BENTELER Automotive Tønder A/S

Kærgårdsvej 5
6270 Tønder

CVR no. 32 57 11 90

Annual report 2019

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

24 September 2020

Dr. Henning von Watzdorf
chairman

Contents

Statement by the Board of Directors and the Executive Board

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

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Tønder, 24 September 2020
Executive Board:

Hubert Koopmann

Board of Directors:

Dr. Henning von Watzdorf Chairman	Natascha Wolski	Jeton Lapi

Bertrand Faulconnier

Independent auditor's report

To the shareholders of BENTELER Automotive Tønder A/S

Opinion

We have audited the financial statements of BENTELER Automotive Tønder A/S for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

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

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Independent auditor's report

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

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

Kolding, 24 September 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

Michael E. K. Rasmussen
State Authorised
Public Accountant
mne41364

Management's review

Company details

BENTELER Automotive Tønder A/S
Kærgårdsvej 5
6270 Tønder

CVR no.:	32 57 11 90
Established:	1 November 2009
Registered office:	Tønder
Financial year:	1 January – 31 December

Board of Directors

Dr. Henning von Watzdorf, Chairman
Natascha Wolski
Jeton Lapi
Bertrand Faulconnier

Executive Board

Hubert Koopmann

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Jupitervej 4, st.
DK-6000 Kolding

Annual general meeting

The annual general meeting will be held on 24 September 2020.

Management's review

Financial highlights

DKKm	2019	2018	2017	2016	2015
Key figures					
Revenue	534	543	443	444	471
Gross profit/loss	117	128	133	137	140
Operating profit/loss	9	11	3	5	9
Profit/loss from financial income and expenses	-1	-1	-1	-1	-1
Profit for the year	6	8	2	3	6
Fixed assets	97	107	86	93	92
Current assets	108	117	128	102	124
Total assets	205	224	214	195	216
Contributed capital	1	1	1	1	1
Equity	62	63	55	78	75
Provisions	5	5	6	6	6
Non-current liabilities other than provisions	3	20	20	0	0
Current liabilities other than provisions	135	136	133	111	136
Investment in property, plant and equipment	6	37	9	18	18
Ratios					
Gross margin	21.9%	23.6%	30.1%	30.9%	26.6%
Operating margin	1.7%	2.0%	0.8%	1.1%	1.8%
Return on invested capital	4.4%	4.9%	1.7%	2.4%	4.1%
Current ratio	81.2%	85.9%	96.6%	92.0%	91.8%
Return on equity	9.6%	12.8%	3.6%	3.7%	8.7%
Solvency ratio	30.2%	28.0%	25.8%	39.8%	34.6%

Management's review

Financial highlights

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Ratios". The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss x 100}}{\text{Average invested capital}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Invested capital	Operating intangible assets and property, plant and equipment plus net working capital
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

BENTELER Automotive Tønder A/S is primarily engaged in the production and sale of aluminium parts for the car industry.

Development in activities and financial position

Revenue for the year came in at DKK 534 million. Profit after tax reached DKK 5,6 million. This result was in line with management expectations. Profit/loss from the year was affected by costs arising from the launch of production of new products and change in sales portfolio.

Liquidity risks and going concern

On 11 March 2020, the World Health Organization declared the spread of the coronavirus infection a pandemic. In response to the potentially serious threat to public health posed by COVID-19, the state administration authorities of Denmark have taken measures to curtail the spread of the pandemic.

Restrictions on the cross-border movement of people and restrictions on entry for foreigners have been introduced, and some industries have been temporarily shut down, and these measures are gradually being relaxed in response to the development in the pandemic.

Based on information publicly available as of the date of these financial statements, Management has assessed the possible development of the pandemic and its forecast impact on the Company and the economic environment in which it operates, including measures implemented by the Danish government.

The Company operates in the automotive industry, which is directly affected by the COVID-19 pandemic. The COVID-19 pandemic has a negative impact on the Company, its operations, financial situation and results of operations. Between mid March and end of May 2020, there was a significant decrease in the Company's sales prompted by declining demand from major European car makers. At the end of May, there was a recovery in demand for the Company's products resulting from the receding COVID-19 pandemic in Europe. In order to ensure uninterrupted operations, protect the health of the Company's employees and ensure its liquidity, Management has implemented a number of measures. These include in particular:

- Conclusion of an agreement with employee representatives (triparty agreement) on the use of short-time work from 10 March 2020 to 9 July 2020. and furthermore use of the Government's relief packages to reduce salary costs of its employees.
- Budget recast in the form of a new outlook for 2020, reflecting projected reduction in sales and costs. In the new outlook, the Company expects a significant increase in production and sales from September 2020.

The Company is closely connected with other companies within the Group and is financially dependent on the Group. At group level, restructuring talks are taking place with creditors and banks with the aim of extending the existing financing of the Benteler Group. As the date of the preparation of the financial statements, the negotiations were still ongoing.

The risk of breakdown of the ongoing negotiations on the financing of the Benteler Group, as well as the risk of non-fulfillment of the assumption of increased production and sales of the Company from September 2020, indicate a certain level of uncertainty related to the Company's ability to continue as a going concern. Management is, however, of the view that this does not represent material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

As at the date of the preparation of the financial statements, the Company's Management is not aware of any other subsequent events that would affect the financial statements as at 31 December 2019.

Management's review

Operating review

Outlook

As at the date of the preparation of the financial statements, the Company's Management is not aware of any other subsequent events, other than the description of COVID-19 under "Liquidity risks and going concern" above, that would affect the financial statement as at 31 December 2019.

Particular risks

Financial risks

As a result of its solvency and capital resources, the Company is, only to a limited extent, exposed to changes in the interest rate level. However, the Company is exposed to foreign exchange risks with regard to its day-to-day operations.

Currency risks

The Company's invoicing is settled in EUR and DKK. Most purchases are made in EUR. As purchases and sales, to a wide extent, are settled in the same currencies, Management is of the opinion that the Company is not subject to any substantial currency exposure.

Credit risks

No customer or business relation poses any significant risk to the Company.

Corporate social responsibility

The financial success of the BENTELER Group is directly bound up with corporate responsibility – for employees, the environment and society. We address global challenges such as climate change and urbanization through value-based governance, technical innovation, and social engagement. We actively involve our employees in this process, with the constant aim of promoting sustainable thinking and action.

Long-term, responsible value creation is of central importance to BENTELER. Together with our employees, customers, suppliers, and the local communities at our locations, we make a contribution to sustainable development.

As part of the overall strategy and commitment to corporate social responsibility, the Company has definded three focus areas for corporate social responsibility: human resources, human rights and compliance.

Human resources, human rights and compliance

Successful collaboration relies on trust-based dialogue. Clearly communicated objectives, combined with an innovative spirit and a willingness to change, help us meet our stakeholders' expectations, continuously improve our work and thereby strengthen our competitiveness. In addition to fierce competition, current challenges include increased internationalization of the business, changing market conditions and an increasingly changeable economic environment.

Management's review

Operating review

In order to promote our employees, in 2019, we worked on the further expansion of professional talent management, for which existing processes and tools were further professionalised, and new programmes were developed and expanded. While HR management plays a key role in implementation, our managers ultimately have shared responsibility for successful talent management. Once again during the year we raised their awareness of this important task and offered them appropriate preparation through a wide range of events and formats. Our objective remains to fill as many positions as possible internally.

We offer our employees competitive salaries. In addition to the basic salary, this includes usual market bonus and a range of fringe benefits, depending on the grouping. The system of global job levels involves a uniform global assessment and grading of key professional tasks and regulates pay and contractual fringe benefits.

The way we treat all employees is based on respect. Nobody should be personally discriminated against – neither because of national origin, skin color, gender, religion, handicap nor lifestyle. We also respect the need to achieve a better work-life balance for women and men. BENTELER therefore supports flexible working hours and the possibility of part-time employment. BENTELER guarantees equal opportunities by applying a gender-neutral assessment system and fair remuneration.

The global market is characterised by growing competitive pressure and an increasingly changeable economic environment. We are convinced that we can only meet these and all future challenges and pursue our growth course with highly trained employees. We therefore invest systematically in the continuing development of our employees. BENTELER Automotive has a global network of internal trainers on topics such as finance, logistics, project management, quality, and information technology. With individually adapted trainings, it will help employees move into employment in the Company and, at the same time, help BENTELER build up, retain, and develop in-house knowledge.

Compliance at BENTELER concerns the obligation to maintain integrity and conduct our business in an ethical way. This means compliance with legal provisions and the fulfillment of other ethical standards and requirements set by the Company itself. The latter are enshrined particularly in the Guidelines and Code of Conduct. Every BENTELER employee is responsible for ensuring that his or her actions complies with these principles. The managers also have a particular duty to act as role models in view of their personnel responsibility. Any non-compliance with these principles may lead not only to possible legal penalties but also to disciplinary consequences.

Our Code of Conduct covers the following areas:

1. Social responsibility and legal compliance
2. Interaction with employees
3. Competition and antitrust law
4. Corruption, gifts and benefits
5. International trade
6. Environmental protection
7. Data protection
8. Relationships with business partners

The Company is actively working with the Company values ambition, courage and respect in order to be prepared for the future risks and challenges posed by demographic change and the subsequent shortage of specialists. In 2019, 18 employees left the Company voluntarily (which is significantly lower than in 2018 – 29 employees). However, the Company was able to reoccupy all vacancies.

Respect for human rights is part of the Company value, respect, and therefore we are satisfied to be able to report no known violation of human rights in connection with our business, and we do not expect any major risks, since most of our suppliers are based in Denmark or in the EU. Potential new suppliers are evaluated for compliance with human rights before nominated as supplier to the Company.

Management's review

Operating review

The Company has a strong view on rejecting all forms of corruption, and all employees, including Management, take part in mandatory cooperate training programs on a regular basis to identify and reject corruption. Nevertheless, it is a risk that the employees do not comply with the cooperate guideline for anti-corruption, and the employee's behaviour towards suppliers and customers are closely monitored by Management. The Company has not identified any breach of the anti-corruption policy in 2019 or earlier years.

Goals and policies for the underrepresented gender

The Company is of the opinion that diversification among its employees, including gender diversity, contributes positively to the working environment and strengthens performance and competitiveness. The Company's target is that, within four years, the underrepresented gender is to account for 25% of the board members (which is one board member). This is unchanged from last year, and the target for the underrepresented gender is achieved as one female and three males currently serve on the Board of Directors.

For the purpose of employment and recruitment for executive positions, as part of other management levels, the Company intends to hire candidates from the underrepresented gender provided that both male and female candidates with the relevant qualifications are represented. The principle applies to both internal as well as external vacancies. In 2019, the underrepresented gender accounted for 22% of the executive positions in the Company.

Environment and climate impact

The Company's production primarily comprises the processing and assembly of components from subsuppliers, and Management is therefore of the opinion that the Company's impact on the external environment is limited. In general, it is the Company's ambition to reduce all climate and environmental impact from our business to a level considered financially fair and reasonable. However, due to these considerations, the Company has not developed any specific policy for environment and climate.

Research and development activities

Together with car manufacturers, the Company undertakes regular product development. Research and development is recognised as an expense in the income statement prompted by the uncertainty surrounding future earnings.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2019	2018
Revenue	3	533,956	543,222
Cost of goods sold		-379,479	-375,906
Other operating income	4	3,575	7,676
Other external costs		-40,605	-46,802
Gross profit		117,447	128,190
Staff costs	5	-93,183	-102,693
Depreciation, amortisation and impairment losses		-15,748	-14,799
Operating profit		8,516	10,698
Financial income	6	869	743
Financial expenses	7	-2,156	-1,386
Profit before tax		7,229	10,055
Tax on profit for the year	8	-1,625	-2,498
Profit for the year	9	5,604	7,557

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
ASSETS			
Fixed assets			
Intangible assets	10		
Acquired patents and licenses		144	403
Property, plant and equipment	11		
Land and buildings		14,411	12,802
Property, plant and equipment under construction		15,004	35,991
Plant and machinery		50,273	54,326
Fixtures and fittings, tools and equipment		16,802	3,700
		96,490	106,819
Total fixed assets		96,634	107,222
Current assets			
Inventories			
Raw materials and consumables		39,775	37,747
Work in progress		9,944	20,284
Finished goods and goods for resale		8,224	9,770
		57,943	67,801
Receivables			
Trade receivables		18,272	25,752
Receivables from group entities		1,170	11,184
Receivables from associates		12,272	0
Other receivables		16,284	11,161
Corporation tax		1,774	0
Prepayments		667	1,002
		50,439	49,099
Total current assets		108,382	116,900
TOTAL ASSETS		205,016	224,122

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	12	500	500
Retained earnings		61,252	62,148
Total equity		61,752	62,648
Provisions			
Provisions for deferred tax	13	4,887	4,906
Other provisions		450	582
Total provisions		5,337	5,488
Liabilities other than provisions			
Non-current liabilities other than provisions	14		
Payables to group entities		0	20,000
Other payables		2,799	0
		2,799	20,000
Current liabilities other than provisions			
Prepayments received from customers		252	252
Trade payables		67,497	109,323
Payables to group entities		45,844	5,048
Payables to associates		6,107	0
Corporation tax		0	2,494
Other payables		15,428	18,869
		135,128	135,986
Total liabilities other than provisions		137,927	155,986
TOTAL EQUITY AND LIABILITIES		205,016	224,122

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	500	62,148	62,648
Transferred over the profit appropriation	0	5,604	5,604
Extraordinary dividends paid	0	-6,500	-6,500
Equity at 31 December 2019	500	61,252	61,752

Financial statements 1 January – 31 December

Notes

1 Accounting policies

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

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

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of BENTELER International Aktiengesellschaft, Salzburg, Austria.

Foreign currency translation

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

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

Income statement

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other operating income

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

Other external costs

Other external costs comprise costs for distribution and sales costs, costs for advertising, administrative expenses, costs of premises, bad debts, operating leases, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Gross profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, excluding reimbursements from public authorities.

Staff costs also include costs for recruitment agencies relating to the use of temporary workers.

Financial income and expenses

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

Tax on profit for the year

The Company is jointly taxed with Danish affiliated companies in the BENTELER Group. Current Danish corporation tax is allocated by the settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable contribution between the jointly taxed companies in proportion to their taxable income (full absorption with refunds for tax loses).

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

Balance sheet

Intangible assets

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 5 years.

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

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

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

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

Buildings	20 years
Plant and machinery	10-14 years
Fixtures and fittings, tools and equipment	5-10 years

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

Land is not depreciated.

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

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

Impairment of fixed assets

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

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

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

Previously recognised write-downs are reversed when the basis for the write-down no longer exists.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Inventories

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

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

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

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

Receivables

Receivables are measured at amortised cost.

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

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable is used as discount rate.

Prepayments and deferred income

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

Equity

Dividends

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Provisions

Provisions comprise anticipated costs of DKK 734 thousand. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Warranties comprise obligations to make good any defects within the warranty period of 0-5 years. Provisions are recognised based on the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

Liabilities other than provisions

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

Other liabilities are measured at net realisable value.

Segment information

Information is provided on geographical markets only, as the Company operates within the same business segment. Segment information is based on the Company's accounting.

Financial statements 1 January – 31 December

Notes

2 Going concern

On 11 March 2020, the World Health Organization declared the spread of the coronavirus infection a pandemic. In response to the potentially serious threat to public health posed by COVID-19, the state administration authorities of Denmark have taken measures to curtail the spread of the pandemic.

Restrictions on the cross-border movement of people and restrictions on entry for foreigners have been introduced, and some industries have been temporarily shut down, and these measures are gradually being relaxed in response to the development in the pandemic.

Based on information publicly available as of the date of these financial statements, Management has assessed the possible development in the pandemic and its forecst impact on the Company and the economic environment in which it operates, including measures implemented by the Danish government.

The Company operates in the automotive industry, which is directly affected by the COVID-19 pandemic. The COVID-19 pandemic has a negative impact on the Company, its operations, financial situation and results of operations. Between mid March and end of May 2020, there was a significant decrease in the Company's sales prompted by declining demand from major European car makers. At the end of May, there was a recovery in demand for the Company's products resulting from the receding COVID-19 pandemic in Europe. In order to ensure uninterrupted operations, protect the health of the Company's employees and ensure its liquidity, Management has implemented a number of measures. These include in particular:

- Conclusion of an agreement with employee representatives (triparty agreement) on the use of short-time work from 10 March 2020 to 9 July 2020 and furthermore use of the Government's relief packages to reduce salary costs of its workers.
- Budget recast in the form of a new outlook for 2020, reflecting projected reduction in sales and costs. In the new outlook, the Company expects a significant increase in production and sales from September 2020.

The Company is closely connected with other companies within the Group and is financially dependent on the Group. At group level, restructuring talks are taking place with creditors and banks with the aim of extending the existing financing of the Benteler Group. As of the date of the preparation of the financial statements, the negotiations were still ongoing.

The risk of breakdown of the ongoing negotiations on the financing of the Benteler Group as well as the risk of non-fulfillment of the assumption of increased production and sales of the Company from September 2020 indicate a certain level of uncertainty related to the Company's ability to continue as a going concern. Management is, however, of the view that this does not represent material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

As at the date of the preparation of the financial statements, the Company's Management is not aware of any other subsequent events that would affect the financial statements as at 31 December 2019.

Financial statements 1 January – 31 December

Notes

3 Segment information

Activities – primary segment

DKK'000	Germany	Other European countries	North America	Other countries	Total
2019					
Revenue	412,474	101,522	18,467	1,493	533,956

DKK'000	Germany	Other European countries	North America	Other countries	Total
2018					
Revenue	414,532	114,898	12,798	994	543,222

DKK'000	2019	2018

4 Other operating income

Sales of development and research activites	2,679	6,320
Other operating income	896	1,356
	3,575	7,676

5 Staff costs

Wages and salaries	85,160	94,103
Pensions	7,017	7,361
Other social security costs	1,006	1,229
	93,183	102,693
Average number of full-time employees	184	209

"Wages and salaries" for 2019 include an amount of DKK 9,229 thousand regarding cost of recruitment agencies arising from the use of temporary workers (2018: DKK 10,792 thousand).

In accordance with section 98b (3) of the Danish Financial Statements Act, remuneration of the Board of Directors and Executive Board is not presented.

6 Financial income

DKK'000	2019	2018
Exchange adjustments	358	0
Exchange gains	511	743
	869	743

Financial statements 1 January – 31 December

Notes

DKK'000		2019	2018
7	**Financial expenses**		
	Interest expense to group entities	766	818
	Capital loss on securities measured at fair value	363	60
	Foreign exchange losses	473	0
	Other financial expenses	554	508
		2,156	1,386
8	**Tax on profit for the year**		
	Current tax for the year	1,644	2,494
	Deferred tax for the year	-19	-277
	Adjustment of deferred tax concerning previous yea	0	281
		1,625	2,498
9	**Proposed profit appropriation**		
	Retained earnings	5,604	7,557
		5,604	7,557

10 Intangible assets

DKK'000	Acquired patents
Cost at 1 January 2019	8,150
Transfers for the year	0
Cost at 31 December 2019	8,150
Amortisation and impairment losses at 1 January 2019	-7,747
Amortisation for the year	-259
Amortisation and impairment losses at 31 December 2019	-8,006
Carrying amount at 31 December 2019	144

Financial statements 1 January – 31 December

Notes

11 Property, plant and equipment

DKK'000	Land and buildings	Property, plant and equipment under construction	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	43,373	35,991	138,674	10,311	228,349
Additions for the year	4,188	0	336	16,609	21,133
Transfers for the year	0	-20,987	0	0	-20,987
Cost at 31 December 2019	47,561	15,004	139,010	26,920	228,495
Depreciation and impairment losses at 1 January 2019	-30,571	0	-84,348	-7,060	-121,979
Depreciation for the year	-2,579	0	-4,389	-3,058	-10,026
Depreciation and impairment losses at 31 December 2019	-33,150	0	-88,737	-10,118	-132,005
Carrying amount at 31 December 2019	14,411	15,004	50,273	16,802	96,490

12 Contributed capital

The contributed capital consists of 1 share of a nominal value of DKK 500 thousand.

All shares rank equally.

13 Deferred tax

DKK'000	31/12 2019	31/12 2018
Deferred tax at 1 January	4,906	5,183
Deferred tax adjustment for the year in the income statement	-19	-277
	4,887	4,906

14 Non-current liabilities other than provisions

All non-current liabilities other than provisions are due within 1-5 years.

Other payables

0-1 years	15,429	18,869
1-5 years	2,799	0
	18,228	18,869

Financial statements 1 January – 31 December

Notes

15 Fees to auditor appointed at the general meeting

DKK'000	2019	2018
Fees for statutory audit services	245	240
Tax advisory	48	47
Other services	53	52
	346	339

16 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company is jointly taxed with other Danish Group companies. As a wholly owned subsidiary, the Company is, together with other companies in the joint taxation, liable for all corporate taxes in the joint taxation.

Operating lease obligations

The Company has entered into operating leases with a remaining term of 36 months and an average monthly lease payment of DKK 87 thousand, totalling DKK 3,124 thousand.

17 Related party disclosures

BENTELER Automotive Tønder A/S' related parties comprise the following:

Control

BENTELER International Aktiengesellschaft, Schillerstrasse 25, 5020 Salzburg, Austria

BENTELER International Aktiengesellschaft holds the majority of the contributed capital in the Company.

BENTELER Automotive Tønder A/S is part of the consolidated financial statements of BENTELER International Aktiengesellschaft, Salzburg, Austria, which is the smallest and largest group, in which the Company is included as a subsidiary.

The consolidated financial statements of BENTELER International Aktiengesellschaft can be obtained by contacting the company at the above address.

Financial statements 1 January – 31 December

Notes

Related party transactions

	2019	2018
Revenue	197,365	121,088
Other operating income	2,679	6,320
Purchase of goods	6,778	3,530
Purchase of other services	9,995	14,165
Interest expense	766	818

Receivables from and payables to group entities are disclosed in the balance sheet, and expensed interest is disclosed in note 7.

18 Disclosure of events after the balance sheet date

On 11 March 2020, the World Health Organization declared the spread of the coronavirus infection a pandemic. In response to the potentially serious threat to public health posed by COVID-19, the state administration authorities of Denmark have taken measures to curtail the spread of the pandemic. Restrictions on the cross-border movement of people and restrictions on entry for foreigners have been introduced, and some industries have been temporarily shut down, and these measures are gradually being relaxed in response to the development in the pandemic.

Based on information publicly available as of the date of these financial statements, Management has assessed the possible development in the pandemic and its forecast impact on the Company and the economic environment in which it operates, including measures implemented by the Danish government.

The Company operates in the automotive industry, which is directly affected by the COVID-19 pandemic. The COVID-19 pandemic has a negative impact on the Company, its operations, financial situation and results of operations. Between mid March and end of May 2020, there was a significant decrease in the Company's sales prompted by declining demand from major European car makers. At the end of May, there was a recovery in demand for the Company's products iresulting from the receding COVID-19 pandemic in Europe. In order to ensure uninterrupted operations, protect the health of employees and ensure the Company's liquidity, Management has implemented a number of measures. These include in particular:

- Conclusion of an agreement with employee representatives (triparty agreement) on the use of short-time work from 10 March 2020 to 9 July 2020, and furthermore use of the Government's relieft packages to reduce salary costs of its workers.

- Budget recast in the form of a new outlook for 2020, reflecting projected reduction in sales and costs. In the new outlook, the Company expects a significant increase in production and sales from September 2020.

The Company is closely connected with other companies within the Group and is financially dependent on the Group. At group level, restructuring talks are taking place with creditors and banks with the aim of extending the existing financing of the Benteler Group. As of the date of the preparation of the financial statements, the negotiations were still ongoing.

The risk of breakdown of the ongoing negotiations on the financing of the Benteler Group, as well as the risk of non-fulfillment of the assumption of increased production and sales of the Company from September 2020, indicate a certain level of uncertainty, which may call into question the Company's ability to continue