning of year</b>	<b>276.870</b>	<b>28.124</b>	<b>16.564</b>	<b>11.405</b>
Transfer	0	6.867	0	(6.867)
Additions	0	0	197	8.709
Disposals	0	0	(489)	0
<b>Total cost at end of year</b>	<b>276.870</b>	<b>34.991</b>	<b>16.272</b>	<b>13.247</b>
<b>Amortisation at beginning of year</b>	<b>0</b>	<b>(7.216)</b>	<b>(11.220)</b>	<b>0</b>
Exchange rate adjustments	0	0	13	0
Amortisation for the year	0	(7.106)	(2.148)	0
Impairment losses for the year	0	(5.641)	0	(489)
<b>Total amortisation at end of year</b>	<b>0</b>	<b>(19.963)</b>	<b>(13.355)</b>	<b>(489)</b>
<b>Carrying amount at end of year</b>	<b>276.870</b>	<b>15.028</b>	<b>2.917</b>	<b>12.758</b>

## Notes to consolidated financial statements

### 12. Intangible assets continuing

#### Impairment test Goodwill

Investments in group enterprises include recognition of goodwill at a total value of DKK 276.9m. An impairment test has been prepared to assess the valuation of the recognised goodwill.

Management regards the subsidiary as one CGU. The Group strategy is to use resources, knowledge and production facilities across the business areas. Consequently, there is increased intra-group trading among the divisions, and therefore the impairment test is made on the basis of one CGU.

The most significant assumptions of the impairment test are as follows:

Joint assumptions:

- WACC: 12,2% (12,73 % pre-tax).
- A forecast horizon of 7 years, and subsequently a terminal period. The forecast is in allignment with the strategy implemented for Hydratech Group. The horizon is aligned with the strategyplan for the group.
- An expected average growth rate of 10,0% in revenue in the forecast horizon. The growth rate is primarily related to sales to existing customers.
- An expected net sales growth rate of 2% in the terminal period

The group consists of three divisions: The Fluid Division, the Wind Division and the Service Division.

For the Fluid Division, the following significant assumptions apply:

- The Group currently experiences an increase in the activity in the Oil and Gas market as a result of the rising oil price. Management expects that the increasing activity level will enable the business to reach a normalized activity level. From 2021 and going forward is the revenue expected to stagnate.
- An unchanged contribution ratio in the forecast horizon is assumed.
- Continued focus on fixed costs which are expected to decrease in 2021.

For the Wind Division, the following significant assumptions apply:

- The Group expects a positive development in revenue in the Wind Division. The reason for this is that we are now well-positioned with some of the largest OEM-producers worldwide. They are all experiencing a high activity level, not at least in the offshore segment where the Group has a strong track record.
- A stable contribution ratio is assumed in 2021, and the contribution ratio is expected to be steady in the forecast period. A global cost out program is expected to offset the price pressure in the market.
- Continued focus on fixed costs which are expected to decrease in 2021.

## Notes to consolidated financial statements

### 12. Intangible assets continuing

For the Service Division, the following significant assumptions apply:

- The low level of activity in the offshore segment has resulted in an increase in the market for servicing existing parts. In relation to wind turbine development, the strong growth from 2020 will continue in the next few years.
- Retention of the contribution ratio over the period up to the terminal period.
- Continued focus on fixed costs, thus reflecting the Group's activities.

The calculation of the value of the recorded goodwill is sensitive to changes in the assumptions applied. If the expected increase in revenue and reduction in fixed costs differs significantly from expectations, it may prove necessary to record a not insignificant goodwill impairment.

Based on the above assumptions and the impairment test performed, it is Management's assessment that there is no indication of impairment of the recognised goodwill.

The table below shows the risk adjusted discount rate and forecast operating cash flow assumptions used in the calculation of value in use for the CGU and the amount by which each assumption must change in isolation in order for the estimated recoverable amount to equal the carrying value:

Value in excess over carrying value (DKK million)	16m
<i>Assumptions use in the calculation of value in use</i>	
WACC	12,2%
Growth rate in the terminal period	1%
Inflation in the terminal period	1%
<i>Change required for the recoverable amount to equal the carrying value</i>	
WACC	12,4%

### Development projects in progress

Development projects in progress comprise development of different hydraulic systems to be used in energy production. Costs of development projects consist in all material respects of internal costs of direct wages and direct materials incurred for the development work which is recorded on a continuous basis.

The carrying amount at 31.12.2020 amounts to DKK 118k. The systems are completed on a continuous basis and put into operation after completion of a satisfactory test. An amount of DKK 0m is estimated to complete the development projects in progress.

An amount of DKK 613k is expenced in 2020 related to research activities.

## Notes to consolidated financial statements

### 12. Intangible assets continuing

#### Completed development projects

Completed development projects comprise development of hydraulic systems to be used in energy production. The systems are put into operation on a current basis and amortised over the estimated useful life of the product. The projects are continuously reassessed in preparation for a review for impairment. Management has in 2020 impaired completed development projects for a total of DKK 1.073k.



## Notes to consolidated financial statements

	<b>Land and buildings DKK'000</b>	<b>Plant and machinery DKK'000</b>	<b>Other fixtures and fittings, tools and equipment DKK'000</b>
<b>13. Property, plant and equipment</b>			
<b>2020</b>			
<b>Cost at beginning of year</b>	<b>123.445</b>	<b>127.806</b>	<b>17.745</b>
Additions	4.937	2.298	3.365
Disposals	0	(2.484)	(2.355)
Transfers	0	1.059	703
<b>Total cost as at end of year</b>	<b>128.382</b>	<b>128.679</b>	<b>19.458</b>
<b>Depreciation at beginning of year</b>	<b>(48.046)</b>	<b>(110.738)</b>	<b>(14.903)</b>
Depreciation for the year	(10.665)	(3.379)	(1.830)
Reversal regarding disposals	0	1.274	1.900
Exchange rate adjustments	(526)	(1.024)	1.540
<b>Depreciation at end of year</b>	<b>(59.237)</b>	<b>(113.867)</b>	<b>(13.293)</b>
<b>Carrying amount at end of year</b>	<b>69.145</b>	<b>14.812</b>	<b>6.165</b>
<b>Hereof right of use assets:</b>			
<b>Net carrying amount</b>			
31 December 2020	46.078	715	2.775
<b>Depreciation expense for the year</b>			
31 December 2020	9.882	353	1.025
<b>Additions for the year</b>			
31 December 2020	4.769	0	2.163
		<b>2020 DKK'000</b>	<b>2019 DKK'000</b>
<b>Amount recognized in profit and loss regarding leases</b>			
Interest		3.914	4.177
Depreciation		11.260	11.802
		<b>15.174</b>	<b>15.979</b>

Total cash flows related to leasing amounts to DKK 13.090k for the year (2019: 12.816k).

## Notes to consolidated financial statements

	<b>Land and buildings DKK'000</b>	<b>Plant and machinery DKK'000</b>	<b>Other fixtures and fittings, tools and equipment DKK'000</b>
<b>13. Property, plant and equipment continuing 2019</b>			
<b>Cost at beginning of year</b>	<b>97.454</b>	<b>133.593</b>	<b>17.967</b>
Additions	25.991	7.121	1.190
Disposals	0	(12.908)	(1.412)
Transfers	0	0	0
<b>Total cost as at end of year</b>	<b>123.445</b>	<b>127.806</b>	<b>17.745</b>
<b>Depreciation at beginning of year</b>	<b>(36.335)</b>	<b>(117.946)</b>	<b>(14.036)</b>
Depreciation for the year	(11.771)	(4.786)	(1.999)
Reversal regarding disposals	0	11.994	1.132
Exchange rate adjustments	60	0	0
<b>Depreciation at end of year</b>	<b>(48.046)</b>	<b>(110.738)</b>	<b>(14.903)</b>
<b>Carrying amount at end of year</b>	<b>75.399</b>	<b>17.068</b>	<b>2.842</b>
<b>Hereof right of use assets:</b>			
<b>Net carrying amount</b>			
31 December 2019	28.880	1.919	1.637
<b>Depreciation expense for the year</b>			
31 December 2019	8.246	1.279	945
<b>Additions for the year</b>			
31 December 2019	25.991	0	0

## Notes to consolidated financial statements

	<b>Leasehold improve- ments DKK'000</b>	<b>Property, plant and equipment in progress DKK'000</b>
<b>13. Property, plant and equipment continuing</b>		
<b>2020</b>		
<b>Cost at beginning of year</b>	<b>8.418</b>	<b>0</b>
Additions	0	2.675
Disposals	(28)	0
Transfers	170	(1.932)
<b>Total cost as at end of year</b>	<b>8.560</b>	<b>743</b>
<b>Depreciation at beginning of year</b>	<b>(3.075)</b>	<b>0</b>
Depreciation for the year	(558)	0
Reversal regarding disposals	28	0
Exchange rate adjustments	(18)	0
<b>Depreciation at end of year</b>	<b>(3.623)</b>	<b>0</b>
<b>Carrying amount at end of year</b>	<b>4.937</b>	<b>743</b>
<b>2019</b>		
<b>Cost at beginning of year</b>	<b>13.453</b>	<b>0</b>
Additions	3.112	0
Disposals	(8.147)	0
<b>Total cost as at end of year</b>	<b>8.418</b>	<b>0</b>
<b>Depreciation at beginning of year</b>	<b>(10.639)</b>	<b>0</b>
Depreciation for the year	(583)	0
Reversal regarding disposals	8.147	0
<b>Depreciation at end of year</b>	<b>(3.075)</b>	<b>0</b>
<b>Carrying amount at end of year</b>	<b>5.343</b>	<b>0</b>

## Notes to consolidated financial statements

	<b>Other investments DKK'000</b>	<b>Deposits DKK'000</b>
<b>14. Fixed asset investments</b>		
<b>2020</b>		
Cost beginning of year	500	1.923
Additions	<u>0</u>	<u>39</u>
<b>Cost end of year</b>	<b><u>500</u></b>	<b><u>1.962</u></b>
Impairment losses beginning of year	(316)	0
Impairment losses of year	<u>(25)</u>	<u>0</u>
<b>Impairment losses end of year</b>	<b><u>(341)</u></b>	<b><u>0</u></b>
<b>Carrying amount end of year</b>	<b><u>159</u></b>	<b><u>1.962</u></b>
<b>2019</b>		
Cost beginning of year	500	1.949
Disposals	<u>0</u>	<u>(26)</u>
<b>Cost end of year</b>	<b><u>500</u></b>	<b><u>1.923</u></b>
Impairment losses beginning of year	(316)	0
<b>Impairment losses end of year</b>	<b><u>(316)</u></b>	<b><u>0</u></b>
<b>Carrying amount end of year</b>	<b><u>184</u></b>	<b><u>1.923</u></b>
<b>15. Trade receivables</b>		
	<b>2020 DKK'000</b>	<b>2019 DKK'000</b>
Trade receivables	55.593	43.694
Provisions for impairment of trade receivables	<u>(1.073)</u>	<u>(176)</u>
	<b><u>54.520</u></b>	<b><u>43.518</u></b>
Impairment losses at beginning of year	(176)	(1.120)
Realised in the year	<u>(897)</u>	<u>944</u>
<b>Impairment losses at end of year</b>	<b><u>(1.073)</u></b>	<b><u>(176)</u></b>

## Notes to consolidated financial statements

### 15. Trade receivables (continued)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The majority of trade receivables are credit insured and therefore provision for impairment of trade receivables according to expected loss ratio according to IFRS 9 is insignificant.

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>16. Contract assets</b>		
Contract assets	28.475	32.804
Provisions for impairment of contract assets	0	0
	<b>28.475</b>	<b>32.804</b>

No lifetime expected losses are expected, and therefore no provision for losses has been made. In 2021, Management has delivered all contract assets for 2020 and received payment without any incurred losses.

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>17. Receivables from group enterprises</b>		
Receivables from group enterprises	21.294	15.357
Provisions for impairment of group receivables	0	0
	<b>21.294</b>	<b>15.357</b>

Management calculates provision based on 12-month expected losses. Management has not identified objective indication of credit losses. Management assesses the need for provisions for 12-month expected losses as well as lifetime expected losses.

## Notes to consolidated financial statements

### 18. Deferred tax assets and deferred tax liabilities

2020 DKK'000	Deferred tax, intangible assets	Deferred tax tangible assets	Deferred tax, current assets	Deferred tax, provisions	Deferred tax, taxable losses prior years	Deferred tax, long term liabilities	Total deferred tax
<b>Deferred tax beginning of year</b>	<b>6.738</b>	<b>1.230</b>	<b>1.785</b>	<b>(370)</b>	<b>(24.745)</b>	<b>697</b>	<b>(14.665)</b>
Charge to the income statement	(1.910)	(2.007)	(184)	75	7.775	(697)	3.052
<b>Deferred tax end of year</b>	<b>4.828</b>	<b>(777)</b>	<b>1.601</b>	<b>(295)</b>	<b>(16.970)</b>	<b>0</b>	<b>(11.613)</b>

#### Deferred tax is presented in the balance sheet as follows:

Deferred tax asset	11.613
Deferred tax liability	<u>0</u>
<b>Deferred tax asset year end, net</b>	<b><u>11.613</u></b>

Deferred tax assets is expected to be utilized through future profits. Future profits is determined on the basis of the budget years 2021-2027 approved by Management.

The estimation is based on budgets stating, that future expected efficiencies in the Company will be realized and thereby create positive taxable profit.

As of 31.12.2020 there is a non-recognized tax asset related to taxable losses for prior years. The non-recognized tax asset related to taxable losses for prior years amounts to DKK 26m.

2019 DKK'000	intangible assets	tangible assets	Deferred tax, current assets	Deferred tax, provisions	taxable losses prior years	long term liabilities	Total deferred tax
<b>Deferred tax beginning of year</b>	<b>7.634</b>	<b>1.291</b>	<b>2.789</b>	<b>(242)</b>	<b>(15.422)</b>	<b>149</b>	<b>(3.801)</b>
Charge to the income statement	(896)	(61)	(1.004)	(128)	(9.323)	548	(10.864)
<b>Deferred tax end of year</b>	<b>6.738</b>	<b>1.230</b>	<b>1.785</b>	<b>(370)</b>	<b>(24.745)</b>	<b>697</b>	<b>(14.665)</b>

#### Deferred tax is presented in the balance sheet as follows:

Deferred tax asset	14.665
Deferred tax liability	<u>0</u>
<b>Deferred tax asset year end, net</b>	<b><u>14.665</u></b>

## Notes to consolidated financial statements

### 19. Share Capital

The share capital in Hydratech Industries Holding A/S is divided into following share classes:

#### 31 December 2020

Share Class	Number of Shares (nominel DKK)	Share Capital
A Shares	47.504	47.504
B Shares	271.414	271.414
C Shares	14.761.082	14.761.082
<b>Total</b>	<b>15.080.000</b>	<b>15.080.000</b>

#### 31 December 2019

Share Class	Number of Shares (nominel DKK)	Share Capital
A Shares	47.504	47.504
B Shares	271.414	271.414
C Shares	14.761.082	14.761.082
<b>Total</b>	<b>15.080.000</b>	<b>15.080.000</b>

Each class C preference share, which have a par value of DKK 1, carry a preference right to distribution of proceeds to shareholders in an aggregate amount of DKK 101,0 million with the addition of an accumulating compounding return of 10,0% annually from the date of the initial issuance of the Class C preference shares.

Upon the preference right of the Class C shares having been satisfied, class B preference share, which have a par value of DKK 1, carry a preference right to distribution of proceeds to shareholders in an aggregate amount of DKK 14,6 million with the addition of an accumulating compounding return of 10,0% annually from the date of the initial issuance of the Class B preference shares.

Upon the preference right of the Class C shares having been satisfied, Class C and B preference share, which have a par value of DKK 1, carry a preference right to dividend distribution of proceeds pro rata in an aggregate amount of DKK 78,4 million with the addition of an accumulating compounding return of 10% annually from the date of the initial issuance of the Class C and B shares.

Upon the preference right of the Class C and B shares having been satisfied, Class A, B and C preference share, carry a preference right to dividend distribution until DKK 160,0 million.

Upon the preference right of the Class A, B and C shares having been satisfied, Class A and C preference share, carry a preference right to dividend distribution pro rata until DKK 400,0 million.

## Notes to consolidated financial statements

### 19. Share Capital continuing

2020	Number	Nominal value DKK'000	Share of contributed capital %
<b>Treasury shares</b>			
Holding of treasury shares:			
A Shares beginning of 2020	14.826	15	0,098%
Adjustment regarding disposal of partial interest	0	0	0,000%
<b>Total treasury shares, A Shares</b>	<b>14.826</b>	<b>15</b>	<b>0,098%</b>

2019	Number	Nominal value DKK'000	contributed capital %
<b>Treasury shares</b>			
Holding of treasury shares:			
A Shares beginning of 2019	14.826	15	0,098%
Adjustment regarding disposal of partial interest	0	0	0,000%
<b>Total treasury shares, A Shares</b>	<b>14.826</b>	<b>15</b>	<b>0,098%</b>

2020	Instalments within 12 months 2020 DKK'000	Instalments between 12-60 months 2020 DKK'000	Outstanding after 60 months DKK'000
<b>20. Liabilities other than provisions</b>			
Subordinate loan capital	0	146.074	0
Mortgage debts	808	3.237	1.419
Bank loans	24.000	84.000	0
Other payables	4.903	52.892	10.318
Lease liabilities	12.902	26.575	17.898
	<b>42.613</b>	<b>312.778</b>	<b>29.635</b>

2019	Instalments within 12 months 2019 DKK'000	Instalments between 12-60 months 2019 DKK'000	Outstanding after 60 months DKK'000
Subordinate loan capital	0	129.804	0
Mortgage debts	806	7.368	2.245
Bank loans	34.100	0	0
Other payables	0	39.171	0
Lease liabilities	5.114	29.142	23.268
	<b>40.020</b>	<b>205.485</b>	<b>25.513</b>



## Notes to consolidated financial statements

### 21. Prepayments received from customers

Prepayments received from customers primarily relates to projects in the wind division. Production has not yet begun hence no revenue is recognized in 2020. The projects is expected to be delivered in 2021.

### 22. Contingent liabilities

A letter of support has been issued to some suppliers. At 31 December 2020, debts of the suppliers totalled DKK 910k.

### 23. Mortgages and securities

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

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 45,272k nominal.

Bank loans are secured by way of a company charge.

The carrying amount of mortgaged properties is DKK 23,067k.

	<u>Registered in</u>	<u>Equity- interest %</u>
<b>24. Subsidiaries</b>		
Hydratech Industries A/S	Silkeborg	85,83
Hydratech Industries Fluid Power Ltd.*	China	85,83
Hydratech Industries Fluid Power Inc.*	USA	85,83
Hydratech Hong Kong Ltd.*	Hong Kong	85,83
Hydratech Industries Wind Power India Pvt. Ltd.*	India	85,83
Hydratech Industries Wind Power Ltd.*	China	85,83
Hydratech Industries Czech Republic s.r.o.*	Czech Rep.	85,83
*) <i>Subsidiaries to Hydratech Industries A/S</i>		

### 25. Related parties and group relations

HTHH ApS, Hjørring holds the majority of the shares in Hydratech Industries Holding A/S and thus has a controlling interest.

Anpartsselskabet af 4. Juli 2008, Kokkedal holds the majority of the shares in HTHH ApS and thus has a controlling interest.

BWB Partners I K/S, Kokkedal holds the majority of the shares in Anpartsselskabet af 4. Juli 2008 and thus has a controlling interest.

## Notes to consolidated financial statements

### 25. Related parties and group relations continuing

Transactions with parent entities.

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
Financial receivables	21.294	15.357
Financial payables	5.998	443

Besides the above listed transactions, there was a capital injection of DKK 10,000k by the shareholders.

With reference to note 3, we refer to staff cost to Management.

### 26. Financial risks and financial instruments

Financial risk factors refer to fluctuations in the Group's results, cash flows and financial position due to changes in financial exposure. The overall objective of risk monitoring and control is to provide cost-effective financing and to minimise potential adverse impacts from market fluctuations.

#### Exchange rate risk

The Group's business activities are predominantly based in DKK, USD, CNY and EUR, and many credit facilities are primarily denominated in DKK and EUR. Significant investments in foreign entities are financed in USD, CNY and EUR. Material currency exposure for the Group is related to translation risks of foreign subsidiaries, and the loans taken out to finance these investments.

The Group is mainly exposed to the currencies USD and CNY.

The following table details the Group's sensitivity to a 10% increase in USD and CNY. The sensitivity analysis includes investments in relevant subsidiaries and external debt, where the debt is denominated in the relevant currency. A positive number indicates an increase in profit/(loss) or equity where the currency strengthens 10% against DKK at the balance sheet date. A 10% weakening of the currency would have a comparable but opposite impact on profit/(loss) and equity.

mDKK	<b>USD impact</b>		<b>CNY impact</b>	
	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>
Impact on profit/(loss) from translation of debt and investments in subsidiaries	0,0	0,0	0,0	0,0
Impact on equity from translation of debt and investments in subsidiaries	-4,5	-4,2	-0,1	0,4

#### Interest rate risk

The interest rates of credit facilities and mortgages are variable, and the change in interest rates are monitored monthly. The interest rates of mortgage debt is based on EURIBOR3.

## Notes to consolidated financial statements

### 26. Financial risks and financial instruments continuing

#### Interest rate sensitivity analysis:

If interest rates had been 100 basis points higher and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would decrease by DKK 4,8m (2019: decrease by DKK 2,5m) due to the Company's exposure to interest rates on variable rate borrowings.

The sensitivity analysis have been determined based on the exposure to floating rate liabilities and derivatives at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

#### Liquidity risk

The Group has entered into a committed financing agreement with credit facilities enabling both the current operations and planned expansion. Treasury management is centralised and ensures that sufficient financial resources are available to meet planned requirements. This is done by monitoring the cash flow on a weekly basis matches the planned cash needs. The Group has agreed on certain covenants towards SEB.

The following table details the Group's liquidity analysis for its financial liabilities based on contractual maturities. The amounts specified represent amounts for payment.

<b>2020</b>	<b>&lt;6 months</b>	<b>6 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Subordinated loan capital	0	18.259	166.616	0	184.875
Mortgage debts	447	446	3.444	1.419	5.756
Bank loans	17.326	13.625	115.388	0	146.339
Lease liabilities	6.438	10.352	40.221	28.077	85.088
Other payables, non current	2.702	5.919	71.076	14.445	94.142
Prepayments from costumers	21.824	0	0	0	21.824
Trade payables	91.148	300	0	0	91.448
Payables to group					
Enterprises	5.998	0	0	0	5.998
Other payables	54.257	0	1.318	0	55.575
<b>Total</b>	<b>200.140</b>	<b>48.901</b>	<b>398.063</b>	<b>43.941</b>	<b>691.045</b>

## Notes to consolidated financial statements

### 26. Financial risks and financial instruments continuing

<b>2019</b>	<b>&lt;6 months</b>	<b>6 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Subordinated loan capital	0	0	129.804	0	129.804
Mortgage debts	403	403	7.368	2.245	10.419
Bank loans	96.892	9.265	0	0	106.157
Lease liabilities	2.557	2.557	29.142	23.268	57.524
Trade payables	140.458	0	0	0	140.458
Payables to group					
Enterprises	443	0	0	0	443
Other payables	37.734	21.628	39.171	0	98.533
<b>Total</b>	<b>278.487</b>	<b>33.853</b>	<b>205.485</b>	<b>25.513</b>	<b>543.338</b>

#### Credit risk

Credit risk mainly relates to trade debtors, contract assets, other receivables and cash at banks. The aggregate amounts recognised under these items in the balance sheet constitute the maximum credit risk. Receivables relate to sale of goods, spareparts and service. The handling of credit risk is done by the global credit function which monitors the creditworthiness of existing and new customers and assists in collection. The Group credit insures most of the trade receivables and receive prepayments in order to reduce the credit risk. The Group conducts individual assessment of customers' creditworthiness and credit lines are managed globally. Cash is held with banks with high credit ratings. The Group has entered factoring agreements.

#### Capital structure

The Group's management assesses whether the Group's capital structure is in line with the interests of the company and its shareholders. The overall objective is to ensure a capital structure that supports long-term profitable growth.

The Group has in 2020 received capital injection of 10.000 tDKK.

### 27. Events after the reporting period

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

After the balance sheet has the equity has been increased by DKK 150m in July 2021 as a subordinated loan of DKK 125M has been converted into equity and a cash injection of DKK 25M has been made. This has decreased the interest-bearing debt with DKK 125m and will lead to a saving of DKK 19m per annum in financial cost.

The solvency ratio would be 24,5% if the conversion and cash injection were considered by 31.12.

## Parent income statement for 2020

	<u>Notes</u>	<u>2020</u> <u>DKK'000</u>	<u>2019</u> <u>DKK'000</u>
Other operating income		4.154	3.324
Other external expenses		<u>(1.107)</u>	<u>(3.081)</u>
<b>Gross profit/loss</b>		<b>3.047</b>	<b>243</b>
Staff costs	2	<u>(12.079)</u>	<u>(7.928)</u>
<b>Operating profit/loss</b>		<b>(9.032)</b>	<b>(7.685)</b>
Income from investments in group enterprises		(16.832)	(61.118)
Other financial expenses	3	<u>(19.325)</u>	<u>(17.979)</u>
<b>Profit/loss before tax</b>		<b>(45.189)</b>	<b>(86.782)</b>
Tax on profit/loss for the year	4	<u>0</u>	<u>0</u>
<b>Profit/loss</b>	5	<u><b>(45.189)</b></u>	<u><b>(86.782)</b></u>

## Statement of comprehensive income

<b>Profit/loss for the year</b>	<b>(45.189)</b>	<b>(86.782)</b>
<b>Other comprehensive income</b>		
<b>Items that can be reclassified to the income statement when certain conditions are met:</b>		
Exchange differences, foreign entities	<u>(486)</u>	<u>(807)</u>
<b>Total comprehensive income</b>	<u><b>(45.675)</b></u>	<u><b>(87.589)</b></u>

## Parent cash flow statement for 2020

	<u>Notes</u>	<u>2020</u> <u>DKK'000</u>	<u>2019</u> <u>DKK'000</u>
Operating profit/loss		(9.032)	(7.685)
Working capital changes	6	10.205	10.536
<b>Cash flow from ordinary operating activities</b>		<b><u>1.173</u></b>	<b><u>2.851</u></b>
Financial expense paid		(19.325)	(17.979)
Income taxes refunded/(paid)		1.974	700
<b>Cash flows from operating activities</b>		<b><u>(16.178)</u></b>	<b><u>(14.428)</u></b>
Capital contribution to subsidiaries		0	(13.000)
<b>Cash flows from investing activities</b>		<b><u>0</u></b>	<b><u>(13.000)</u></b>
Loans raised		16.270	27.710
Instalments on loans etc		0	0
Increase/decrease of bank loans		(84)	84
Acquisition of treasury shares		0	(450)
<b>Cash flows from financing activities</b>		<b><u>16.186</u></b>	<b><u>27.344</u></b>
<b>Increase/decrease in cash and cash equivalents</b>		<b><u>8</u></b>	<b><u>(84)</u></b>
Cash and cash equivalents beginning of year		0	84
<b>Cash and cash equivalents end of year</b>		<b><u>8</u></b>	<b><u>0</u></b>
Cash and cash equivalents at year-end are composed of:			
Cash		8	0
<b>Cash and cash equivalents end of year</b>		<b><u>8</u></b>	<b><u>0</u></b>

Reconciliation of liabilities arising from financial activities

7

## Parent balance sheet at 31.12.2020

	<u>Notes</u>	<u>2020</u> <u>DKK'000</u>	<u>2019</u> <u>DKK'000</u>
Investments in group enterprises	8	237.638	244.956
Deferred tax	10	4.686	6.414
<b>Fixed asset investments</b>		<b><u>242.324</u></b>	<b><u>251.370</u></b>
<b>Non-current assets</b>		<b><u>242.327</u></b>	<b><u>251.370</u></b>
Receivables from group enterprises	9	21.294	19.217
Income tax receivables		227	473
<b>Receivables</b>		<b><u>21.521</u></b>	<b><u>19.690</u></b>
<b>Cash</b>		<b><u>8</u></b>	<b><u>0</u></b>
<b>Current assets</b>		<b><u>21.529</u></b>	<b><u>19.690</u></b>
<b>Assets</b>		<b><u>263.853</u></b>	<b><u>271.060</u></b>

## Parent balance sheet at 31.12.2020

	<u>Notes</u>	<u>2020</u> <u>DKK'000</u>	<u>2019</u> <u>DKK'000</u>
Contributed capital	11	15.080	15.080
Retained earnings		22.487	57.676
Foreign currency translation adjustments		(3.717)	(3.231)
<b>Equity</b>		<b><u>33.850</u></b>	<b><u>69.525</u></b>
Subordinate loan capital	12	146.074	129.804
Other payables	12	39.652	38.489
<b>Non-current liabilities</b>		<b><u>185.726</u></b>	<b><u>168.293</u></b>
Current portion of long-term liabilities other than provisions	12	668	0
Bank loans		0	84
Trade payables		1.309	1.258
Payables to group enterprises		40.654	31.243
Other payables		1.646	657
<b>Current liabilities</b>		<b><u>44.277</u></b>	<b><u>33.242</u></b>
<b>Liabilities</b>		<b><u>230.003</u></b>	<b><u>201.535</u></b>
<b>Equity and liabilities</b>		<b><u>263.853</u></b>	<b><u>271.060</u></b>
Contingent liabilities	13		
Mortgages and securities	14		
Related parties with controlling interest	15		
Financial risks and financial instruments	16		
Events after the reporting period	17		



## Parent statement of shareholders' equity

DKK'000	Share capital	Retained earnings	Foreign currency translation adjustment	Reserve for net revalu- ation under the equity method	Total
<b>2020</b>					
<b>Shareholders equity at beginning of year</b>	<b>15.080</b>	<b>57.676</b>	<b>(3.231)</b>	<b>0</b>	<b>69.525</b>
Profit for the year	0	(45.189)	0	0	(45.189)
Other comprehensive income	0	0	(486)	0	(486)
<b>Total comprehensive income</b>	<b>0</b>	<b>(45.189)</b>	<b>(486)</b>	<b>0</b>	<b>(45.675)</b>
Acquisition of treasury shares	0	0	0	0	0
Disposal of partial interest in subsidiary	0	10.000	0	0	10.000
<b>Transactions with owners</b>	<b>0</b>	<b>10.000</b>	<b>0</b>	<b>0</b>	<b>10.000</b>
<b>Shareholders equity at end of year</b>	<b>15.080</b>	<b>22.487</b>	<b>(3.717)</b>	<b>0</b>	<b>33.850</b>
<b>2019</b>					
<b>Shareholders equity at beginning of year</b>	<b>15.080</b>	<b>134.908</b>	<b>(2.424)</b>	<b>0</b>	<b>147.564</b>
Profit for the year	0	(86.782)	0	0	(86.782)
Other comprehensive income	0	0	(807)	0	(807)
<b>Total comprehensive income</b>	<b>0</b>	<b>(86.782)</b>	<b>(807)</b>	<b>0</b>	<b>(87.589)</b>
Acquisition of treasury shares	0	(450)	0	0	(450)
Disposal of partial interest in subsidiary	0	10.000	0	0	10.000
<b>Transactions with owners</b>	<b>0</b>	<b>9.550</b>	<b>0</b>	<b>0</b>	<b>9.550</b>
<b>Shareholders equity at end of year</b>	<b>15.080</b>	<b>57.676</b>	<b>(3.231)</b>	<b>0</b>	<b>69.525</b>

Number of shares is 15.080.000 with the nominal value of DKK 15.080.000.

No dividend was declared in 2020.

## Notes to parent financial statements

### 1. Basis of preparation

The separate financial statements of Hydratech Industries Holding A/S have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statement Act.

#### 1.1 New and revised IFRSs in issue but not yet effective

At the time of publication of the 2020 financial statements of Hydratech Industries A/S, there are a number of new or changed standards and interpretations.

The implementation has not had a significant impact on recognition, measurement or disclosures in the Annual Report 2020 and is not expected to have significant impact on the financial reporting for future periods.

#### 1.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies the Management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statement.

#### Key Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Investment in Group enterprises and group receivables*

Hydratech measures investments in group enterprises according to the equity method. Hydratech has group enterprises with a negative equity. Receivables from group enterprises are written down to net realisable value based on a specific assessment with underlying budget and discounted cash flow models from each entity in the Group. Provision is recognised if Hydratech has an obligation to cover liabilities, and it is probable that such obligation is imminent.

As of 31 December 2020, Hydratech Industries Holding A/S has group receivables of DKK 21m of which DKK 0m is provided for loss. The carrying amount at 31 December 2020 amounts to DKK 21m.

## Notes to parent financial statements

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>2. Staff costs</b>		
Wages and salaries	11.986	7.843
Other staff costs	93	85
	<b>12.079</b>	<b>7.928</b>
Average number of employees	3	3

	<b>Executive board</b> <b>DKK'000</b>	<b>Board of directors</b> <b>DKK'000</b>	<b>Other top management</b> <b>DKK'000</b>	<b>Total</b> <b>DKK'000</b>
<b>2. Staff costs continuing</b>				
<b>2020</b>				
Remuneration and salary	2.813	541	1.219	4.572
Pension, company contributions	0	0	99	99
Benefits (car, housing, phone etc.)	81	0	128	209
<b>Cost at end of year</b>	<b>2.894</b>	<b>541</b>	<b>1.446</b>	<b>4.880</b>

	<b>Executive board</b> <b>DKK'000</b>	<b>Board of directors</b> <b>DKK'000</b>	<b>Other top management</b> <b>DKK'000</b>	<b>Total</b> <b>DKK'000</b>
<b>2019</b>				
Remuneration and salary	1.914	435	1.551	3.900
Pension, company contributions	0	0	130	130
Benefits (car, housing, phone etc.)	367	0	181	548
<b>Cost at end of year</b>	<b>2.281</b>	<b>435</b>	<b>1.862</b>	<b>4.578</b>

The Executive Board and a number of members of other top management are comprised by special bonus arrangements in the parent company Hydratech Industries Holding A/S, which becomes effective at sale of Hydratech Industries Holding A/S if certain enterprise values are met. The bonus arrangements are maximized at 14 mDKK.

Niether the Executive Board nor members of other top management are comprised by special bonus arrangements besides the above mentioned exitbonus.

## Notes to parent financial statements

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>3. Financial expenses</b>		
Financial expenses to external lenders	19.325	17.979
	<b>19.325</b>	<b>17.979</b>
	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>4. Income tax</b>		
<b>Current tax</b>		
Adjustment in respect of prior years	1.728	(700)
<b>Total current tax</b>	<b>1.728</b>	<b>(700)</b>
<b>Deferred tax</b>		
Adjustment of deferred tax asset	(1.728)	700
<b>Total deferred tax</b>	<b>(1.728)</b>	<b>700</b>
<b>Total income tax</b>	<b>0</b>	<b>0</b>
	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>4. Income tax continuing</b>		
<b>Earnings before tax</b>	<b>(45.189)</b>	<b>(86.782)</b>
Income from equity method used towards subsidiaries	16.832	61.118
<b>Earnings before tax, Parent company</b>	<b>(28.357)</b>	<b>(25.664)</b>
Calculated tax at Danish statutory rate of 22.0%	(6.239)	(5.646)
Adjustment in respect of prior years	0	4.346
Income / expenses not subject to tax	0	1.300
Not recognized tax asset	6.239	0
<b>Tax charge</b>	<b>0</b>	<b>0</b>
	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>5. Proposed distribution of profit/loss</b>		
Retained earnings	(45.189)	(86.782)
	<b>(45.189)</b>	<b>(86.782)</b>

## Notes to parent financial statements

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>6. Change in working capital</b>		
Increase/decrease in receivables	(2.077)	(827)
Increase/decrease in trade payables etc.	12.282	11.363
	<b>10.205</b>	<b>10.536</b>

### 7. Reconciliation of liabilities arising from financing activities

	<b>Long-term borrowings DKK'000</b>	<b>Short-term borrowings DKK'000</b>	<b>Total DKK'000</b>
<b>1 January 2020</b>	<b>168.293</b>	<b>0</b>	<b>168.293</b>
Cash flows	0	0	0
Loans raised	18.101	0	18.101
Non cash transactions, transactions with owners	0	0	0
Foreign exchange movement	0	0	0
Reclassifications	(668)	668	0
<b>31 December 2020</b>	<b>185.726</b>	<b>668</b>	<b>186.394</b>

	<b>Long-term borrowings DKK'000</b>	<b>Short-term borrowings DKK'000</b>	<b>Total DKK'000</b>
<b>1 January 2019</b>	<b>138.495</b>	<b>2.088</b>	<b>140.603</b>
Cash flows	0	0	0
Loans raised	27.710	0	27.710
Non cash transactions, transactions with owners	0	0	0
Foreign exchange movement	0	0	0
Reclassifications	2.088	(2.088)	0
<b>31 December 2019</b>	<b>168.293</b>	<b>0</b>	<b>168.293</b>

## Notes to parent financial statements

	<b>Investments in group enterprises DKK'000</b>
<b>8. Fixed asset investments</b>	
<b>2020</b>	
<b>Cost beginning of year</b>	<b>551.850</b>
Additions	0
<b>Cost end of year</b>	<b>551.850</b>
<b>Revaluations beginning of year</b>	<b>(306.894)</b>
Exchange rate adjustments	(486)
Share of profit/loss for the year	(47.599)
Adjustment of preference right to distribution	10.000
Other adjustments	30.767
<b>Revaluations end of year</b>	<b>(314.212)</b>
<b>Carrying amount end of year</b>	<b>237.638</b>

The carrying amount of goodwill is DKK 237.638k.

In 2020, Management in Hydratech Industries A/S has made a reversal of DKK 0k (2019: DKK 7,084k) regarding provision for loss on receivables from group enterprises made in prior years. Group enterprises with negative equity value which have not been expensed in Hydratech Industries A/S amounts to DKK 40,428k (2019: DKK 47,186k) as of 31 December 2020.

Hydratech Industries Holding A/S has a preference right to distribution in Hydratech Industries A/S.

	<b>Investments in group enterprises DKK'000</b>
<b>2019</b>	
<b>Cost beginning of year</b>	<b>538.850</b>
Additions	13.000
<b>Cost end of year</b>	<b>551.850</b>
<b>Revaluations beginning of year</b>	<b>(254.968)</b>
Exchange rate adjustments	(808)
Share of profit/loss for the year	(61.118)
Adjustment of preference right to distribution	10.000
<b>Revaluations end of year</b>	<b>(306.894)</b>
<b>Carrying amount end of year</b>	<b>244.956</b>

The carrying amount of goodwill is DKK 237.638k.

## Notes to parent financial statements

	<b>2020</b> <b>DKK'000</b>	<b>2019</b> <b>DKK'000</b>
<b>9. Receivables from group enterprises</b>		
Receivables from group enterprises	21.294	19.217
Provisions for impairment of group receivables	0	0
	<b>21.294</b>	<b>19.217</b>

Management calculates provision based on 12-month expected losses. Management has identified objective indication of credit losses incurred on some group enterprises and therefore made provision for lifetime expected losses. Management assesses the need for provisions for 12-month expected losses as well as lifetime expected losses based on budgets for each group enterprise.

### 10. Deferred tax assets and deferred tax liabilities

2020 DKK'000	Deferred tax, intangible assets	Deferred tax tangible assets	Deferred tax, current assets	Deferred tax, provisions	Deferred tax, taxable losses prior years	Deferred tax, long term liabilities	Total deferred tax
<b>Deferred tax beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6.414</b>	<b>0</b>	<b>6.414</b>
Charge to the income statement	0	0	0	0	(1.728)	0	(1.728)
<b>Deferred tax end of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4.686</b>	<b>0</b>	<b>4.686</b>

#### Deferred tax is presented in the balance sheet as follows:

Deferred tax asset	4.686
Deferred tax liability	0
<b>Deferred tax asset year end, net</b>	<b>4.686</b>

Deferred tax assets is expected to be utilized through future profits. Future profits is determined on the basis of the budget years 2021-2027 approved by Management.

The estimation is based on budgets stating, that future expected efficiencies in the Company will be realized and thereby create positive taxable profit.

As of 31.12.2020 there is a non-recognized tax asset related to taxable losses for prior years. The non-recognized tax asset related to taxable losses for prior years amounts to DKK 17m.

2019 DKK'000	Deferred tax, intangible assets	Deferred tax tangible assets	Deferred tax, current assets	Deferred tax, provisions	Deferred tax, taxable losses prior years	Deferred tax, long term liabilities	Total deferred tax
<b>Deferred tax beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7.587</b>	<b>0</b>	<b>7.587</b>
Charge to the income statement	0	0	0	0	(1.173)	0	(1.173)
<b>Deferred tax end of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6.414</b>	<b>0</b>	<b>6.414</b>

#### Deferred tax is presented in the balance sheet as follows:

Deferred tax asset	6.414
Deferred tax liability	0
<b>Deferred tax asset year end, net</b>	<b>6.414</b>

## Notes to parent financial statements

### 11. Share Capital

The share capital in Hydratech Industries Holding A/S is divided into following share classes:

#### 31 December 2020

Share Class	Number of Shares (nominel DKK)	Share Capital
A Shares	47.504	47.504
B Shares	271.414	271.414
C Shares	14.761.082	14.761.082
<b>Total</b>	<b>15.080.000</b>	<b>15.080.000</b>

#### 31 December 2019

Share Class	Number of Shares (nominel DKK)	Share Capital
A Shares	47.504	47.504
B Shares	271.414	271.414
C Shares	14.761.082	14.761.082
<b>Total</b>	<b>15.080.000</b>	<b>15.080.000</b>

Each class C preference share, which have a par value of DKK 1, carry a preference right to distribution of proceeds to shareholders in an aggregate amount of DKK 101,0 million with the addition of an accumulating compounding return of 10,0% annually from the date of the initial issuance of the Class C preference shares.

Upon the preference right of the Class C shares having been satisfied, class B preference share, which have a par value of DKK 1, carry a preference right to distribution of proceeds to shareholders in an aggregate amount of DKK 14,6 million with the addition of an accumulating compounding return of 10,0% annually from the date of the initial issuance of the Class B preference shares.

Upon the preference right of the Class C shares having been satisfied, Class C and B preference share, which have a par value of DKK 1, carry a preference right to dividend distribution of proceeds pro rata in an aggregate amount of DKK 78,4 million with the addition of an accumulating compounding return of 10% annually from the date of the initial issuance of the Class C and B shares.

Upon the preference right of the Class C and B shares having been satisfied, Class A, B and C preference share, carry a preference right to dividend distribution until DKK 160,0 million.

Upon the preference right of the Class A, B and C shares having been satisfied, Class A and C preference share, carry a preference right to dividend distribution pro rata until DKK 400,0 million.



## Notes to parent financial statements

### 11. Share Capital continuing

2020	Number	Nominal value DKK'000	Share of contributed capital %
<b>Treasury shares</b>			
Holding of treasury shares:			
A Shares	14.826	15	0,098%
Adjustment regarding disposal of partial interest	0	0	0,000%
<b>Total treasury shares, A Shares</b>	<b>14.826</b>	<b>15</b>	<b>0,098%</b>

2019	Number	Nominal value DKK'000	Share of contributed capital %
<b>Treasury shares</b>			
Holding of treasury shares:			
A Shares	14.826	15	0,098%
Adjustment regarding disposal of partial interest	0	0	0,000%
<b>Total treasury shares, A Shares</b>	<b>14.826</b>	<b>15</b>	<b>0,098%</b>

	Instalments within 12 months 2020 DKK'000	Instalments between 12-60 months 2020 DKK'000	Outstanding after 60 months DKK'000
<b>12. Liabilities</b>			
Subordinate loan capital	0	146.074	0
Other payables	668	39.652	0
	<b>668</b>	<b>185.726</b>	<b>0</b>
	Instalments within 12 months 2019 DKK'000	Instalments between 12-60 months 2019 DKK'000	Outstanding after 60 months DKK'000
Subordinate loan capital	0	129.804	0
Other payables	0	38.489	0
	<b>0</b>	<b>168.293</b>	<b>0</b>

## Notes to parent financial statements

### 13. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Anpartsselskabet af 4. Juli 2008 serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore alternatively liable from the financial year 2013 for income taxes etc for the jointly taxed entities, but only for the share by which the Entity is included in the Group, and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

### 14. Mortgages and securities

Investments in the subsidiary are pledged as collateral for the Group's debt to Skansinaviske Enskilda Banken AB (SEB).

Shares in Hydratech Industries Holding A/S, CVR-no. 31 59 27 20 have been pledged with first priority by Skandinaviska Enskilda Banken AB (publ), Kungsträdsgårdsgatan 8, 106 40 Stockholm, Sweden ("SEB").

### 15. Related parties with controlling interest

HTHH ApS, Hjørring holds the majority of the shares in Hydratech Industries Holding A/S and thus has a controlling interest.

Anpartsselskabet af 4. Juli 2008, Kokkedal holds the majority of the shares in HTHH ApS and thus has a controlling interest.

BWB Partners I K/S, Kokkedal holds the majority of the shares in Anpartsselskabet af 4. Juli 2008 and thus has a controlling interest. BWB Partners I K/S is the ultimate parent of Hydratech Industries A/S.

Transactions with parent entities.

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial receivables	21.294	19.217

Transactions with group entities.

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Management fee paid	4.950	4.144
Management fee received	4.154	3.324
Financial payables	40.654	31.243

With reference to note 2, we refer to staff cost to Management.

### 16. Financial risks and financial instruments

Financial risk factors refer to fluctuations in the Company's results, cash flows and financial position due to changes in financial exposure. The overall objective of risk monitoring and control is to provide cost-effective financing and to minimise potential adverse impacts from market fluctuations.

## Notes to parent financial statements

### 16. Financial risks and financial instruments continuing

#### Exchange rate risk

The Company's business activities are predominantly based in DKK, and credit facilities are denominated in DKK, thus the company is not exposed to significant exchange rate risk.

#### Interest rate risk

The interest rates of credit facilities (subordinary loan capital) are fixed, and therefore will an increase or decrease in the interest rates not effect on the Company's exposure to interest rates.

#### Liquidity risk

Hydratech Industries Holding A/S has entered into a committed financing agreement with credit facilities enabling both the current operations and planned expansion. Treasury management is centralised and ensures that sufficient financial resources are available to meet planned requirements. This is done by monitoring the cash flow on a weekly basis matches the planned cash needs. Hydratech Industries Holding A/S has agreed on certain covnants towards SEB.

The following table details the Company's liquidity analysis for its financial liabilities based on contractual maturities. The amounts specified represent amounts for payment.

<b>2020</b>	<b>&lt;6 months</b>	<b>6 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Subordinated loan capital	0	18.259	166.616	0	184.875
Trade payables	1.309	0	0	0	1.309
Payables to group enterprises	40.654	0	0	0	40.654
Other payables	2.314	3.217	57.367	0	62.898
<b>Total</b>	<b>44.277</b>	<b>21.476</b>	<b>223.983</b>	<b>0</b>	<b>289.736</b>
<b>2019</b>	<b>&lt;6 months</b>	<b>6 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Subordinated loan capital	0	0	129.804	0	129.804
Trade payables	1.258	0	0	0	1.258
Payables to group enterprises	31.243	0	0	0	31.243
Other payables	657	0	38.489	0	39.146
<b>Total</b>	<b>33.158</b>	<b>0</b>	<b>168.293</b>	<b>0</b>	<b>201.451</b>

#### Credit risk

Credit risk mainly relates to receivables from group enterprises. The aggregate amounts recognised under these items in the balance sheet constitute the maximum credit risk. The handling of credit risk is done by the global credit function which monitors the creditworthiness of the subsidiaries. Cash is held with banks with high credit ratings.

## Notes to parent financial statements

### 16. Financial risks and financial instruments continuing

#### Capital structure

The Company's management assesses whether the Company's capital structure is in line with the interests of the company and its shareholders. The overall objective is to ensure a capital structure that supports long-term profitable growth.

### 17. Events after the reporting period

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

After the balance sheet date has a subordinated loan of DKK 125m been converted into equity. This has lowered the interest-bearing debt with DKK 125m and will lead to a saving of DKK 19m per annum in financial cost.

The solvency ratio would be 60,2% if the conversion were considered by 31.12.

## Accounting policies

### Reporting class

The 2020 annual report of the parent company is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the financial statements of class C enterprises, cf. the Danish Executive Order on IFRS (IFRS-bekendtgørelsen) issued in accordance with the Danish Financial Statements Act.

The accounting policies for the Parent Company and for the Hydratech Industries Group are identical except for the situations mentioned below.

### Situations, where the accounting policies of the Parent Company deviate from the Group's Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or less unamortised positive, or negative, goodwill and plus or less unrealised intra-group profits or losses.

The Parent's share of the enterprises' profits or losses after elimination of unrealised intra-group profits and losses and less amortisation of goodwill is recognised in the income statement.

Subsidiaries with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Parent's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

The purchase method is applied in the acquisition of investments in subsidiaries.

### Corporation tax

The Company is jointly taxed with all of its Danish subsidiaries, its ultimate parent Anpartsselskabet af 4 juli 2020 and all subsidiaries of Anpartsselskabet af 4 juli 2020, with Anpartsselskabet af 4 juli 2020 serving as the administration company. 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).

### 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 company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company 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 company, 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.

## Accounting policies

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.

### 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.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition 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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates with functional currencies other than DKK, the share of results for the year is translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. The share of the net assets of subsidiaries and associates are translated using the exchange rates at the balance sheet date.

### Income statement

#### Revenue

Hydratech recognizes revenue from the following major sources:

- Fluid power contract sales
- Wind power contract sales
- Spare-part sales

## Accounting policies

Revenue is measured based on the consideration specified in a contract with a customer. Revenue from contracts with costumers is recognised when control is transferred to the costumer, and considerations is expected to be received. Revenue from contracts to deliver wind and Fluid contract sales with a high degree of customisation is recognised as the wind power and fluid power units are constructed based on the stage of completion of the individual contracts (turnkey projects).

Control is transferred upon production from OEM sales in the fluid and wind division and consequently Hydratech recognize revenue over time.

Revenue from spare-part sales is recognised in the income statement when control is transferred to the customer, which is considered to be upon delivery. Revenue from spare-parts is recognized at a point in time. Service sales, comprising service and maintenance agreements as well as extended warranties regarding wind turbines and wind power plants sold, were recognised as revenue over the term of the agreement as the services were provided.

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

### Cost of sales

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

### Other external expenses

Other external expenses include expenses relating to 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 salaries and wages as well as social security contributions, pension contributions, etc for company staff.

### Depreciation and amortisation

Amortisation and depreciation 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 – Separate financial statements

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

### Financial income from group enterprises

Financial income from group enterprises comprises interest income etc on receivables from group enterprises.

## Accounting policies

### Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc. recognized applying the effective interest method

### Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises, recognized applying the effective interest method.

### Other financial expenses

Other financial expenses comprise interest expenses, including net capital losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as 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 in other comprehensive income by the portion attributable to entries recognized in other comprehensive income.

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress and acquired intellectual property rights.

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 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 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. For development projects, protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Licences are amortised over the term of the agreement.

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



## Accounting policies

### Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment of goodwill is recognised directly in profit/(loss). An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit/(loss) on disposal

### Property, plant and equipment

Land and buildings, plant and machinery as well as 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.

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	25-30 years
Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-10 years

Estimated useful lives and residual values are reassessed annually. Residual values on buildings contains 11.339 tDKK. Residual values on other assets contains 0 tDKK.

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

### Investments in group enterprises – Separate financial statements

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

## Accounting policies

Group enterprises with negative equity are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If Hydratech Industries Holding A/S has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

### 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 of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing 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

Trade receivables are recognised initially at their transaction price and subsequently measured at amortised cost, which usually corresponds to the nominal value less lifetime expected credit losses.

Hydratech writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. The amount of write-downs is recognised in the income statement under sales and distribution costs. Subsequent recoveries of amounts previously written down are credited against sales and distribution costs.

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### Deferred tax

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

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.

## Accounting policies

### Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

### 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.

### Leases

Hydratech assesses whether a contract is or contains a lease, at inception of the contract. Hydratech recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. For these leases, Hydratech recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, Hydratech uses its incremental borrowing rate.

The right-of-use asset is initially measured at the amount of the corresponding lease liability with the addition of lease payments made at or before the commencement day, any initial direct costs, and obligation for costs to dismantle or remove a leased asset, restore the site on which it is located or restore the underlying asset. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset.

### Other financial liabilities

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

### Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

### Income tax receivable or payable

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

## Accounting policies

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as 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 income taxes paid.

Cash flows from investing activities comprise payments in connection with purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.